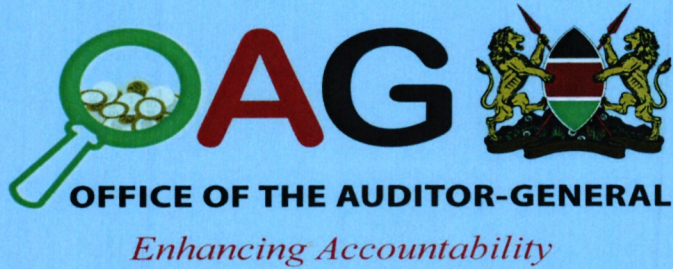


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# REPORT

PARLIAMENT  
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TABLED BY: LOM

CLERK-AT-TABLE: Moses Lemuna

ON

**THE AUDITOR-GENERAL**

**KENYA MARINE FISHERIES  
AND SOCIO-ECONOMIC DEVELOPMENT  
PROJECT (IDA CREDIT NO. V1310-KE)**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**STATE DEPARTMENT FOR FISHERIES,  
AQUACULTURE AND THE BLUE ECONOMY**





**KENYA MARINE FISHERIES AND SOCIO-ECONOMIC DEVELOPMENT PROJECT**

**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND IRRIGATION**

**STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY**

**PROJECT GRANT/CREDIT NUMBER V1310-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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**Prepared in accordance with the Cash Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

*Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

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## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The project's official name is KENYA MARINE FISHERIES & SOCIO-ECONOMIC DEVELOPMENT PROJECT.

**Objective:** The key objective of the project is to improve management of priority fisheries and Mari-culture and increase access to complementary livelihood activities in coastal communities.

**Address:** The project headquarters offices are Nairobi (city), Nairobi County, Kenya.

The address of its registered office is:

Kenya Fisheries Service  
P.O Box 48511-00100  
NAIROBI

The project also has offices/branches as follows:

- National Project Coordinating Unit

**Contacts:** The following are the project contacts

Telephone: 2716103/85  
E-mail: psfisheries@kilimo.go.ke

### 1.2 Project Information

Project Start Date:	Being Negotiated
Project End Date:	Being Negotiated
Project Manager:	The project manager is M/s Susan Imende
Project Sponsor:	The project sponsor is World Bank

### 1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Agriculture, Livestock and Fisheries Ministry.
Project number	V1310-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Still being developed

**Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020**

Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) The project is still at preparation advance stage.
Other important background information of the project	The project is still at preparation advance stage.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Still being developed
Project duration	The project is still at preparation advance stage.

#### 1.4 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya

Account No: 1000392142

#### 1.5 Auditors

The project is audited by the Kenya National Audit Office.

#### 1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Prof. Micheni Japhet Ntiba	Permanent Secretary	PHD,DBA,CBS	Accounting Officer
M/s Susan Imende	Project Coordinator		Overall supervision of the project Activities
Matthew M. Maweu	Project Accountant	Msc-(Finance)- Ongoing, BCom, CPA (K)	Maintaining books of account and preparation of Financial Reports

### 1.7 Funding summary

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 <sup>th</sup> June, 2020)		Undrawn balance to date	
	<i>Donor currency USD</i>	<i>KShs</i>	<i>Donor currency (USD)</i>	<i>KShs</i>	<i>Donor currency (USD)</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>LOAN SUMMARY</b>						
World Bank Loan	100,000,000	10,000,000,000	1,243,424	128,072,715	99,998,756,576	9,871,927,285
<b>Total Loans</b>	<b>100,000,000</b>	<b>10,000,000,000</b>	<b>1,243,424</b>	<b>128,072,715</b>	<b>99,998,756,576</b>	<b>9,871,927,285</b>
<b>Counter Part funds</b>						
Counter Part funds Government of Kenya	15,000,000	1,500,000,000	873,786	90,000,000	14,999,126,214	1,410,000,000
<b>Total Funding Summary</b>	<b>115,000,000</b>	<b>11,500,000,000</b>	<b>2,117,211</b>	<b>218,072,715</b>	<b>114,997,882,789</b>	<b>11,281,927,285</b>

### Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,
- Physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- Indicate the absorption rate for each year since the commencement of the project.
- List the implementation challenges and recommended way forward.

### 1.8 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

The project is still at its Preparation Advance stage.

