

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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BY:

Hon Owen Bayo, MP

Deputy Leader, majority party

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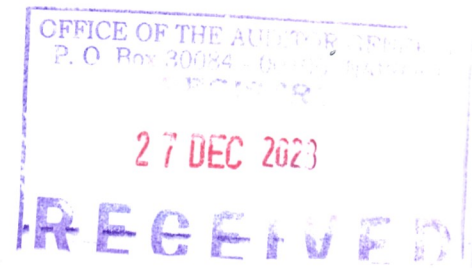
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ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**



MINISTRY OF MINING, BLUE ECONOMY AND MARITIME AFFAIRS

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

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1. Acronyms and Glossary of Terms

Provide a list of acronyms and glossary of terms used in your report.

e.g.:

| | |
|-------|--|
| AIE | Authority to Incur Expenditure |
| CFO | Chief Finance Officer |
| HAU | Head of Accounting Unit |
| IPSAS | International Public Sector Accounting Standards |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| PFM | Public Finance Management |

2. Key Entity Information and Management

(a) Background information

The *State Department for the Blue Economy and Fisheries* was established vide Executive Order No. 1 of 2023 under the Ministry of Mining, Blue Economy and Maritime Affairs. At cabinet level, the *State Department* is represented by the Cabinet Secretary, who is responsible for the general policy and strategic direction of the *State Department*.

Vision Statement

A regional leader in governance and development of the fisheries resources, aquaculture and the blue economy

Mission Statement

To facilitate sustainable management and development of fishery resources, aquaculture and the blue economy for accelerated socio- economic development.

Mandate

The State Department is mandated to coordinate the development of policy, legal, regulatory and institutional framework for fisheries resources, aquaculture and the blue economy management and development

Core Values

In order to fulfil its mandate and realize its vision and mission, State Department's operation is guided by the following principles: -

- i. Integrity;
- ii. Reliability;
- iii. Team Spirit;
- iv. Meritocracy;
- v. Fairness and equity;
- vi. Transparency;
- vii. Professionalism; and
- viii. Accountability.

Core Functions

- i. Co-ordination of the development of national oceans and blue economy strategy and policy;
- ii. Co-ordination of fisheries and aquaculture policy;
- iii. Co-ordination of the development of policy, legal, regulatory and institutional framework for the fisheries industry and the Blue Economy;
- iv. Drive sustainable transformation and diversification of the ocean's economy by promoting research and innovation;
- v. Increase local participation and investment in the blue economy by promoting through private sector engagement and partnerships;
- vi. fisheries marketing policy;
- vii. Promote fish consumption;

- viii. Development of fisheries; promote fish consumption;
 - ix. Fish quality assurance;
 - x. Enhancement of technical co-operation with partner states;
 - xi. Management and licensing of local and foreign fishing trawlers in Kenya waters;
 - xii. Overall policy for exploitation of agro-based marine resources;
 - xiii. Policy on development of fishing ports and associated infrastructure;
 - xiv. Capacity building for Sustainable Exploitation of agro-based marine resources;
 - xv. Protection of aquatic ecosystems; and
- Promotion of Kenya as a centre of Aquaculture, and economic development-oriented fisheries research.

(b) Key Management

The *State Departments*' day-to-day management is under the following key organs:

- The Principal Secretary;
- Directorate of Aquaculture Technology Development;
- Directorate of Fisheries Policy Research and Regulations; and
- Directorate of Fisheries Resource Development and Marketing

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|---|-------------------------|
| 1. | Accounting Officer | Ms. Betsy Muthoni Njagi |
| 2. | Fisheries and the Blue Economy Secretary | Mr. Rodrick Kundu |
| 3. | Ag. Director Fisheries Management and Development | Ms. Rebecca Muritu |
| 4. | Ag. Director Blue Economy Development | Dr. Davies Makilla |

(d) Fiduciary Oversight Arrangements

a) Audit and Finance Committees

The State Departments' Audit Committee has been active vide Treasury Circular No.16/2005 dated 4th October, 2005 before introduction of PFM Act, 2012. However, during the Financial Year 2021/18, the PFM Regulations covering the State Departments' Audit Committee was finalised and approved by Parliament for effective application as required.

b) Parliamentary Committee activities

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

National Assembly – Agriculture, Livestock and Fisheries Committee

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

Senate

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

c) *Development partner oversight activities*

IFAD and The World Bank, through IDA provide implementation support missions that occur at least twice a year. An aide-memoire is developed from these missions by both IFAD and IDA, in agreement with the National Project Coordinating Unit, before being shared with the Kenyan Government through The National Treasury.

(e) Entity Headquarters

P.O. Box 58187-00200
Work Building
Ngong Road
Nairobi, KENYA

Entity Contacts

Telephone: (254) 2718870

E-mail: ps@blueeconomy.go.ke

Website: www.mibema.go.ke

(f) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

(g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

(h) Principal Legal Adviser

The Attorney General
State Law Office & Department for Justice.
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Statement of Governance

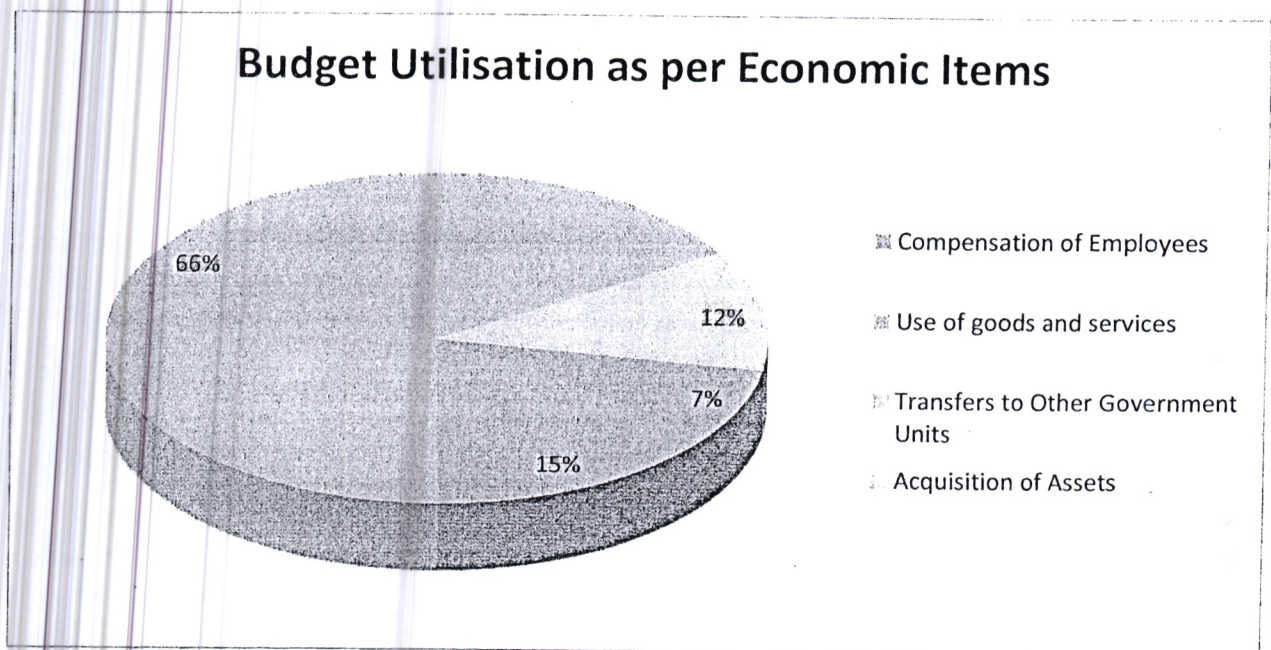
The State Department for the Blue Economy and Fisheries is responsible for the governance of activities related to the blue economy and fisheries jurisdiction.

1. **Leadership Structure:** The top management of the State Department include: -
 - Cabinet Secretary: Hon Salim Mvurya, EGH
 - Principal Secretary: Betsy Muthoni Njagi
2. **Management Committees:** The State Department has two major management committees, namely the Administration Committee and the Technical Committee. The Administration Committee's membership is drawn from the Planning, Finance, HRM&D, Accounts, Legal, and Procurement Divisions. The Technical Committee's membership is drawn from the Directorate of Blue Economy Development and the Directorate of Fisheries and Aquaculture Development. The main role of these committees is to provide an overview of the implementation of the State Department's mandate as stipulated in Executive Order No. 1 of 2023, which established the State Department.
3. **Audit Committee:** The audit committee is responsible for ensuring financial transparency and accountability within the State Department. It is formed in accordance with relevant regulations and consists of qualified individuals from the Internal Audit Unit. The composition of the committee members includes members with expertise in finance, audit, and governance. The committee holds regular meetings to review financial reports and audit findings.
4. **Risk Management, compliance and Conflict of Interest:** The State Department has established robust risk management processes to identify, assess, and mitigate potential risks. Compliance with relevant laws and regulations is a top priority. Conflict of interest policies are in place to ensure that all employees and leaders act in the best interest of the State Department and the public.
5. **Training and Development in Governance:** Key leadership regularly participates in training and development programs related to governance. These programs are designed to enhance their knowledge and skills in effective governance, leadership, and ethical conduct.
6. **Public Participation Activities:** The State Department actively engages with the public through various means, such as public forums, consultations, and surveys, to ensure that their views and concerns are considered in decision-making processes.
7. **Compliance with Laws and Regulations:** The State Department is committed to adhering to all relevant laws and regulations governing the blue economy and fisheries sector. Regular audits and assessments are conducted to ensure compliance.

