

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

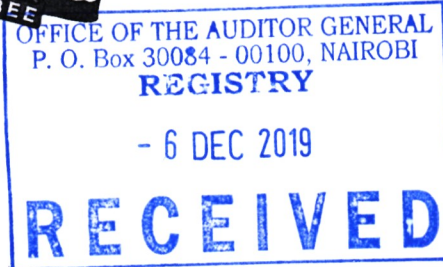
**KENYA MARINE FISHERIES AND
SOCIO-ECONOMIC DEVELOPMENT
PROJECT (IDA CREDIT NO. V1310-KE)**

**FOR THE YEAR ENDED
30 JUNE, 2019**

**MINISTRY OF AGRICULTURE, LIVESTOCK
AND FISHERIES**

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: *Thu* 20 JUL 2020
DAY:
LED
Leader of Maganby
Rivas Sandi
TABLE:

(REVISED)



KENYA MARINE FISHERIES AND SOCIO-ECONOMIC DEVELOPMENT PROJECT

STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY

MINISTRY OF AGRICULTURE LIVESTOCK AND FISHERIES

PROJECT GRANT/CREDIT NUMBER V1310-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	1
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	4
3. REPORT OF THE INDEPENDENT AUDITORS ON THE KEMFSED PROJECT.....	6
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2019.....	7
5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2019	8
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019.....	9
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	11
8. NOTES TO THE FINANCIAL STATEMENTS	12

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

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

Objective: The key objective of the project is to improve management of priority fisheries and mariculture 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: (254) 0202716103
E-mail: kefs@kilimo.go.ke
Website: www.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.
Achievement of	The project management aims to achieve the goals through the following

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

strategic goals	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

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
Susan Imende	Project Coordinator		Overall supervision of the project activities
Mathew Maweu	Project Accountant	CPA(K)	Maintaining books of account and preparation of Financial Reports

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

1.7 Funding summary

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30.06.2019)		Undrawn balance to date - (30.06.2019)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
World Bank	2,000,000.00	200,000,000.00	503,997.70	50,988,970.00	1,093,008.42	110,000,000
(ii) Counterpart funds						
Government of Kenya	600,000.00	60,000,000.00	600,000.00	60,000,000.00	0	0
Total	2,600,000.00	260,000,000.00	1,103,997.70	110,988,970.00	1,093,008.42	110,000,000

1.8 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.

1.9 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

KEMFSED

Reports and Financial Statements

For the financial year ended June 30, 2019

2. 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, 2019. 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.

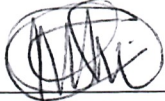
The *Principal Secretary* for the State Department for Fisheries Aquaculture and The Blue Economy and the *Project Coordinator* for **Kenya Marine Fisheries and Socio-Economic Development project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2019, and of the Project's financial position as at that date. The *Principal Secretary* for State Department for Fisheries Aquaculture and The Blue Economy and the *Project Coordinator* for **KEMFSED 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.

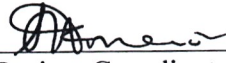
Approval of the Project financial statements

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

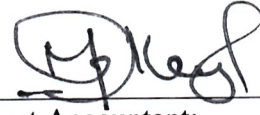
The Project financial statements were approved by the *Principal Secretary* for the State Department for Fisheries Aquaculture and The Blue Economy and the *Project Coordinator* for **Kenya Marine Fisheries and Socio-Economic Development project** on _____ 2019 and signed by them.



Principal Secretary
Prof. Micheni Japhet Ntiba, CBS



Project Coordinator
Susan Imende



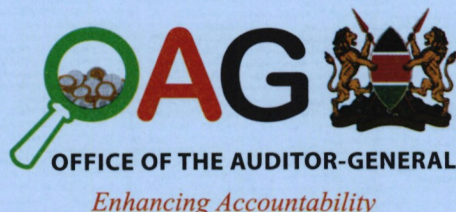
Project Accountant:
Mathew Maweu
ICPAK Member Number: 16723

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

3. REPORT OF THE INDEPENDENT AUDITORS ON THE KEMFSED PROJECT

REPUBLIC OF KENYA

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



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, 2019 – MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

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 7 to 19, which comprise the statement of financial assets as at 30 June, 2019, and the statement of receipts and payments, statement of cash flow and 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 Kenya Marine Fisheries and Socio-Economic Development Project as at 30 June, 2019, 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 Kenya Marine Fisheries and Socio-Economic Development Project 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.

