

REPUBLIC OF KENYA



16 OCT 2018

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE STATE DEPARTMENT OF FISHERIES
AND THE BLUE ECONOMY REVENUE
STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2017**

*Paper Laid on the
Table of the House
by the Leader of
the Majority Party
on Tuesday
16th October 2018.*



16 OCT 2017

RECEIVER OF REVENUE
(MINISTRY OF AGRICULTURE LIVESTOCK AND FISHERIES)
STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

**STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Department for Fisheries & the Blue Economy (*Receiver of Revenue/Entity*) is under the Ministry of Agriculture, Livestock and Fisheries. At cabinet level, the State Department for Fisheries & the Blue Economy is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock and Fisheries, who is responsible for the general policy and strategic direction of the State Department for Fisheries & the Blue Economy. The *receiver of revenue* was appointed as a receiver on July, 27 2016

(b) Principal activities

The receiver of revenue collects revenue from 3540302 (Fishing Rights). The Revenue collected is remitted to the National Treasury in accordance with Section 81 (2) of the Public Financial Management (PFM) Regulations 2015 and used for funding government budget through exchequer.

(c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Cabinet Secretary – (Ministry of Agriculture, Livestock and Fisheries);
- Principal Secretary State Department for Fisheries & the Blue Economy;
- Directorate Aquaculture Technology Development;
- Directorate of Fisheries Policy Research and Regulations; and
- Directorate of Fisheries Resource Development and Marketing;

(d) Fiduciary Management

The key management personnel who held office during the financial period ended June 30 2017 and who have direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Prof. Micheni Japhet Ntiba, CBS
2.	Ag. Interim Director General Kenya Fisheries Service	Mrs. Susan Imende
3.	Ag. Director of Aquaculture Technology Development	Mr. Sammy Macharia
4.	Ag. Director of Fisheries Resource Development and Marketing	Ms. Lucy Obungu
5.	Principal Accounts Controller	CPA. Zaccheus Ndirangu
6.	Chief Finance Officer	CPA Johnson Wambugu
7.	Director Human Resource Management	Mr. Sylvester Bolo

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
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(e) Fiduciary Oversight Arrangements

Audit and Finance Committees

The State Department's Audit Committee has been active vide Treasury Circular No. 16/2005 dated 4th October, 2005 before introduction of PFM Act, 2012. However, during the period under review (2015/2016), the PFM Regulations covering the State Department's Audit Committee has been finalised and approved by Parliament for effective application as required.

Parliamentary Committee activities

The Ministry handled various issues both at the National Assembly and the Senate of Parliament:

- Statements	2
- Petitions	-
- Motions	-
- Workshops/Seminars	2
- Meetings with Departmental Committees	3

Senate

- Statements	1
- Petitions	-
- Motions	-
- Workshops/Seminars	-

Development Partner Oversight Committees

Kenya Coastal Development Project (KCDP) is a six year World Bank Funded project (2011 – 2016) focusing on promoting growth and reducing poverty among the coastal communities of Kenya. The project was financed by the World Bank at a cost of 40 Million US Dollars (IDA credit of 35 Million US dollars and GEF grant of 5 Million US Dollars).

(f) State Department for Fisheries Headquarters

P.O. Box 58187-00200
Kilimo House
Cathedral Road
Nairobi, Kenya

(g) Contacts

Telephone: (254) 2716103/85
E-mail: psfisheries@kilimo.go.ke
Website: www.kilimo.go.ke

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
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(h) Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P O Box 60000 - 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Moi Avenue
P O Box 48400 - 00100
Nairobi, Kenya

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 – 00200
Nairobi, Kenya

**STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
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FOR THE YEAR ENDED JUNE 30, 2017**

II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

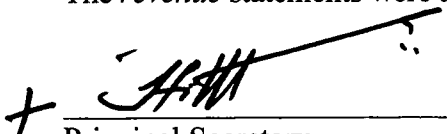
The Principal Secretary in charge of the State Department for Fisheries and the Blue Economy is responsible for the preparation and presentation of the *Receiver of Revenue account*, which gives a true and fair view of the state of affairs of the *Receiver of Revenue* for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

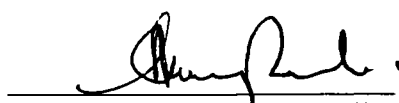
The Principal Secretary in charge of the State Department for Fisheries and the Blue Economy accepts responsibility for the *entity's Receiver of Revenue* accounts, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the *entity's Receiver of Revenue* account gives a true and fair view of the state of *entity's Receiver of Revenue* transactions during the financial year ended June 30, 2017, and of the *entity's* financial position as at that date. The Principal Secretary in charge of the State Department for Fisheries and the Blue Economy further confirms the completeness of the accounting records maintained for the *Receiver of Revenue*, which have been relied upon in the preparation of the *Receiver of Revenue* account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the State Department for Fisheries and the Blue Economy confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Principal Secretary confirms that the *Receiver of Revenue's* accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The *revenue* statements were approved and signed by the Principal Secretary on 29th September, 2017


Principal Secretary
Prof. Micheni Japhet Ntiba, CBS


Principal Accounts Controller
CPA. Zaccheus Ndirangu
ICPAK M/No: 4820



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE STATE DEPARTMENT OF FISHERIES AND THE BLUE ECONOMY REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE REVENUE STATEMENTS

Opinion

I have audited the accompanying revenue statements of State Department of Fisheries and the Blue Economy set out on pages 5 to 13, which comprise the statement of arrears in revenue as at 30 June 2017, and the statement of receipts and transfers and statement of comparison of 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 revenue statements present fairly, in all material respects, the arrears in revenue of State Department of Fisheries and the Blue Economy as at 30 June 2017, and its financial performance for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with the Fisheries Act, CAP 378 (Revised 2012).