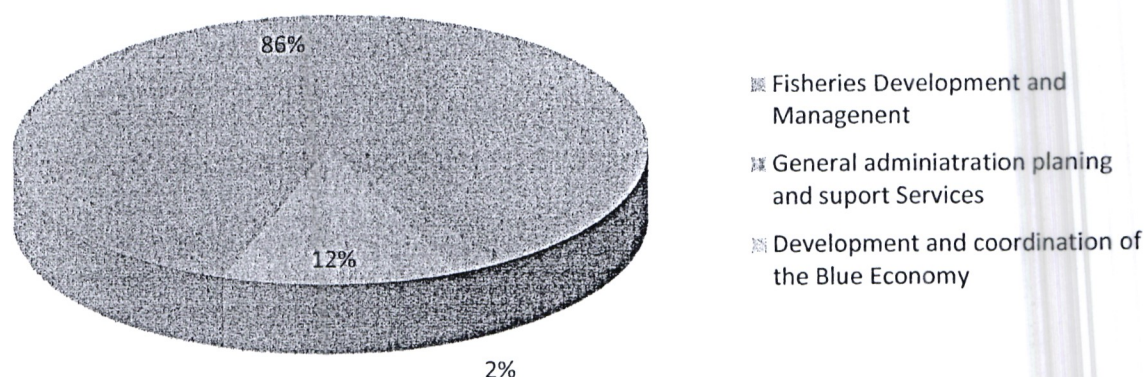
4. Statement by the Cabinet Secretary/Chairman Statement

The State Department for the Blue Economy and Fisheries under the Ministry of Mining, Blue Economy and Maritime Affairs continued to implement its Strategic Plan (2018-2022) with the goal of ensuring sustainable utilization of fisheries resources in natural water bodies and expanding fish farming through technology development and transfer. The State Department's approved budget for Financial Year 2022/23 was Kshs 6,670,435,161 out of which total payments for the year amounted to Kshs. 6,567,924,520 representing absorption of 91 per cent. As a result, a total of Kshs 102,510,641 of the allocated budget was not utilized.

The budget performance by economic classification is as depicted in Figure 1 below:



Budget Utilisation as per Programme



The Annual Financial Statements (AFS) provide a detailed assessment of the composition, allocation, and utilisation of funds covering the Financial Year 2022/23. The Annual Financial Statements assess the extent to which targets set were achieved and the underlying reasons for non-achievement of some targets. The information contained in this report, was extracted from records relating to budget implementation as well as through discussions with key staff involved in programme implementation during the review period.

1.0 Background

- 1.1 The development of the Blue Economy and Fisheries Value chain is necessary for inclusive economic growth as espoused in the Kenya Kwanza Bottom Up Economic Transformation Agenda.
- 1.2 It is necessary to increase fish production, reduce post-harvest losses, promote value addition, and ensure organized handling, preparation and processing of fish and access to inputs and supporting infrastructure and;
- 1.3 To promote aquaculture (fresh water and Marine) by providing requisite facilities and equipment for demonstration and incubation, to facilitate training, research and innovation.
- 1.4 We are revising the Kenya Fisheries Policy and developing regulations operationalize the Fisheries Management and Development Act 2016. We are also developing the Blue Economy Strategy, the Marine Spatial Plan for the Kenyan part of the Indian Ocean and Spatial plan in relation to Cage Culture Suitability in Lake Victoria

2.0 Fish Landing Site Infrastructure

- 2.1 Fish Landing site infrastructure are being developed to reduce fish post-harvest losses and promote value addition

2.2 The infrastructure are equipped with cold storage, ice plant and fish handling and processing area. The completed landing sites are:

2.3 The following landing sites have been completed

- a) Sori in Migori County
- b) Luanda K'Otieno in Siaya County
- c) Kichwa cha Kati in Kilifi County
- d) Ngomeni fish Landing site in Kilifi County
- e) Mulukhoba Fish Landing site in Busia County
- f) Gazi fish Landing site in Kwale county

3.0 Fish Markets

3.1 We are developing two fish markets. The construction of two Fish Markets were terminated; the documentation for completion are being processed. The markets are:

- a) Likoni Fish Market in Mombasa County
- b) Malindi Fish Market in Kilifi County

3.0 Liwatoni Ultra Modern Fish Processing Hub In Mombasa County

3.1 The Liwatoni Ultra-Modern Fish Processing Hub is under development to encourage fish landings from Marine waters for processing and value addition thus creating jobs, providing food and nutrition security and generating revenues for the government.

3.2 Phase 1 of the project is under development

3.3 Phase 2 will be completed through Public Private Partnership (PPP).

4.0 Aquaculture Business Development Programme (Abdp)

4.1 ABDP is an eight-year project funded by the Government in partnership with International Fund Agriculture Development (IFAD)

4.2 To increase incomes, food security and nutritional status of the rural poor households through fish farming.

Beneficiaries: Rural communities in 15 counties in Western Central and Eastern region (Busia, Kakamega, Siaya, Homa Bay, Migori, Kisumu, Kisii, Nyeri, Kirinyaga, , Kiambu, Meru, Embu, Tharaka Nithi, Machakos, and Kajiado).

5.0 Kabonyo Regional Fisheries and Aquaculture Centre Of Excellence In Kisumu County

5.1 We are developing of Kabonyo Fisheries and Aquaculture Centre of excellence to increase food and nutrition security, promote research, innovation and technology in fisheries and aquaculture development.

5.2 The centre will produce fresh water fish seed and includes adoption, domestication and selective breeding of fish to increase the number of cultured species available to small- and large-scale farmers. It will be a seed multiplication and selective breeding centre.

5.3 The project will be implemented in two phases. Phase I of the project is funded by the Government of Hungary under Tied Aid Agreement.

5.4 The contract has been awarded. Awaiting signature of the Financial Agreement.

6.0 National Mariculture Resource and Training Centre at Shimoni Kwale County.

6.1 The contract was terminated and costs arising paid. The World bank through Kenya Marine Fisheries Socioeconomic project (KEMSFED) will fund completion of the project.

6.2 The centre will undertake marine fish research and innovation, seed breeding and multiplication for mariculture and provide training for fish farmers and students in mariculture

7.0 Sagana Aquaculture Center of Excellence In Kirinyaga County

7.1 The project is ongoing. Sagana is a warm water fish breeding and multiplication centre. It houses a resource centre equipped with laboratories and facilities for research and innovation, aquaculture technology transfers and training

Implementation Challenges

The key challenges encountered in budget implementation were: inadequate staff and skills for fish quality assurance; inadequate capacity and skills for management of deep sea fisheries; lack of an integrated policy framework for development of the Blue Economy; delays in uploading of development budget in the IFMIS and unpredictability in disbursement of exchequer.

Steps to address the challenges

To address the aforementioned challenges, the State Department took proactive steps by recruiting a dedicated team of 69 highly skilled technical staff members to bolster the capabilities of the technical wing within the State Department. The primary objective behind this strategic move was to effectively tackle the growing concerns related to food security and the intricate management of the entire food supply chain, encompassing not only the production and distribution of fish but also various fish-related products along the comprehensive fish value chain.

The overarching goal of this initiative was to ensure that safe, sufficient, and nutritionally valuable food remains consistently available, accessible, and affordable for all our citizens. By assembling this specialized team of technical experts, the State Department aims to leverage their expertise to enhance our nation's ability to safeguard food security, thereby addressing a fundamental aspect of our citizens' well-being and contributing to the overall prosperity and resilience of our society.

Recommended Way Forward

The following recommendations are important based on the implementation of fisheries programmes and projects:

- i. It is important that planned activities receive adequate funding as scheduled to ensure successful implementation of the same;

- ii. There is need for The National Treasury to ensure timely uploading of development budget to enhance efficiency and effectiveness in implementation of programmes and projects;
- iii. Participatory monitoring and evaluation of programmes and projects including mid-term and terminal review is key to effective delivery of desired outputs and outcomes; and
- iv. It is crucial for the National Treasury to ensure that disbursement of the exchequer is in line with the approved cash flow plans to minimize disruptions and delays in implementation of projects and programmes.

HON. SALIM MVURYA, EGH

CABINET SECRETARY

MINISTRY OF MINING, BLUE ECONOMY AND MARITIME AFFAIRS

5. Statement by the Principal Secretary / Accounting Officer

Kenya's Blue Economy Sector is dedicated to sustainably managing, conserving, and developing aquatic and marine resources to enhance socio-economic benefits for its citizens. It encompasses various sectors, including fisheries, aquaculture, tourism, transport, shipbuilding, energy, bio prospecting, and underwater mining.

Abundant Maritime Resources: Kenya boasts significant coastal and maritime resources, with a vast Exclusive Economic Zone (EEZ) covering 142,000 km². Its marine waters are home to substantial tuna stocks, estimated to yield annual revenues of up to \$150 million, with potential links to wealth creation, employment, food security, and manufacturing sectors.

Fisheries Contribution: The fisheries sub-sector plays a vital role in Kenya's economic and social development, directly supporting 500,000 people and indirectly impacting 2 million. Despite fluctuations, its contribution to GDP has generally increased, reaching 0.7% in 2021.

Fish Production and Exports: Fish landings have seen growth, with 173,629 metric tonnes of fish valued at Kshs. 31,062 million in 2022. Fish and fish product exports exceeded targets, reaching Kshs. 2.8 billion in 2020, driven by demand in Europe and China, supported by domestic deep-sea fisheries development.