## **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The project is still at preparation advance stage.

## **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Principal Secretary for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Principal Secretary for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The Principal Secretary for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Principal Secretary* for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were

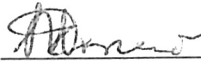
used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

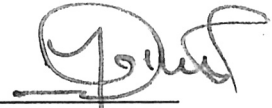
The Project financial statements were approved by the Principal Secretary for the State Department for Fisheries Aquaculture and the Blue Economy and the Project Coordinator for Kenya Marine Fisheries and Socio-Economic Development project on 30.09. 2020 and signed by them.



Principal Secretary  
Prof. Micheni Japhet Ntiba  
PhD, DBA, CBS



Project Coordinator  
Susan Imende



Project Accountant  
Matthew Maweu  
ICPAK-Member: 16723

*Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

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**5. REPORT OF THE INDEPENDENT AUDITORS ON THE KEMFSED PROJECT**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE FISHERIES AND SOCIO-ECONOMIC DEVELOPMENT PROJECT (IDA CREDIT NO. V1310-KE) FOR THE YEAR ENDED 30 JUNE, 2020 – STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kenya Marine Fisheries and Socio-Economic Development Project set out on pages 1 to 16, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flow and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Marine Fisheries and Socio-Economic Development Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Advance Agreement No. V1310-KE dated 9 January, 2018 for Preparation of the Proposed Kenya Marine Fisheries and Socio-Economic Development Project between the Republic of Kenya and the International Development Association (IDA); and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Marine Fisheries and Socio-Economic Development Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to communicate in my report in the year under review.

### **Other Matter**

#### **Budget Control and Performance**

The statement of comparative budget and actual amounts reflects actual receipts of Kshs.65,276,755 against a final budget of Kshs.110,000,000 resulting in underfunding of Kshs.44,723,245 or 41% of the budget. Similarly, Management spent Kshs.53,686,421 against the approved budget of Kshs.110,000,000 for the year then ended, resulting in an under expenditure of Kshs.56,313,579 or 51% of the budget. The Management has attributed the under expenditure and under-utilization of funds to Covid-19 restrictions.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards-Cash Basis and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**


**Nairobi**

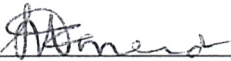
**24 December, 2020**

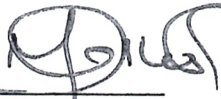
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

	Note	FY 2019/20		FY 2018/19		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
Receipts from Government of Kenya	9.3	30,000,000		60,000,000	-	90,000,000
Loan from External Development Partners	9.4	35,276,755	-	92,795,960	-	128,072,715
<b>TOTAL REVENUES</b>		<b>65,276,755</b>	<b>-</b>	<b>152,795,960</b>	<b>-</b>	<b>218,072,715</b>
<b>PAYMENTS</b>						
Purchase of goods and services	9.5	53,686,421	-	48,770,904	-	102,457,325
Acquisition of Non-financial Assets	9.6	-	-	4,234,950	-	4,234,950
Other grants and transfers and payments	9.7	-	-	70,832,914	-	70,832,914
<b>TOTAL PAYMENTS</b>		<b>53,686,421</b>	<b>-</b>	<b>123,838,768</b>	<b>-</b>	<b>177,525,189</b>
<b>SURPLUS/DEFICIT</b>		<b>11,590,334</b>	<b>-</b>	<b>28,957,192</b>	<b>-</b>	<b>40,547,526</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

  
Principal Secretary  
Prof. Micheni Japhet Ntiba  
PhD, DBA, CBS

  
Project Coordinator  
Susan Imende

  
Project Accountant  
Matthew Maweu  
ICPAK-Member: 16723

**Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

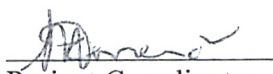
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020**

	Note	FY 2019/20	FY 2018/19
		Kshs	Kshs
Bank Balances	9.8	19,506,008	28,957,192
<b>Total Cash and Cash equivalents</b>		<b>19,506,008</b>	<b>28,957,192</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>19,506,008</b>	<b>28,957,192</b>
Fund balance b/fwd	9.9	28,957,192	-
Surplus / (deficit) for the year		11,590,334	28,957,192
Prior Year Adjustment	9.10	- 21,041,518	-
<b>NET FINANCIAL POSITION</b>		<b>19,506,008</b>	<b>28,957,192</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.09. 2020 and signed by:



Principal Secretary  
 Prof. Micheni Japhet Ntiba  
 PhD, DBA, CBS



Project Coordinator  
 Susan Imende



Project Accountant  
 Matthew Maweu  
 ICPAK-Member: 16723

**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**

	Note	2019- 2020	2018- 2019
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Receipts from Government of Kenya	9.3	30,000,000	60,000,000
		<b>30,000,000</b>	<b>60,000,000</b>
<b>Payments for operating expenses</b>			
Use of goods and services	9.5	53,686,421	48,770,904
Other Grants and Other Payments	9.7	-	(70,832,914)
		<b>53,686,421</b>	<b>119,603,818</b>
<b>Adjusted for:</b>			
Adjustments during the year		21,041,518	-
		-	-
<b>Net cashflow from operating activities</b>		<b>44,727,939</b>	<b>59,603,818</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-financial Assets	9.6	-	4,234,950
<b>Net cash flows from Investing Activities</b>		-	<b>(4,234,950)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Loan from External Development Partners	9.4	35,276,755	92,795,960
<b>Net cash flow from financing activities</b>		<b>35,276,755</b>	<b>92,795,960</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		-	-
		<b>9,451,184</b>	<b>28,957,192</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>28,957,192</b>	-
<b>Cash and cash equivalent at END of the year</b>		<b>19,506,008</b>	<b>28,957,192</b>

**Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.9. 2020 and signed by:



Principal Secretary  
Prof. Micheni Japhet Ntiba  
PhD, DBA, CBS



Project Coordinator  
Susan Imende



Project Accountant  
Matthew Maweu  
ICPAK-Member: 16723

**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

<b>Consolidated</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Utilisation Variance</b>	<b>% of Utilisation</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts/Payments Item</b>						
<b>Receipts</b>						
Receipts from Government of Kenya	60,000,000		60,000,000	30,000,000	30,000,000	50%
Loan from External Development Partners	70,000,000	20,000,000	50,000,000	35,276,755	14,723,245	71%
<b>Total Receipts</b>	<b>130,000,000</b>	<b>20,000,000</b>	<b>110,000,000</b>	<b>65,276,755</b>	<b>44,723,245</b>	<b>59%</b>
<b>Payments</b>						
Use of goods and services	130,000,000	20,000,000	110,000,000	53,686,421	56,313,579	49%
<b>Total Payments</b>	<b>130,000,000</b>	<b>20,000,000</b>	<b>110,000,000</b>	<b>53,686,421</b>	<b>56,313,579</b>	<b>49%</b>

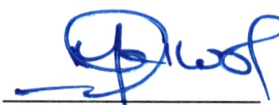
Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.



Principal Secretary  
Prof. Micheni Japhet Ntiba  
PhD, DBA, CBS



Project Coordinator  
Susan Imende



Project Accountant  
Mathew Maweu  
ICPAK-Member: 16723

## **10. NOTES TO THE FINANCIAL STATEMENTS**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **9.1. Basis of Preparation**

#### **9.1.1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

#### **9.1.2. Reporting entity**

The financial statements are for the Kenya Marine and Socio-Economic Development Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **9.1.3. Reporting currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

### **9.2. Significant Accounting Policies**

#### **a) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

##### **• Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

##### **• External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

### **Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

### **Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

#### **• Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

#### **b) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

#### **• Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

#### **• Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

#### **• Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

### **c) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

### **d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **f) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

### **g) Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**i) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

**j) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments.

During the year there were no loan disbursements received in form of direct payments from third parties.

**k) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Comparative figures**

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

**m) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

**n) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RECEIPTS FROM GOVERNMENT

9.3 OF KENYA

	2019/20	2018/19	Cumulative to Date	Cumulative Prior Year
	KShs	KShs	KShs	KShs
<i>Counterpart funding through State Department for Fisheries, Aquaculture and the Blue Economy</i>				
Counterpart funds Quarter 1			-	
Counterpart funds Quarter 2	30,000,000		30,000,000	
Counterpart funds Quarter 3		30,000,000	30,000,000	30,000,000
Counterpart funds Quarter 4		30,000,000	30,000,000	30,000,000
	<u>30,000,000</u>	<u>60,000,000</u>	<u>90,000,000</u>	<u>60,000,000</u>

LOAN FROM EXTERNAL

9.4 DEVELOPMENT PARTNERS

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					FY 2019/20	FY 2018/19
			KShs	KShs	KShs	KShs

*Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

Loans Received from Multilateral Donors (International Organisations)						
WORLD BANK	26th June 2020		35,276,755		35,276,755	92,795,960
<b>Total</b>		-	<b>35,276,755</b>	-	<b>35,276,755</b>	<b>92,795,960</b>

**9.5 USE OF GOODS AND SERVICES**

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
			KShs	KShs		
Domestic travel and subsistence			-	29,266,194.00	<b>29,266,194.00</b>	29,266,194
Printing, advertising and information supplies & services			-	921,200.00	<b>921,200.00</b>	921,200
Hospitality supplies and services			-	6,915,350.00	<b>6,915,350.00</b>	6,915,350
Other operating expenses	53,686,421.05		<b>53,686,421.05</b>	11,668,160.00	<b>65,354,581.05</b>	11,668,160
<b>Total</b>	<b><u>53,686,421.05</u></b>	=	<b><u>53,686,421.05</u></b>	<b><u>48,770,904.00</u></b>	<b><u>102,457,325.05</u></b>	<b><u>48,770,904</u></b>

9.6 ACQUISITION OF NON-FINANCIAL ASSETS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
			KShs	KShs		
Research, studies, project preparation, design & supervision			-	4,234,950	4,234,950	4,234,950
<b>Total</b>	=	=	=	<b><u>4,234,950</u></b>	<b><u>4,234,950</u></b>	<b><u>4,234,950</u></b>

9.7 OTHER GRANTS AND OTHER PAYMENTS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
			KShs	KShs		
Capital Grants to Govt. Agencies			-	70,832,914	70,832,914	70,832,914
<b>Total</b>	=	=	=	<b><u>70,832,914</u></b>	<b><u>70,832,914</u></b>	<b><u>70,832,914</u></b>

9.8	<b>CASH AND CASH EQUIVALENTS C/FWD</b>	<b>FY 2019/20</b>	<b>FY 2018/19</b>
		<b>KShs</b>	<b>KShs</b>
	Bank accounts (Note 6A)	19,506,008	28,957,192
	<b>Total</b>	<b><u>19,506,008</u></b>	<b><u>28,957,192</u></b>

<b>6 A Bank Accounts</b>	<b>FY 2019/20</b>	<b>FY 2018/19</b>
<b><u>Local Currency Accounts</u></b>		
Central Bank of Kenya [A/c No1000392142]	19,506,007.50	28,957,192.00
<b>Total local currency balances</b>	<b><u>19,506,007.50</u></b>	<b><u>28,957,192.00</u></b>
<b>Total bank account balances</b>	<b><u>19,506,007.50</u></b>	<b><u>28,957,192.00</u></b>

9.9	<b>CASH AND CASH EQUIVALENTS B/FWD</b>	<b>2019/20</b>	<b>2018/19</b>
		<b>KShs</b>	<b>KShs</b>
	Bank accounts	28,957,192	
	<b>Total</b>	<b>28,957,192</b>	<b>-</b>

9.1 0	<b>PRIOR YEAR ADJUSTMENT</b>	<b>2019/20</b>	<b>2018/19</b>
		<b>KShs</b>	<b>KShs</b>

*Reports and Financial Statements*  
*For the financial year ended June 30, 2020*

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Bank accounts	21,041,518	-
<b>Total</b>	<b>21,041,518</b>	<b>-</b>

*Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

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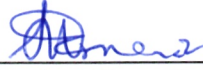
**10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S  
RECOMMENDATIONS**

There were no pending prior year auditor's recommendations.



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**Principal Secretary**  
Prof. Micheni Japhet Ntiba  
PhD, DBA, CBS



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**Project Coordinator**  
Susan Imende

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Date

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Date

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Utilisation Variance</b>	<b>% of Utilisation</b>	<b>Comments on Variance</b>
	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>	
<b>Receipts</b>					
Receipts from Government of Kenya	60,000,000	30,000,000	30,000,000	50%	Under-utilization was due to Covid 19 Restrictions
Loan from External Development Partners	50,000,000	35,276,755	14,723,245	71%	Under-utilization was due to Covid 19 Restrictions
<b>Total Receipts</b>	<b>110,000,000</b>	<b>65,276,755</b>	<b>44,723,245</b>	<b>59%</b>	
<b>Payments</b>					
Use of goods and services	110,000,000	53,686,421	56,313,579	49%	Under-utilization was due to Covid 19 Restrictions
<b>Total Payments</b>	<b>110,000,000</b>	<b>53,686,421</b>	<b>56,313,579</b>	<b>49%</b>	