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, 2019 – Ministry of Agriculture, Livestock and Fisheries

Emphasis of Matter

Receipts through the Special Account

The statement of receipts and payments for the year ended 30 June, 2019 reflects proceeds from domestic and foreign grants which include Kshs.50,988,970 paid to the Project through the special account controlled by the entity. However, the special account statement shows withdrawals and disbursements to the project during the year totalled Kshs.30,387,623. The difference amounting to Kshs.20,151,347 between the two sets of records has not been explained.

My opinion is not modified in respect of this matters.

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. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects actual receipts of Kshs.152,795,960 against a budget of Kshs.180,988,970 resulting to underfunding of Kshs.28,193,010 or 16%. However, the Project spent an amount of Kshs.123,838,769 against the approved budget of Kshs.169,999,296 resulting to an under expenditure of Kshs.46,160,527 or 72% of the budget. The Management has attributed the under expenditure to delay in the submission of payment certificate by consultants, delayed Exchequer releases and slow procurement process.

In the circumstances, the citizens have not received the services as planned.

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 else 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 else 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 processes and systems of internal control, risk management and 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 sustain 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 entity 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 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 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 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 Project's ability 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 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 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 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

18 September, 2020

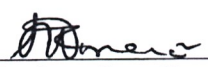
KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

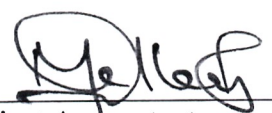
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2019

	Note	2018/2019		2017/2018		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	8.3	60,000,000	-	-	-	60,000,000
Proceeds from domestic and foreign grants	8.4	50,988,970	41,806,990	-	-	92,795,960
TOTAL RECEIPTS		110,988,970	41,806,990			152,795,960
PAYMENTS						
Purchase of goods and services	8.8	6,963,915	41,806,990			48,770,905
Acquisition of non-financial assets	8.10	4,234,950	-	-	-	4,234,950
Transfers to other government entities	8.11	70,832,914	-	-	-	70,832,914
TOTAL PAYMENTS		82,031,779	41,806,990			123,838,769
SURPLUS/(DEFICIT)		28,957,191	-			28,957,191

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


 Principal Secretary
 Prof. Micheni Japhet Ntiba, CBS


 Project Coordinator
 Susan Imende


 Project Accountant:
 Mathew Maweu
 ICPAK No: 16723

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.13A	28,957,192	-
Total Cash And Cash Equivalents		28,957,192	-
TOTAL FINANCIAL ASSETS		28,957,192	-
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits		-	-
NET FINANCIAL ASSETS		28,957,192	-
REPRESENTED BY			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/Deficit for the year		28,957,191	-
NET FINANCIAL POSSITION		28,957,191	-

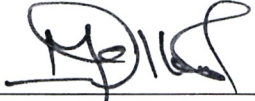
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ September 2019 and signed by:



 Principal Secretary
 Prof. Micheni Japhet Ntiba, CBS



 Project Coordinator
 Susan Imende



 Project Accountant:
 Mathew Maweu
 ICPAK No: 16723

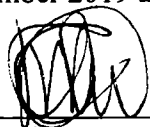
KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	8.3	60,000,000	-
		60,000,000	-
Payments for operating expenses			
Use of goods and services	8.8	48,770,905	-
Transfers to Other Government Units	8.11	70,832,914	-
		119,603,819	-
Adjusted for:			
Changes in receivables		-	-
Changes in payables		-	-
Adjustments during the year		-	-
		-	-
Net cashflow from operating activities		59,603,819	-
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.10	(4,234,950)	-
Net cash flows from Investing Activities		(4,234,950)	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.5	92,795,960	-
Net cash flow from financing activities		92,795,960	-
NET INCREASE IN CASH AND CASH EQUIVALENT		28,957,191	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		28,957,191	-