Key achievements for the State Department the Blue Economy and Fisheries on Flagship Programs:

1. Development of the Blue Economy Programme:

- Objective: Sustainable management and development of Blue Economy resources.
- Achievements (2022/2023): Training for 875 deep-sea fishers, development of critical regulations, initiation of the National Marine Spatial Plan, and stakeholder consultations.
- Challenges: Policy integration, legislative gaps, and training facility limitations.
- Recommendations: Enhance policies, training facilities, funding, and technology utilization.

2. Fisheries and Maritime Infrastructure Development Programme:

- Objective: Provide infrastructure for sustainable Blue Economy exploitation.
- Achievements (2022/2023): Completion of fish landing sites.
- Challenges: Late budget releases and monitoring.
- Recommendations: Enhance stakeholder cooperation and monitoring systems.

3. Exploitation of Living Resources under Blue Economy Programme:

- Objective: Increase socio-economic benefits from EEZ and aquaculture.
- Achievements (2022/2023): Licensing of fishing vessels and fingerling stocking.
- Challenges: Capacity and skills, policy framework, funding delays, and natural disasters.
- Recommendations: Adequate funding and timely disbursement.

4. Aquaculture Business Development Programme (ABDP):

- Objective: Enhance incomes and food security in aquaculture.
- Achievements (2022/2023): Fingerling stocking and support for level 1 farmers.

- Challenges: Donor conditionality and funding delays.
- Recommendations: Expedite donor processes and disburse funds promptly.

5. Kenya Marine Fisheries and Socio-Economic Development (KEMFSED) Programme:

- Objective: Improve fisheries management and livelihoods.
- Achievements (2022/2023): Grants for social welfare and environmental projects.
- Challenges: Delayed planning and consultation.
- Recommendations: Strengthen stakeholder involvement and sensitization.

6. Aquaculture Technology and Development and Innovation Transfer Programme:

- Objective: Promote aquaculture technologies and safety.
- Achievements (2022/2023): Facility construction and technology dissemination.
- Challenges: Fund disbursement delays.
- Recommendations: Ensure timely fund disbursement.

7. Monitoring, Control and Surveillance Programme:

- Objective: Combat illegal fishing.
- Achievements (2022/2023): Establishment of surveillance units and mapping critical habitats.
- Challenges: Equipment shortages and funding for Vessel Monitoring System (VMS).
- Recommendations: Allocate adequate budgets for VMS and train skilled personnel.

8. Development of Fish Quality Laboratories Programme:

- Objective: Enhance fish safety.
- Achievements (2022/2023): Laboratory construction and equipment installation.
- Challenges: Resource shortages and accreditation delays.
- Recommendations: Accelerate accreditation and resource provision.

9. Rehabilitation of Fish Landing Sites in Lake Victoria Programme:

- Objective: Improve fish handling facilities.
- Achievements (2022/2023): Completion of landing site construction.
- Challenges: Climate-related disruptions, delayed payments, and monitoring.
- Recommendations: Timely fund disbursement, climate change consideration, and enhanced monitoring.

Emerging issues related to the State Department for Fisheries Aquaculture and the Blue Economy

- ii. Insecurity and conflicts at transboundary resources;
- iii. New invasive species in water bodies e.g *Egeria Densa* species originating from South America in Lake Victoria; and
- vi. Pests and Diseases

Highlight key risk management strategies

- i. Enhancement of critical skills through recruitment and training especially on the technical staff;
- ii. Succession management at the Top/Senior management levels of technical staff; and
- iii. Lengthy process and delays in development of necessary policies, legislation and regulations to facilitate sustainable management and development the blue Economy and fisheries

Way forward

To address the above challenges, it is recommended that: -

- i The State Department to recruit the necessary technical staff, develop diverse skills and competencies for management and development of the fisheries and aquaculture;
- ii The State Department to coordinate and fast track the development of relevant policies, legal, regulatory, institutional framework and strategies/plans for fisheries and aquaculture development and management; and
- iii The National Treasury to ensure IFMIS is promptly opened at the start of every Financial Year to facilitate loading of the State Department budget. This is in addition to timely disbursement of the exchequer that is in line with the approved cash flow plans to minimize disruptions and delays in implementation of projects and programmes.



BETSY MUTHONI NJAGI
PRINCIPAL SECRETARY

6. Statement of Performance Against Predetermined Objectives for the FY2022/23

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that at the end of each Financial Year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the State Department for the Blue Economy and Fisheries 2018-2022 plan are to:

- Develop/ review policies, plans, strategies, guidelines, legal and institutional framework for fisheries, aquaculture and the blue economy management and development;
- Enhance investment in the Blue Economy;
- Enhance the capacities for development and management of fisheries, aquaculture and the blue economy; and
- Fast track implementation of the Leadership and Integrity Act (LIA) 2012

Progress on the attainment of Strategic Objectives through Performance Contracting

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

| MDA Program | Objective | Outcome | Indicator | Performance |
|--------------------------------------|---|-----------------------------------|--|---|
| Fisheries Development and Management | To sustainably maximize the contribution of fisheries and aquaculture to poverty reduction, food and nutrition security, employment and wealth creation | Increase Food Security and Income | Percentage level of review of the National Oceans and Fisheries Policy 2008 | Kenya Fisheries Policy 2023 was finalized and approved by the Cabinet in readiness for implementation. |
| | | | Percentage Development of Inland Fisheries Infrastructure | Construction of Mulukhoba fish landing in L. Victoria was completed. In addition, the completion levels of the landing sites in the coastal region was as follows: Vanga-95%; Kibuyuni-72%; Gazi-87%; Ngomeni-90%; and Kichwa Cha Kati-75%. |
| | | | Level of operationalization of new institutions namely:- Kenya Fisheries Service | FLTF has no Board of Trustees, while KFMA has Boards of Management in place. However, both institutions |

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|---|---|--|---|--|
| | | | (KeFs); Fish Levy Trust Fund (FLTF); Kenya Fish Marketing Authority (KFMA); and Kenya Fishing Industries Corporation (KFIC) | are yet to recruit their own staff and substantive chief executive officers. |
| | | | Number of aquaculture innovation and technologies promoted | The target of three (3) aquaculture innovation and technologies was achieved. These were namely:- the Aquaponics; Recirculating Aquaculture System (RAS); and Cage culture |
| | | | Percentage completion of Aquaculture facility at Sagana | 90% of the facility was completed. The target was affected by delayed ex-chequer release. The project is on-going and |
| | | | Number of innovative aquaculture market outlets established | Five (5) innovative aquaculture market outlets were established against a target of ten (10). The below performance was as a result of austerity measures |
| | | | Number of Marine Fish Stock Assessments conducted | The target was achieved. Kenya Marine and Fisheries Research Institute (KMFRI) undertook one Marine Fish Stock Assessment Study |
| General Administration, Planning and Support Services | To provide efficient and effective support services | Efficient and effective support services | Number of monitoring and evaluation reports | Monitored and evaluated;- Fish landing sites in Lake Victoria; Coastal Infrastructure in Kwale and Mombasa; Coastal Infrastructure in Kilifi and Lamu; and conducted Performance Contracts Mid-Term reviews for the State Department and State Corporations for FY 2022/23 |
| | | | Percentage reduction in corruption and corruption related activities | The achievement was 42.5%. The target not achieved since the draft departmental corruption risk prevention plan is still a draft and any intervention measures are based on the draft. |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

| | | | | |
|--|--|---|--|---|
| | | | Percentage adoption of national cohesion and values | The target was achieved 100% as per the score given by the Directorate of National Cohesion and Values |
| Development and Coordination of the Blue Economy | Create conducive environment for sustainable development of the Blue Economy | Conducive Environment for Sustainable Development of the Blue Economy | Percentage development of coastal fisheries infrastructure | The average completion was on 79.8% on the development of coastal fisheries infrastructure. The target was not achieved due to budget cuts. |
| | | | Number of sea-weed farmers supported | 875 deep sea fishers were trained |
| | | | Percentage completion of marine frame surveys | Marine and Coastal Frame survey was conducted |

7. Management Discussion and Analysis

1. Operational and Financial Performance

The State Department for the Blue Economy and Fisheries is committed to the sustainable management and development of the blue economy, including fisheries, maritime transport, and ocean conservation. Over the last three to five years, the State Department has made significant strides in achieving its objectives while ensuring sound financial stewardship.

1.1 Operational Performance

1.1.1 Fisheries Management: The State Department continued to focus on the sustainable management of fisheries resources. It successfully implemented comprehensive fisheries management plans, resulting in improved stock assessments and the preservation of our marine ecosystems. Our efforts led to a notable reduction in overfishing and a healthier marine environment.

1.1.2 Blue Economy Promotion: The State Department actively promoted the blue economy through various initiatives, including the expansion of maritime transport infrastructure and the facilitation of aquaculture development. These efforts contributed to increased economic activities in coastal regions and enhanced food security through sustainable fisheries practices.

1.1.3 Research and Conservation: The State Department's commitment to ocean conservation remained unwavering. We collaborated with scientific institutions and NGOs to conduct research on marine biodiversity, leading to the establishment of marine protected areas and the conservation of critical habitats.

1.1.4 International Cooperation: The State Department engaged in fruitful international partnerships to address global challenges related to the blue economy. We participated in negotiations for international treaties and agreements, further solidifying our commitment to responsible maritime governance.