**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)



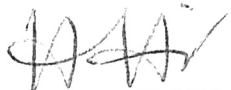
**REPUBLIC OF KENYA**  
**STATE DEPARTMENT FOR FISHERIES**  
**BANK RECONCILIATION STATEMENT**  
**KEMFSED PROJECT A/C 2019/2020 FINANCIAL YEAR**

**AS AT 30TH JUNE 2020 STATION R.1166**

Balance as per Bank Certificate  
LESS: -  
Payments in cash Book not yet  
recorded in Bank Statement  
LESS: -  
Receipts in Bank statement not yet  
recorded in Cashbook  
ADD: -  
Payments in Bank statement not yet  
recorded in Cashbook  
ADD: -  
Receipts in cash Book not yet  
recorded in Bank Statement  
Cashbook Balance

	27,461,795.50
7,955,788.00	
	7,955,788.00
	<b>19,506,007.50</b>

I certify that I have verified the Bank Balance in the Cashbook with the Bank statement and that the above Reconciliation is correct.

  
**HENRY O. ONDARA**  
**Principal Accounts Controller**

DATE.....15/07/2020.....





Prepared By  
Simon Kamau.....

91

6th July, 2020

BANKI  
KUU YA  
KENYA



CENTRAL  
BANK OF  
KENYA

Haile Selassie Avenue  
P.O. Box 60000 - 00200 Nairobi, Kenya  
Telephone: 2860000, Fax: 340192

# CERTIFICATE OF BALANCES

Customer : STATE DEPT F FISH,AQUQ,BLUE  
Balance 138670 ECON  
Date: 30-Jun-20

Account No	Account Name	Currency	Balance
1000384077	REC-STATE DEPT FOR FISH AQU BL ECON	KES	28,530,812.15
1000384085	DEV-STATE DEPT FOR FISH AQU BL ECON	KES	26,282,590.60
1000384093	DEP-STATE DEPT FOR FISH AQU BL ECON	KES	90,955,936.55
1000384107	CBK 165-STATE DEPT FISH AQU BL ECO	KES	0
1000387254	REV-STATE DEPT F FISH,AQUQ,BLUE EC	KES	148,988.00
1000392142	STATE DEPT F FISH,AQUQ,BLUE ECON	KES	27,461,795.50

L. K. KIPSANAI  
AUTHORISED SIGNATORY  
BANKING SERVICES DIVISION

J. W. NASIEKU(MS)  
AUTHORISED SIGNATORY  
BANKING SERVICES DIVISION

REPUBLIC OF KENYA

Date 14/7/2020

Report of the Board of Survey on the Cash and Bank Balances of

STATE DEPARTMENT OF FISHERIES, AQUACULTURE AND

THE BLUE ECONOMY – State Dept of Fish, Aquac, Blue Econ:-KES. A/c No. 1000392142

as at the close of

business on 30<sup>TH</sup> JUNE 2020

The Board, consisting of- (Names and Official titles)

MAURICE OKOTH - CHAIRMAN

JAMES KAGUNYA - MEMBER

AGNES BWIRE – MEMBER

Assembled at the office of STATE DEPT OF FISHERIES, AQUACULTURE, & THE BLUE ECONOMY - CASH OFFICE - MAJI HOUSE

at 10.00 am (time) on the 14/7/2020

Notes	(Shs.	NIL
Silver	Shs.	NIL
copper	Shs.	NIL
Cheques (as per details on reverse)	Shs.	NIL

It was observed that cheques amounting to Shs. NIL cts -NIL

had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes

The Cash Book reflected the following balances as at the close of business on the

Cash on hand	(Shs.	NIL
Bank balance	Shs.	19,506,007.50

The Bank Certificate of Balance showed a sum of Shs. 27,461,795.50

Twenty seven cts Fifteen (shs. NIL million four sixty one Thousand seven hundred and ninety five and fifty cents

Standing to the credit of the account on 30<sup>TH</sup> JUNE 2020

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank

Reconciliation Statement (F.O. 30) attached.

MAURICE O. OJOHA

Chairman



Date 14/7/2020



James Kagunya- Member  
Agnes Bwire-Member  
Members of the Board