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

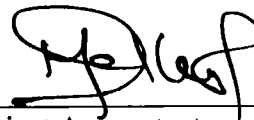
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ September 2019 and signed by:



Principal Secretary
Prof. Micheni Japhet Ntiba, CBS



Project Coordinator
Susan Imende



Project Accountant:
Mathew Maweu
ICPAK No: 16723

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget	Remarks
a	b	c=a+b	d	e=c-d	f=d/c %		
RECEIPTS							
Exchequer releases	60,000,000	0	60,000,000	60,000,000	0	100%	
Proceeds from Domestic Borrowings	0	50,988,970	50,988,970	50,988,970	0	100%	
Proceeds from Foreign Borrowings	0	70,000,000	70,000,000	41,806,990	28,193,010	60%	i
Total Receipts	60,000,000	120,988,970	180,988,970	152,795,960	28,193,010	84%	
Payments							
Use of goods and services	36,929,241	14,070,055	50,999,296	48,770,905	2,228,391	96%	
Transfers to Other Government Units	0	110,000,000	110,000,000	70,832,914	39,167,086	64%	ii
Acquisition of Assets	0	9,000,000	9,000,000	4,234,950	4,765,050	47%	iii
Grand Total	36,929,241	133,070,055	169,999,296	123,838,769	46,160,527	73%	
Surplus/Deficit	23,070,759	(12,081,085)	10,989,674	28,957,191	(17,967,517)		

Remarks

(i) There underutilisation of Proceeds from Foreign Borrowings was occasioned by delay in submission of payment certificates by the various consultants.

(ii) The underutilisation of Transfers to other Govt. units was occasioned by lack of issuance of exchequer

(iii) The underutilisation of Acquisition of assets was occasioned by delay in procurement processes during the financial year


Principal Secretary

Prof. Micheni Japhet Ntiba, CBS


Project Coordinator

Susan Imende


Project Accountant:

Mathew Maweu
ICPAK No: 16723

8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. 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.

8.1.2. Reporting entity

The financial statements are for the KEMFSED Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

8.1.3. 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.

8.2. 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.

KEMFSED

Reports and Financial Statements

For the financial year ended June 30, 2019

• 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) 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.

g) 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.

h) 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 Kshs 41,806,990 Million being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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 recognised in the statements of receipts and payments.

j) 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.

k) 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, 2019.

l) 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.

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

Description	Reference of the transfer	Date of transfer	2018-2019	2017-2018
			Kshs	Kshs
Total Exchequer Releases for quarter 1			-	-
Total Exchequer Releases for quarter 2			-	-
Total Exchequer Releases for quarter 3			30,000,000	-
Total Exchequer Releases for quarter 4			30,000,000	-
TOTAL			60,000,000	-

8.4 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

			2018-2019	2017-2018
			Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer			50,988,970	
Foreign Borrowing - Direct Payments			41,806,990	
TOTAL			92,795,960	-

8.8 PURCHASE OF GOODS AND SERVICES

			2018-2019	2017-2018
			Kshs	Kshs
Domestic travel and subsistence			29,266,194	-
Printing, advertising and information supplies & services			921,200	-
Hospitality supplies and services			6,915,350	-
Other operating expenses			10,658,162	-
Fuel Oil and Lubricants			1,009,998	-
TOTAL			48,770,905	-

KEMFSED
Reports and Financial Statements
For the financial year ended June 30, 2019

8.11 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description			2018-2019	2017-2018
			Kshs	Kshs
Transfers to National Government entities				
Capital Grants to Government Agencies			70,832,914	
TOTAL			70,832,914	-

8.10 ACQUISITION OF NON FINANCIAL ASSETS

			2018-2019	2017-2018
			Kshs	Kshs
Non Financial Assets				
Research, Studies, Project Preparation, Design & Supervision			4,234,950	
Sub Total			4,234,950	-
TOTAL			4,234,950	-

8.13A Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2018-2019	2017-2018
				Kshs	Kshs
Central Bank of Kenya, 1000392142, KShs			1	28,957,192	
Total	-			28,957,192	-

KEMFSED

Reports and Financial Statements

For the financial year ended June 30, 2019

APPENDICES

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. Special Deposit Account(s) reconciliation statement(s)