1.2 Financial Performance

The following key financial highlights reflect the State Department's commitment to fiscal responsibility and transparency:

1.2.1 Revenue Generation: Over the past five years, our revenue streams diversified, with increased revenue from fishing licenses, aquaculture permits, and maritime services. This diversification reduced our dependency on a single revenue source, making our finances more resilient.

1.2.2 Cost Management: The State Department maintained strict cost control measures while ensuring the efficient allocation of resources. This allowed us to fund critical projects and initiatives while remaining within budget.

1.2.3 Investment in Infrastructure: The State Department invested in the development and maintenance of critical maritime infrastructure, including ports and fish landing sites, to support the growth of the blue economy. These investments were instrumental in facilitating trade and improving the livelihoods of coastal communities.

2 Key Projects and Investments

The State Department initiated several key projects and investments in the last three to five years:

2.1 Maritime Infrastructure Enhancement: The State Department embarked on a multi-year project to upgrade and expand our maritime infrastructure, including the construction of modern ports and the rehabilitation of existing fish landing sites. These projects aimed to enhance trade

and increase the efficiency of fisheries-related activities. Funding for these projects primarily came from government allocations, international grants, and loans.

2.2 Aquaculture Development: Recognizing the potential of aquaculture to boost seafood production, we initiated an aquaculture development program. This program involved the establishment of aquaculture zones, provision of technical support to farmers, and promotion of sustainable aquaculture practices. Funding for this program was mainly sourced from government budgets and donor organizations.

2.3 Marine Conservation: The State Department actively pursued marine conservation projects in collaboration with international partners. We established several marine protected areas, conducted research on endangered species, and implemented measures to combat illegal, unreported, and unregulated (IUU) fishing. Funding for these conservation efforts primarily came from international grants and partnerships.

3. Future Developments and Other Relevant Information

Looking ahead, the State Department is committed to advancing its mission through several key developments and initiatives in the coming years:

Climate Change Resilience: With the increasing threats posed by climate change, we are developing strategies to enhance the resilience of our coastal communities and fisheries to climate-related challenges. This includes adaptation measures, disaster preparedness, and sustainable fisheries practices.

Technology Integration: The State Department plan to leverage advanced technology, including satellite monitoring and data analytics, to improve fisheries management and combat IUU fishing. This will enhance our ability to enforce regulations and monitor the health of our marine ecosystems.

International Engagement: The State Department will continue to actively engage in international negotiations and collaborations to address global marine issues. We aim to promote sustainable fishing practices, protect marine biodiversity, and ensure responsible maritime governance on the global stage.

In conclusion, the State Department has made significant progress in the last three to five years, both operationally and financially. The State Department remains committed to the sustainable development of the blue economy, fisheries management, and marine conservation.

8 Environmental and Sustainability Reporting

The State Department exists to contribute towards food and nutritional security and to improve both the living standards and incomes of fisher-folks and other stakeholders. In carrying out its mandate of coordinating and facilitating the management and development of fisheries, and the blue economy resources, we have adopted three programmes namely; Fisheries Development and Management, Development and Coordination of the Blue Economy and General Administration, Planning and Support Services.

Our performances in the three programmes are as outlined below:

a) Sustainability Strategy and Profile –

The fisheries sub-sector is currently experiencing several challenges. This includes but not limited to the high HIV and AIDS prevalence rate among fisher-folks, the Covid-19 pandemic that has greatly affected both the production and demand for fish and fisheries products, climate change that has resulted into intermittent flooding and swamping of fish landing sites in our inland water bodies thereby negating their construction and rehabilitation, among others.

However, there is a ray of hope for the sub-sector especially with the per capita consumption of fish going up. The sub-sector has been allocated resources to finance the upgrading of fisheries infrastructure facilities, operationalization of institutions created by the Fisheries Development and Management Act, 2016, training of deep-sea fishers and seaweed farmers, and modernization of fishing fleets to help in the realization of our mandate.

b) Environmental Performance

Climate change affects fisheries and aquaculture through acidification of the water bodies, changes in sea temperatures and circulation patterns, the frequency and severity of extreme events, and sea-level rise and associated ecological changes, which affect barrier islands, beaches, salt marshes, mangrove stands, and flood plains, have the potential of altering the physic-chemical properties of the fish habitats. Consequently, fish feeding, migration and breeding behaviour will be directly affected while indirectly the changes will affect growth, mortality and reproduction. This has the potential to limit the realization of development targets in the fisheries subsector.

The positive correlation between fish production and the climate has necessitated the State Department to initiate several tree-planting exercises, among other initiatives, in a bid to conserve the environment. The State Department is also fast tracking the climate change mitigation and adaptation measures implementation in line with Kenya Climate Smart Agriculture Strategy 2017-2026; Kenya Climate Smart Agriculture Implementation Framework 2018-2027; National Adaptation Plan 2015-2030; and National Action Plan 2018-2022.

The increase in human population, high prices of fish and fishery products coupled with the open access of capture fisheries has led to over-fishing and the rise in Illegal, Unreported and Unregulated fishing. As a result, the Fisheries Management and Development Act, 2016 was enacted to protect, manage, use and develop the aquatic resources in a manner which is consistent with ecologically sustainable development, to uplift the living standards of the fishing communities and to introduce fishing to traditionally non-fishing communities to enhance food security.

c) Employee Welfare

The process of recruitment of staff, both technical and non-technical, for the State Department at entry level and in senior positions falls within the purview of the Public Service Commission of Kenya. The recruitment is thus guided by the guidelines issued by the Commission from time to time. The Authorized Officer of the State Department, in consultation with the Commission, is in charge of promotions of junior and middle-level staff that is carried out in accordance to the guidelines issued by the Commission on delegated authority.

The recruitment of the Cabinet Secretary and the Principal Secretary usually involves stakeholder engagement during the vetting exercise by the relevant Departmental Committee of the National Assembly.

Of paramount importance during recruitment and promotions is the need to consider gender parity as envisaged in the Constitution of Kenya, 2010 and the Diversity Policy for the Public Service, 2016. The State Department has thus ensured that it does not contravene the aspirations of the Kenyan people during recruitment and promotions.

The performance of the public service is key to the attainment of our development goals. Consequently, the State Department gauges the performance of its staff annually as per the guidelines on Staff Performance Appraisal System in the Public Service, 2016 and the appropriate sanctions and rewards applied where necessary.

With regard to training, we put emphasis on group training in those courses that facilitate upward mobility of our staff to motivate them, build a culture of teamwork and to ensure cost effectiveness. The State Department has also ensured that the working environment is safe.

d) Market Place Practices-

The State Department, being an apolitical organisation that embraces the culture of integrity, is principally charged with the responsibility of reviewing and advising the National Government on all matters relating to fisheries resources. This it does by formulating appropriate policies to ensure that the country makes a paradigm shift from artisanal to commercial fishing while bringing under control the rampant Illegal, Unreported and Unregulated fishing that leads to depletion of fish stocks.

To encourage fair market practices, we are currently implementing a number of projects whose sole objective is to reduce production, storage, distribution and marketing costs. The modernization of fish landing sites in Lake Victoria and in the coastal strip will address the storage challenges that has led to high post-harvest losses thereby increasing the attendant production costs. We are also constructing ultra-modern markets in Kisumu, Mombasa and Kilifi counties to help address marketing challenges in addition to experimenting with digital and online marketing initiatives.

The State Department is aware of the need to ensure that the market, both local and international, has access to quality fish and fish products and is thus constructing modern fish quality laboratories in Mombasa, Kisumu and Nairobi. Besides, we have developed a good working relationship with our suppliers and contractors by settling their bills and certificates when they fall due and this has ensured that we do not carry unnecessary pending bills from one fiscal year to the next.

e) Community Engagements-

Public participation is one of the pillars of the Constitution of Kenya, 2010. The State Department has also not been left behind in seeking the views of the Beach Management Units and the wider public in identifying sites for the construction of fish landing sites. Besides, we have initiated and participated in tree-planting exercises in various parts of the country as part of our environment conservation efforts. Furthermore, we have empowered seaweed farmers at the coast by training them in their craft and facilitating small processing facilities so that they can add value to their raw products

9 Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the (*State Department for the Blue Economy and Fisheries*) is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. 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.

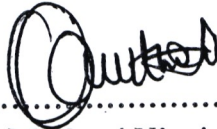
The Accounting Officer in charge of the (*State Department for the Blue Economy and Fisheries*) accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Accounting Officer charge of the (*State Department for the Blue Economy and Fisheries*) further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
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The Accounting Officer in charge of the *State Department for the Blue Economy and Fisheries*) 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 Accounting Officer confirms that the entity's financial statements 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 financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 11/12 2023.



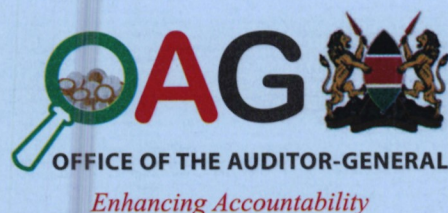
.....
Betsy Muthoni Njagi
Accounting Officer



.....
John M. Bogonko
Head of Accounting Unit
ICPAK M/No...5445....