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department of Fisheries and the Blue Economy in accordance with ISSAI 30 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.

Report of the Auditor-General on the Financial Statements of The State Department of Fisheries and the Blue Economy Revenue Statements for the year ended 30 June 2017

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance to the audit of the financial statements for the current year. There were no Key Audit Matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Receiver of Revenue is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the State Department of Fisheries and the Blue Economy ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government of Kenya intends to cease the operations of the State Department, or has no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the State Department's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's 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 going concern 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 State Department's ability to continue sustaining 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 State Department to cease sustaining 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 State Department 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

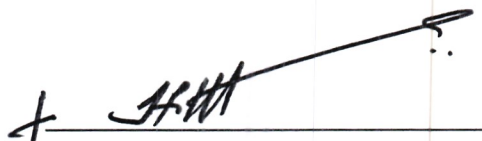
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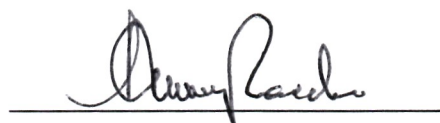
STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

III. STATEMENT OF RECEIPTS AND TRANSFERS

	Note	2016/17	2015/16
		Kshs	Kshs
NON TAX RECEIPTS			
Other Receipts	1	181,461,217	319,598,779
		181,461,217	319,598,779
TOTAL NON TAX RECEIPTS			
TOTAL RECEIPTS COLLECTED		181,461,217	319,598,779
TRANSFERS TO THE EXCHEQUER ACCOUNT		(182,943,217)	(322,590,023)
BALANCE BROUGHT FORWARD		1,482,000	4,473,244
BALANCE CARRIED FORWARD	2	-	1,482,000

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on **29th September, 2017** and signed by:


 Principal Secretary
 Prof. Micheni Japhet Ntiba, CBS



 Principal Accounts Controller
 CPA. Zaccheus Ndirangu
 ICPAK M/No: 4820


(Ref: PFM ACT section 82,2(a))

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2017

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2015 (a)	Amount in arrears for the immediate previous year to 30 June 2016 (b)	Amount in arrears for the current year to June 30 2017 (c)	Total arrears as at 30 June 2017	Measures taken to recover the arrears	Assessment to the recoverability of arrears
<u>Non Tax Revenues</u>						
Other	0	0	0	0		
Receipts						
Total arrears	0	0	0	0		
				(a+b+c)		


 Principal Secretary
 Prof. Micheni Japhet Ntiba, CBS


 Principal Accounts Controller
 CPA. Zaccheus Ndirangu
 ICPAK M/No: 4820

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2017

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
Non tax receipts					
Other Receipts	225,960,166	0	225,960,166	181,461,217	(44,498,949)
Total Non tax receipts	225,960,166	0	225,960,166	181,461,217	(44,498,949)
Total receipts	225,960,166	0	225,960,166	181,461,217	(44,498,949)

The undercollection was occasioned by the new Fisheries Act 2016 which was effective from September 2016. The rates applicable and the method of assessment was challenged by the stakeholders where it took a period of upto six months to agree on way of licencing.

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

VI. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *entity*.

2. Recognition of Revenue

The *entity* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *entity*.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included as part of notes to these financial statements.

4. 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.

5. Revenue in Arrears

This relates to revenue due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Comparative Figures

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

7. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2017.

8. Statement of Arrears of Revenue

The statement of arrears of revenue is not a requirement as per the IPSAS Cash Standard. The IPSAS Cash Standard encourages disclosure of accrual based balances since it's a transitional standard to accrual basis of accounting. The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements.

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

VII. NOTES TO THE FINANCIAL STATEMENTS

1. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

Description	2016-2017	2015-2016
	Kshs	Kshs
Miscellaneous Revenue (Fisheries Licences)	181,461,217	319,598,779
Total Revenue	181,461,217	319,598,779
Balance brought forward	1,482,000	4,473,244
Transfers to the Exchequer account	(182,943,217)	(322,590,023)
Balance carried forward	-	1,482,000

The decrease from prior year was occasioned by the new Fisheries Act 2016 which was effective from September 2016. The rates applicable and the method of assessment was challenged by the stakeholders where it took a period of upto six months to agree on way of licencing.

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. BALANCES CARRIED FORWARD

<u>Amount</u>	<u>Date transferred</u>
a) <u>Balance carried forward subsequently transferred</u>	
0	N/A
b) <u>Balance carried forward yet to be transferred</u>	
0	N/A
0	

There was no balance carried forward in the year under review.

STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

Name of person / organisation benefitting from waiver / variation	Year in which waiver / variation relates	Amount of variation / waiver	Reasons for waiver / variation	The law in terms of which the variation was granted
N/A	N/A	N/A	N/A	N/A


(This relates to a receiver of revenue that has granted a giver/ remitter of revenue waiver or discount on the revenue to be submitted. Where no waiver has been given, state so under this statement)


(PFM ACT section 82 sub section 4, 5)

VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Revenue There was no information or documentary evidence to confirm the number of vessels, the rate of fees and other levies on these vessels to support the revenue collected	The information was prepared and made available to the auditors.	Ag. Director General, Kenya Fisheries Services	Yet to be resolved	31 st October, 2017
2	Unsupported Remittance There was no documentary evidence provided to support the remittance of June 2016 balance brought forward KShs 4,473,244 to the Exchequer.	The remittance has been accounted for in a different year of collection and documents have been provided to the auditor.	Principal Accounts Controller	Yet to be resolved	31 st October, 2017


 Principal Secretary
 Prof. Micheni Japhet Ntiba, CBS


 Principal Accounts Controller
 CPA. Zaccheus Ndirangu
 ICPAK M/No: 4820