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for the Blue Economy and Fisheries set out on pages 1 to 30, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual

amounts 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for the Blue Economy and Fisheries as at 30 June, 2023 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation and Disclosures in the Financial Statements

The statement of receipts and payments reflects transfers to other government units amounting to Kshs.4,880,593,092 which as disclosed in Note 5 to the financial statements, includes amounts of Kshs.1,320,489,686 and Kshs.1,622,723,001 in development expenditure incurred under Kenya Aquaculture Business Development Programme (ABDP) and Kenya Marine Fisheries Socio-Economic Development Project (KEMFSED), respectively. However, the amounts relates to disbursements by donor through the State Department for projects, and thus do not meet the criteria for categorization as Government entities. Similarly, assets acquired under the project and cash and balances, if any, as at 30 June, 2023, have been excluded from the State Department's assets register and cash balances respectively. In addition, documents supporting expenditure on the projects such as expenditure returns, schedules and ledgers were not provided for audit.

In addition, the transfers include recurrent expenditure of Kshs.10,673,433 incurred in respect of Kenya Fisheries Advisory Council. However, the Council was yet to be established and operationalised. The expenditure, therefore, could not have been incurred for the purpose of the Council.

In the circumstances, the accuracy and completeness of the transfers to other government units amounting to Kshs.2,953,886,120 could not be confirmed.

2. Unsupported Balances

The statement of financial assets and financial liabilities reflects a balance of Kshs.102,000,000 in respect of accounts receivables - district suspense and clearance accounts as disclosed in Note 9 to the financial statements. However, no evidence was provided to support the balance. Further, the statement reflects prior year adjustments of Kshs.11,140,494 as disclosed in Note 11 to the financial statements, which comprises of Ksh.10,945,239 and Ksh.195,255 relating to bank account balances and cash in hand respectively. However, no supporting documents were provided for audit to support the adjustments.

In the circumstances, the accuracy and completeness of the accounts receivables -district suspense and clearance accounts and prior year adjustments balances of Kshs.102,096,244 of Kshs.11,140,494 respectively could not be confirmed.

3. Unauthorized Re-Allocations

The statement of receipts and payments reflects Kshs.1,096,585,570 in respect of use of goods and services, as disclosed in Note 4 to the financial statements. Further, the statement reflects expenditure of Kshs.408,054,221 in respect of acquisition of assets as disclosed in Note 7 to the financial statements. Review of expenditure documents provided in support of the amount revealed payments totalling to Kshs.12,812,656 incurred on domestic travel and substance but charged to various account items under use of goods and services such as other operating expenses, communication, supplies and services; foreign travel and subsistence; rentals of produced assets; office and general supplies and services; routine maintenance of other assets and, fuel, oils and lubricants. However, no request for approval for reallocation was sought and granted by the Accounting Officer and The National Treasury as provided for under Section 43 (2)(b) of the Public Finance Management Act, 2012.

Additionally, an amount of Kshs.77,214,482 allocated for purchase of office furniture and general equipment; purchase of specialized materials and services; construction of civil works; refurbishment of buildings; and, research, studies, project preparation and supervision was utilized on domestic travel and subsistence allowances without requisite approval. Further, Kshs.1,495,000 and Kshs.450,000 allocated to purchase of specialized plant, equipment and machinery, and purchase of motor vehicles and other transport equipment respectively, was utilized for purchase of office and general supplies and services and purchase of office furniture. However, no approval was provided to support the reallocations.

In the circumstances, the accuracy and completeness of expenditure on use of goods and services and acquisition of assets of Kshs.12,812,656 and Kshs.1,945,000 respectively, could not be confirmed.

4. Inaccuracies in Social Security Benefits Payments

The statement of receipts and payments reflects expenditure of Kshs.22,969,157 in respect of social security benefits as further disclosed in Note 6 to the financial statements. Review of documents provided in support of the benefit payments revealed that the amount includes gratuity payments of Kshs.3,147,336 for three (3) employees which was not paid out during the year. However, the amount was included in the financial statements as payments, thereby, overstating social security benefits payments by a similar amount.

In the circumstances, the accuracy and completeness of the social security benefit amount of Ksh.22,969,157 could not be confirmed.

5. Inaccuracies in the Fixed Assets Balances

The summary of fixed assets register disclosed in Annex 1 to the financial statements reflects total assets valued at Kshs.7,566,933,065 on historical costs. However, review of the assets register maintained at the State Department revealed the following:

- i. The register reflects that the State Department has twenty-five (25) parcels of land. However, ownership documents such title deeds, lease titles and allotment letters were not provided for audit.
- ii. Analysis of the Asset register revealed that twenty-five (25) parcels of land and seventeen (17) buildings are owned by the State Department. However, the register was not updated to include relevant details like date of acquisition and cost.
- iii. During the year under review, the State Department spent Kshs.1,320,489,635 and Kshs.1,622,723,001 in respect of Aquaculture Business Development Program (ABDP) and Kenya Marine Socio-Economic Development Project (KEMFSED) respectively. However, assets acquired under the two projects were not included in the State Department's Assets Register.

In the circumstances, the accuracy, and completeness of the fixed assets balance of Kshs.7,566,933,065 could not be confirmed.

6. Inaccuracies in Pending Accounts Payables

Note 14.2 to the financial statements on other important disclosures reflects an amount of Kshs.166,386,002. The amount includes payables totalling to Kshs.112,169,310 carried forward from prior years. However, a schedule provided in support of the payables reflected bills totalling to Kshs.58,637,681 were outstanding from 2021/2022 and earlier years.

In addition, according to the note, only bills amounting to Kshs.57,678,019 were settled during the year against the balance of Kshs.112,169,310 indicated as outstanding at the beginning of the year which ought to have been settled as a first charge in the year under review. Further, review of the schedules supporting the amount revealed that the total balance for the pending accounts payables is reflected as Kshs.166,386,002. However, recasting of the amounts totalled to Kshs.136,386,002 resulting to an unexplained and unreconciled variance of Kshs.30,000,000. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they form a first charge.

In the circumstances, the accuracy and completeness of pending accounts payables balance of Kshs.166,386,002 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for the Blue Economy and Fisheries 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 qualified 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 report in the year under review.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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

1. Delay in Establishment of Kenya Fisheries Advisory Council

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects transfers to other government entities amounting to Kshs.4,880,593,092. Included in this amount is Ksh.10,199,733 transferred to Kenya Fisheries Advisory Council (KFAC). However, the expenditure was incurred at the State Department since the Council was yet to be established and operationalized. The justification for allocation and expenditure for an entity which is yet to be established was not provided.

In addition, utilization of the transferred amount was not confirmed since no financial statements for the Council were prepared and submitted to the Auditor-General for audit.

In the circumstances, the regularity of transfers and expenditure for the Council could not be confirmed and Management was in breach of the law.

2. Irregular Payment of Security Services

The statement of receipts and payments reflects expenditure on use of goods and service amounting Kshs.1,096,585,570. As disclosed in Note 4 to the financial statements, the amount includes Kshs.21,230,161 incurred on other operating expenses. Review of the expenditure documents for the amount revealed that an amount of Kshs.2,216,000 was paid to a private company for the provision of security services to Kenya Fisheries Services (KFS) offices at NHIF building. However, Kenya Fisheries Services is a semi-autonomous Government agency and ought to have met the cost from its budget.

In the circumstances, the regularity of the expenditure of Kshs.2,216,000 incurred on other security services could not be confirmed.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the State Department'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 State Department 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 State Department's financial reporting process, reviewing the effectiveness of how Management 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 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 controls 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 controls.

- 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 State Department'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 State Department to cease 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 State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 the 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 January, 2024

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

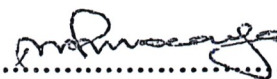
11 Statement of Receipts and Payments for the Year ended 30th June 2023

| | Note | 2022-2023 | 2021-2022 |
|-------------------------------------|------|----------------------|----------------------|
| | | Kshs | Kshs |
| RECEIPTS | | | |
| Transfers from National Treasury | 1 | 4,143,322,501 | 5,864,704,106 |
| Proceeds from Foreign Borrowings | 2 | 2,527,112,660 | 837,406,796 |
| TOTAL REVENUES | | 6,670,435,161 | 6,702,110,902 |
| PAYMENTS | | | |
| Compensation of Employees | 3 | 160,136,877 | 164,489,606 |
| Use of goods and services | 4 | 1,096,585,570 | 844,611,256 |
| Transfers to Other Government Units | 5 | 4,880,593,092 | 4,222,602,040 |
| Social Security Benefits | 6 | 22,969,157 | 5,481,210 |
| Acquisition of Assets | 7 | 408,054,221 | 1,453,902,754 |
| TOTAL PAYMENTS | | 6,568,338,917 | 6,691,086,867 |
| SURPLUS/DEFICIT | | 102,096,244 | 11,024,035 |

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 11/12/2023 and signed by:



Betsy Muthoni Njagi
Accounting Officer



John M. Bogonko
Head of Accounting Unit
ICPAK M/No...5445.....

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

12 Statement Of Financial Assets And Financial Liabilities As At 30th June 2023

| | Note | 2022- 2023 | 2021-2022 |
|--|------|--------------------|--------------------|
| | | Kshs | Kshs |
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 8A | 99,164,973 | 136,391,878 |
| Cash Balances | 8B | 255 | 195,255 |
| Total Cash And Cash Equivalents | | 99,165,228 | 136,587,133 |
| Accounts Receivables – District Suspense and Clearance Accounts | 9 | 102,000,000 | - |
| TOTAL FINANCIAL ASSETS | | 201,165,228 | 136,587,133 |
| LESS: FINANCIAL LIABILITIES | | | |
| Accounts Payables - Deposits | 13 | 99,068,984 | 125,446,639 |
| NET FINANCIAL ASSETS | | 102,096,244 | 11,140,494 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 10 | 11,140,494 | 31,090,835 |
| Prior year adjustments | 11 | (11,140,494) | (30,974,377) |
| Surplus/Deficit for the year | | 102,096,244 | 11,024,035 |
| NET FINANCIAL POSITION | | 102,096,244 | 11,140,494 |

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 11/12 2023 and signed by:



Betsy Muthoni Njagi
Accounting Officer



John M. Bogonko
Head of Accounting Unit
ICPAK M/No...5445.....

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

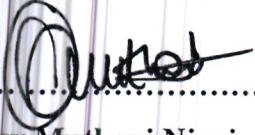
13 Statement of Cash Flows For The Year Ended 30th June 2023

| | Note | 2022- 2023 | 2021-2022 |
|---|------|----------------------|------------------------|
| | | Kshs | Kshs |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts for operating income | | | |
| Transfers from National Treasury | 1 | 4,143,322,501 | 5,864,704,106 |
| | | 4,143,322,501 | 5,864,704,106 |
| Payments for operating expenses | | | |
| Compensation of Employees | 3 | 160,136,877 | 164,489,606 |
| Use of goods and services | 4 | 1,096,585,570 | 844,611,256 |
| Social Security Benefits | 6 | 22,969,157 | 5,481,210 |
| Transfers to Other Government Units | 5 | 4,880,593,092 | 4,222,602,040 |
| | | 6,160,284,697 | 5,237,184,113 |
| Adjusted for: | | | |
| Prior Year Adjustments | 11 | (11,140,494) | (30,974,377) |
| Decrease/(Increase) in Accounts receivable: (District Suspende) | 12 | (102,000,000) | 30,405,350 |
| Increase/(Decrease) in Accounts Payable: (deposits and retention) | 13 | (26,377,910) | 31,738,568 |
| Net cash flow from operating activities | | 2,156,480,600 | 658,689,535 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 7 | (408,054,221) | (1,453,902,754) |
| Net cash flows from Investing Activities | | (408,054,221) | (1,453,902,754) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 2 | 2,527,112,660 | 837,406,796 |
| Net cash flow from financing activities | | 2,527,112,660 | 837,406,796 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | (37,421,905) | 42,193,576 |


STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
 Annual Report and Financial Statements for the year ended 30th June 2023

| | | | |
|---|-----------|-------------|-------------|
| Cash and cash equivalent at BEGINNING of the year | 8A+8 B | 136,587,133 | 94,393,556 |
| Cash and cash equivalent at END of the year | 8A+8 B | 99,165,227 | 136,587,133 |

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 11/12/2023 and signed by:



Betsy Muthoni Njagi
 Accounting Officer



John M Bogonko
 Head of Accounting Unit
 ICPAK M/No...5445.....

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023


14 Statement of Comparison of Budget and Actual Amounts for FY2022/23

| Code | Revenue/Expense Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation Difference to Final Budget |
|------|-------------------------------------|-----------------------|------------------------|----------------------|----------------------------|-------------------------------|---|
| | | a | b | c=a+b | d | e=c-d | f=d/c % |
| | RECEIPTS | | | | | | |
| | Exchequer releases | 9,767,400,000 | (2,765,102,386) | 7,002,297,614 | 4,143,322,501 | 331,862,453 | 95% |
| | Proceeds from Foreign Borrowings | 720,000,000 | (515,000,000) | 205,000,000 | 2,527,112,660 | 205,000,000 | 0% |
| | Other Receipts | 10,000,000 | 12,000,000 | 22,000,000 | 0 | 22,000,000 | 0% |
| | Total Receipts | 10,497,400,000 | (3,268,102,386) | 7,229,297,614 | 6,670,435,161 | 558,862,453 | 92% |
| | Payments | | | | | | |
| 21 | Compensation of Employees | 215,500,000 | (46,000,000) | 169,500,000 | 160,136,877 | 9,363,123 | 94% |
| 22 | Use of goods and services | 1,848,450,401 | (730,317,897) | 1,118,132,504 | 1,096,585,570 | 5,199,037 | 100% |
| 263 | Transfers to Other Government Units | 7,404,400,000 | (1,951,147,660) | 5,453,252,340 | 4,880,593,092 | 572,659,248 | 89% |
| 27 | Social Security Benefits | 41,536,922 | (18,000,000) | 23,536,922 | 22,969,157 | 567,765 | 98% |
| 31 | Acquisition of Assets | 987,512,677 | (522,636,829) | 464,875,848 | 408,054,220 | 73,169,524 | 84% |
| | Grand Total | 10,497,400,000 | (3,268,102,386) | 7,229,297,614 | 6,568,338,917 | 660,958,697 | 91% |
| | Surplus/Deficit | 0 | 0 | 0 | 102,096,244 | (102,096,244) | |

The entity financial statements were approved on 11/12/2023 and signed by:

.....

Betsy Muthoni Njagi
Accounting Officer

.....


John M. Bogonko

Head of Accounting Unit

ICPAK M/No...5445.....

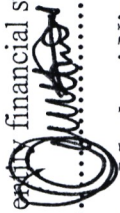
STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

13 (a) Statement Of Comparison of Budget and Actual Amounts: Recurrent for FY2022/23

| Code | Revenue/Expense Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilisation Difference e=d-c | % of Utilisation Difference to Final Budget f=d/c % |
|------|---|----------------------|---------------------|-----------------------|------------------------------------|--|--|
| | RECEIPTS | | | | | | |
| | Exchequer releases | 2,381,630,000 | (89,213,598) | 2,292,416,402 | 2,286,441,286 | 5,975,116 | 100% |
| | Other Receipts | 10,000,000 | 12,000,000 | 22,000,000 | | 22,000,000 | 0% |
| | Total Receipts | 2,391,630,000 | (77,213,598) | 2,314,416,402 | 2,286,441,286 | 27,975,116 | 99% |
| | PAYMENTS | | | | | | |
| 21 | Compensation of Employees | 215,500,000 | (46,000,000) | 169,500,000 | 160,136,877 | 9,363,123 | 94% |
| 22 | Use of goods and services Transfers to Other Government Units | 144,897,241 | (33,301,253) | 111,595,988 | 92,449,240 | 2,798,852 | 97% |
| 263 | Social Security Benefits | 1,980,200,000 | (1,047,660) | 1,979,152,340 | 1,937,380,432 | 41,771,908 | 98% |
| 27 | Acquisition of Assets | 41,536,922 | (18,000,000) | 23,536,922 | 22,969,157 | 567,765 | 98% |
| 31 | Grand Total | 2,391,630,000 | (77,213,598) | 2,314,416,402 | 2,231,669,739 | 82,746,664 | 96% |
| | Surplus/Deficit | - | - | - | 54,771,548 | 54,771,548 | |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

The annual financial statements were approved on 11/12/2023 and signed by:


.....
Betsy Muthoni Njagi
Accounting Officer


.....

John M. Bagonko
Head of Accounting Unit
ICPAK M/No...5445.....

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

13 (b) Statement Of Comparison of Budget and Actual Amounts: Development for FY2022/23

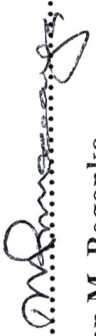
| Revenue/Expense Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation |
|-------------------------------------|----------------------|------------------------|----------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| RECEIPTS | | | | | | |
| Exchequer releases | 7,385,770,000 | (2,675,888,788) | 4,709,881,212 | 1,856,881,215 | 325,887,337 | 93% |
| Proceeds from Foreign Borrowings | 720,000,000 | (515,000,000) | 205,000,000 | 2,527,112,660 | 205,000,000 | 0% |
| Total Receipts | 8,105,770,000 | (3,190,888,788) | 4,914,881,212 | 4,383,993,875 | 530,887,337 | 89% |
| Payments | | | | | | |
| Use of goods and services | 1,703,553,160 | (697,016,644) | 1,006,536,516 | 1,004,136,331 | 2,400,185 | 100% |
| Transfers to Other Government Units | 5,424,200,000 | (1,950,100,000) | 3,474,100,000 | 2,943,212,660 | 530,887,340 | 85% |
| Acquisition of Assets | 978,016,840 | (543,772,144) | 434,244,696 | 389,320,188 | 44,924,508 | 90% |
| Grand Total | 8,105,770,000 | (3,190,888,788) | 4,914,881,212 | 4,336,669,179 | 578,212,033 | 88% |
| Surplus/Deficit | | | | 47,324,696 | (47,324,696) | |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

The entity financial statements were approved on 11/12/2023 and signed by:


.....

Betsy Muthoni Njagi
Accounting Officer


.....

John M. Bogonko
Head of Accounting Unit
ICPAK M/No.....5445...

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

13 (c) Budget Execution by Programmes and Sub-Programmes for FY2022/23

| Programme/Sub-programme | Final Budget | | Actual on-comparable basis | | Budget utilization difference |
|--|----------------------|------|----------------------------|------|-------------------------------|
| | 2023 | 2023 | 2023 | 2023 | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Fisheries Development and Management: 0111000000 | 5,598,901,283 | | 4,978,812,130 | | 620,089,153 |
| Fisheries Policy, Strategy and capacity building: 0111010000 | 652,995,926 | | 600,101,072 | | 52,894,854 |
| Aquaculture Development: 0111020000 | 1,655,220,000 | | 1,324,569,159 | | 330,650,842 |
| Management and Development of Capture Fisheries: 0111030000 | 69,405,357 | | 51,203,195 | | 18,202,162 |
| Assurance of Fish Safety, Value Addition and Marketing: 0111040000 | 2,000,000 | | 16,183,702 | | (14,183,702) |
| Marine and Fisheries Research: 0111050000 | 3,219,280,000 | | 2,986,755,002 | | 232,524,998 |
| General Administration Planning and Support Services: 117000000 | 225,823,182 | | 226,439,155 | | 615,973 |
| General Administration and Support Services: 0117000000 | 225,823,182 | | 226,439,155 | | 615,973 |
| | | | | | |
| Development and Coordination of the Blue Economy: 118000000 | 1,404,573,149 | | 1,363,087,632 | | 41,485,517 |
| Development and Management of fishing ports and its infrastructure: 0118030000 | 22,577,420 | | 14,566,764 | | 8,010,656 |
| Blue Economy policy strategy and coordination: 0118040000 | 17,077,937 | | 15,937,453 | | 1,140,484 |
| Promotion of Kenya as a centre for AGRO Base Blue: 118050000 | 1,364,917,792 | | 1,332,583,415 | | 32,334,377 |
| TOTAL | 7,229,297,614 | | 6,568,338,917 | | 660,958,697 |

15 Notes to the Financial Statements

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the *State Department for Blue Economy and Fisheries*. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i. Kenya Marine and Socio-Economic Development Project(KEMFSED)*
- ii. Aquaculture Business Development Project(ABDP)*

3. Reporting Currency

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

Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by (name of the *entity*) for all the years presented.

a) Recognition of Receipts

The *Entity* recognises all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

Transfers from the exchequer are 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*.

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) miscellaneous receipts

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

Significant Accounting Policies (Continued)

b) Recognition of payments

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

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

v) 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 and a summary provided for purposes of consolidation. *This summary is disclosed as an annexure to the financial statements.*

Significant Accounting Policies (Continued)

vi) In-kind contributions

In-kind contributions are donations that are made to the Entity 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 *Entity* 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.

vii) Third Party Payments

Included in the receipts and payments, are payments made on the entity's behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings or grants.

c) 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. A bank account register is maintained, and a summary provided for purposes of consolidation.

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 party deposits and retentions. As of 30th June 2023, this amounted to Kshs 99,068,935.50 compared to Kshs 125,446,639.00 in prior period as indicated on note xxx. There were no other restrictions on cash during the year.

Significant Accounting Policies (Continued)

d) Imprests and advances

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 are 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 Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

e) Third party deposits and retention

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills 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. 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 except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget

was approved by Parliament in June 2022 for the period 1st July 2022 to 30th June 2023 as required by Law and there were xx number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government 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.

h) Comparative Figures

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

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

j) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 26* explaining the nature and amounts.

k) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

Significant Accounting Policies (Continued)

l) 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. **Note xx** and *Annex 7* of this financial statement is a register of the contingent liabilities in the year.

Notes to the Financial Statements

1 Exchequer releases

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Total Exchequer Releases for quarter 1 | 564,285,896 | 1,135,104,534 |
| Total Exchequer Releases for quarter 2 | 1,325,188,467 | 906,707,425 |
| Total Exchequer Releases for quarter 3 | 403,760,790 | 801,639,907 |
| Total Exchequer Releases for quarter 4 | 1,850,087,348 | 3,021,252,240 |
| TOTAL | 4,143,322,501 | 5,864,704,106 |

The significant increase in exchequer issue was due to an improved budget.

2 PROCEEDS FROM FOREIGN BORROWINGS

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|--------------------|
| | Kshs | Kshs |
| Foreign Borrowing – Draw-downs Through Exchequer | 2,527,112,660 | |
| Foreign Borrowing - Direct Payments | - | 837,406,796 |
| Foreign Currency and Foreign Deposits | | |
| TOTAL | 2,527,112,660 | 837,406,796 |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

3 Compensation to Employees

| Description | 2022-2023 | 2021-2022 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Basic salaries of permanent employees | 105,279,659 | 110,114,030 |
| Personal allowances paid as part of salary | 54,857,219 | 54,375,576 |
| TOTAL | 160,136,877 | 164,489,606 |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

4 Use of Goods and Services

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|--------------------|
| | Kshs | Kshs |
| Utilities, supplies and services | - | 4,499,950 |
| Communication, supplies and services | 6,757,593 | 9,026,557 |
| Domestic travel and subsistence | 11,559,750 | 12,218,879 |
| Foreign travel and subsistence | 3,150,155 | 2,963,677 |
| Printing, advertising and information supplies & services | 1,827,840 | 1,699,677 |
| Rentals of produced assets | 511,000 | 980,520 |
| Training expenses | 975,901,765 | 496,568,171 |
| Hospitality supplies and services | 4,349,196 | 3,468,814 |
| Insurance costs | - | - |
| Specialised materials and services | 61,916,720 | 173,150,741 |
| Office and general supplies and services | 1,431,937 | 4,822,600 |
| Fuel Oil and Lubricants | 3,755,822 | 3,843,398 |
| Other operating expenses | 21,230,161 | 123,417,780 |
| Routine maintenance – vehicles and other transport equipment | 3,725,328 | 6,599,644 |
| Routine maintenance – other assets | 468,305 | 1,350,848 |
| Exchange Rate Losses | | |
| TOTAL | 1,096,585,570 | 844,611,256 |

Notes:

The training Costs were mainly due to

-Hiring of training facilities and Equipment

-Remuneration of Instructors and Contract based training services

Notes to the Financial Statements (Continued)

5 Grants and Transfers to other Government Entities

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Transfers to National Government entities | | |
| Current Grants to Government Agencies and other Levels of Government | 1,937,380,432 | 1,876,715,141 |
| Capital Grants to Government Agencies and other Levels of Government | 1,622,723,001 | 575,146,858 |
| Other Capital Grants and Trans | 1,320,489,659 | 1,770,740,041 |
| See attached list | | |
| See attached list | | |
| | | |
| TOTAL | 4,880,593,092 | 4,222,602,040 |

Notes to the Financial Statements (Continued)

5b: Transfers to self – reporting entities in the year

The above transfers were made to the following self-reporting entities in the year:

| Description | Recurrent | Development | 2022-2023 |
|---|----------------------|-------------------------|----------------------|
| | Kshs | Kshs | Kshs |
| Transfers to SAGAs and SCs | | | - |
| FISH LEVY TRUST FUND (FLTF) | 20,000,000 | | 20,000,000 |
| KENYA FISH MARKETING AUTHORITY (KFMA) | 21,000,000 | | 21,000,000 |
| KENYA FISHERIES SERVICE | 487,807,000 | | 487,807,000 |
| KENYA FISHING INDUSTRIES CORPORATION-RECURRENT ACCOUNT | 40,000,000 | | 40,000,000 |
| KENYA MARINE AND FISHERIES RESEARCH INSTITUTE | 1,357,900,000 | | 1,257,900,000 |
| KENYA FISHERIES ADVISORY COUNCIL | 10,673,433 | | |
| AQUACULTURE BUSINESS DEVELOPMENT PROGRAMME (ABDP) | | 1,320,489,685.50 | 1,320,489,686 |
| KENYA MARINE FISHERIES SOCIO ECONOMIC DEVELOPMENT PROJECT KEMFSED | | 1,622,723,001.00 | 1,622,723,001 |
| TOTAL | 1,937,380,432 | 2,943,212,686.50 | 4,880,593,092 |

6 Social Security Benefits

| Description | 2022-2023 | 2021-2022 |
|--|-------------------|------------------|
| | Kshs | Kshs |
| Government pension and retirement benefits | 22,969,157 | 5,481,210 |
| Social security benefits in cash and in kind | - | - |
| Employer Social Benefits in cash and in kind | - | - |
| TOTAL | 22,969,157 | 5,481,210 |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

7 Acquisition of Assets

| Description | 2022-2023 | 2021-2022 |
|--|--------------------|----------------------|
| | Kshs | Kshs |
| Non Financial Assets | | |
| Construction of Buildings | - | 169,339,159 |
| Refurbishment of Buildings | 16,646,296 | 1,155,902 |
| Construction of Roads | - | - |
| Construction and Civil Works | 334,531,768 | 1,160,919,983 |
| Purchase of Vehicles and Other Transport Equipment | 26,470,670 | 12,488,000 |
| Purchase of Office Furniture and General Equipment | 1,225,700 | 3,917,028 |
| Purchase of Specialised Plant, Equipment and Machinery | 1,918,900 | 32,655,996 |
| Purchase of Certified Seeds, Breeding Stock and Live Animals | - | 23,649,998 |
| Research, Studies, Project Preparation, Design & Supervision | 27,260,886 | 49,776,688 |
| Rehabilitation of Civil Works | | - |
| Sub Total | 408,054,221 | 1,453,902,754 |
| Financial Assets | | |
| Sub Total | - | - |
| TOTAL | 408,054,221 | 1,453,902,754 |

STATE DEPARTMENT FOR THE BLUE ECONOMY AND FISHERIES
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Notes to the Financial Statements (Continued)

8 Cash and Bank Accounts

| Description | 2022-2023 | 2021-2022 |
|--------------------------|-------------------|--------------------|
| | Kshs | Kshs |
| Bank Accounts (Note 7 A) | 99,164,973 | 136,391,878 |
| Cash on hand (Note 7 B) | 255 | 195,255 |
| Total | 99,165,228 | 136,587,133 |

8A: Bank Accounts

| Name of Bank, Account No. & currency | Amount in bank account currency | Indicate whether recurrent, Development, deposit etc. | Exc rate (if in foreign currency) | 2022-2023 | 2021-2022 |
|--|---------------------------------|---|-----------------------------------|-------------------|--------------------|
| | | | | Kshs | Kshs |
| Central Bank of Kenya, 1000384077, Recurrent Kes- state department blue economy & fisheries | Ksh | Recurrent | 1 | 46,044 | 10,729,665 |
| Central Bank of Kenya, 1000384085, Development Kes – state department blue economy & fisheries | Ksh | Development | 1 | 50,200 | 215,573 |
| Central Bank of Kenya, 1000384093, Deposits Kes – state department blue economy & fisheries | Ksh | Deposit | 1 | 99,068,729 | 125,446,639 |
| Total | | | | 99,164,973 | 136,391,878 |

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8B: Cash on hand

| Description | <i>Insert Current FY</i> | <i>Insert Comparative FY</i> |
|--|--------------------------|------------------------------|
| | Kshs | Kshs |
| Cash in hand – Held in domestic currency | 255 | 195,255 |
| Cash in hand – Held in foreign currency | | |
| Total | 255 | 195,255 |

Detailed Cash is as follows:

| Description | 2022-2023 | 2021-2022 |
|--|------------|----------------|
| | Kshs | Kshs |
| Headquarters, Maji house Building, Cashoffice | 255 | 195,255 |
| Location 1 | | |
| TOTAL | 255 | 195,255 |

Notes to the Financial Statements (Continued)

9 : Imprests and Advances

| Description | 2022-2023 | 2021-2022 |
|---------------------|--------------------|-----------|
| | Kshs | Kshs |
| Government Imprests | - | - |
| Salary advances | - | - |
| District suspense | 102,000,000 | - |
| Clearance accounts | - | - |
| Total | 102,000,000 | - |

10 Fund Balance Brought Forward

| Description | 2022-2023 | 2021-2022 |
|------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Bank accounts | 136,391,878 | 94,277,098 |
| Cash in hand | 195,255 | 116,458 |
| Receivables - Outstanding Imprests | - | 30,405,350 |
| Payables - Deposits | (125,446,639) | (93,708,071) |
| TOTAL | 11,140,494 | 31,090,835 |

11 Prior Year Adjustments

| Description of the error | Balance b/f FY 2020/2021 as per Financial statements | Adjustments | Adjusted Balance b/f FY 2021/2022 | Adjustments FY 2020/2021 |
|--------------------------|---|---------------------|--|--------------------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Bank account Balances | 136,391,878 | (10,945,239) | 125,446,639 | 125,446,639 |
| Cash in hand | 195,255 | (195,255) | - | - |
| Accounts Payables | (125,446,639) | - | (125,446,639) | (125,446,639) |
| | 11,140,494 | (11,140,494) | 0 | 0 |

12 Increase in Receivables

| Description | Insert Current FY Kshs | Insert Comparative FY Kshs |
|---|------------------------------|----------------------------------|
| Receivables As At 1 st July (A) | - | - |
| Receivables As At 30 th June (B) | 102,000,000 | 30,405,350 |
| Increase in Receivables (C=(B-A)) | 102,000,000 | 30,405,350 |

13 Accounts Payable - Deposits

| Description | 2022-2023 Kshs | 2021-2022 Kshs |
|--------------------------------------|---------------------|-------------------|
| Payables As At 1 st July | 125,446,639 | 93,708,071 |
| Payables As At 30 th June | 99,068,729 | 125,446,639 |
| Decrease In Payables | (26,377,910) | 31,738,568 |

14 Other Important Disclosures

14.1 Related party transactions:

| Description | 2022-2023 | 2021-2022 |
|---|----------------------|----------------------|
| | Kshs | Kshs |
| Transfers to Related Parties | | |
| Transfers to SCs and SAGAs | 1,826,707,000.00 | 1,876,737,541.00 |
| Transfers to Development Project | 2,943,212,686.50 | 2,345,886,899.00 |
| Total Transfers to Related Parties | 4,880,593,092 | 4,222,602,040 |

14.2 Pending Accounts Payable

| Description | Balance b/f Previous FY | Additions for the period | Paid during the year | Balance c/f Current FY |
|---------------------------|----------------------------|-----------------------------|-------------------------|---------------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Construction of Buildings | 27,854,470.00 | 61,206,263.61 | 8,317,147.09 | 80,743,586.52 |
| Supply of Services | 10,582,553.25 | 20,339,493.89 | 6,339,493.89 | 24,433,693.89 |
| Supply of Goods | 73,732,286.70 | 30,348,953.51 | 43,021,377.82 | 31,208,721.76 |
| Total | 112,169,309.96 | 111,894,711.01 | 57,678,018.8 | 166,386,002.17 |

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Notes to the Financial Statements (Continued)

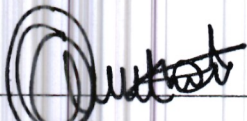
13.3 Progress on follow up of Prior Years Auditor-General's recommendations.

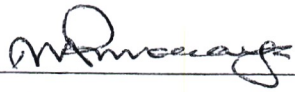
The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|---|--|
| OAG/A&L/SDFABE/2022-2023 | Issuance of Overlapping Imprest. | The imprest issued were not immediately funded due to lack of exchequer resulting an officer undertaking various activities/work assignments before the imprests are paid. All the imprests were surrendered at the end of the financial year.. | Imprest register with nil balance has been availed for verification. | Yes |
| OAG/A&L/SDFABE/2022-2023 | Unsupported Contract Termination at Liwatoni Complex | The ongoing contracts at liwatoni were mutually wound up to give way to Ultra Modern HACCP Compliant Tuna Fish Hub project contractor to execute the works. | The due process was followed in winding up the contracts and all parties involved signed the agreements hence we do not expect any litigations. | Yes |
| OAG/A&L/SDFABE/2022-2023 | Non-Compliance with the One- | Fifteen (15) had overcommitted their salaries and were | The division has now ensured | Yes |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|-----------------------------------|--|
| | Third of Basic Salary Rule | earning less than a third of their basic salary | compliance of the rule. | |
| | | | | |


 Accounting Officer


 Head of Accounting Unit

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Annex 1 – Summary of Fixed Asset Register

| Asset class | Historical Cost b/f (Kshs) | Additions during the year (Kshs) | Disposals during the year (Kshs) | Historical Cost c/f (Kshs) |
|---|-------------------------------|--|--|-------------------------------|
| Land | 8,500,000 | | - | 8,500,000 |
| Buildings and structures | 2,359,538,390 | 351,178,065 | | 2,710,716,455 |
| Transport equipment | 2,999,795,574 | 26,470,670 | | 3,026,266,244 |
| Office equipment, furniture and fittings | 16,486,991 | 1,225,700 | | 17,712,691 |
| ICT Equipment, Software and Other ICT Assets | 5,104,120 | | | 5,104,120 |
| Other Machinery and Equipment | 219,406,139 | 1,918,900 | | 221,325,039 |
| Biological Assets | 161,149,996 | 0 | | 161,149,996 |
| Heritage and cultural assets | | | | - |
| Intangible assets | 1,388,897,633 | 27,260,886 | | 1,416,158,519 |
| Total | 7,158,878,844 | 408,054,221 | - | 7,566,933,065 |

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Annex 2- List of Projects implemented by State Department of Blue Economy and Fisheries:

| Ref | Project Name | Principal activity of the project | Accounting Officer | Project consolidated in these financial statements(yes/no) |
|-----|--|---|---|--|
| 1 | KENYA MARINE FISHERIES AND SOCIAL ECONOMIC DEVELOPMENT PROJECT (KEMFSED) | To improve management of priority fisheries and mariculture and strengthen access to complementary livelihoods in coastal communities | PS State Department for Fisheries, Aquaculture and the Blue Economy | NO |
| 2 | Aquaculture Business Development Project (ABDP) | Enhancing value addition in aquaculture value chain | PS State Department for Fisheries, Aquaculture and the Blue Economy | NO |

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Annex 3 – List of SCs, Sagas and Public Funds Under State Department of Blue Economy and Fisheries:

| Ref | SC, SAGA or Public Fund's name | Principal activity of entity | Accounting Officer | Amount transferred during the year | Inter- entity reconciliations done?(yes/no) |
|-----|--|--|--------------------------|------------------------------------|---|
| 1 | Kenya Marine Fisheries Research Institute (KMFRRI) | Research | Director General- KMFRRI | 1,357,900,000 | Yes |
| 2 | Kenya Fisheries Service (KeFS) | Management of Kenya Fisheries and Aquaculture resources | Director General - KeFS | 487,807,000 | Yes |
| 3 | Fish Levy Trust Fund | Build Capacity for Fisheries to achieve the best accepted standards | Ag. C.E.O- FLTF | 20,000,000 | Yes |
| 4 | Kenya Fish Marketing Authority | To market Kenyan Fish and Fisheries products. | Ag. C.E.O- KFMA | 21,000,000 | Yes |
| 5 | Kenya Fishing Industries Corporation | Exploitation of fisheries resources in the Kenya fishery waters and high seas by promoting establishment and efficiency of businesses engaged in fishing related activities. | Ag. C.E.O- KFIC | 40,000,000 | Yes |

Annex 10- Reports Generated from IFMIS

IFMIS financial reports to be presented on request.

