REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA FISH MARKETING AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA FISH MARKETING AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

Opinion

I have audited the accompanying financial statements of Kenya Fish Marketing Authority set out on pages 1 to 18, which comprise of the statement of financial position as at

30 June, 2025, and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Fish Marketing Authority as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Fisheries Management and Development Act, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Fish Marketing Authority Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Authority in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1.	2023/2024	Under Staffing in the Authority
2.	2023/2024	Insufficient Budget
3.	2023/2024	Lack of an Approved Strategic Plan
4.	2023/2024	Lack of an Approved Board Charter

Other Information

Management is responsible for the Other Information set out on page iii to xxxiii, which comprise of Key Entity Information and Management, the Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Failure to Operationalize the Authority

Review of documents provided for audit revealed that the Authority was established on 29 September, 2016. However, the Authority had not been operationalized by 30 June, 2025, over nine (9) years later. This has made the Authority to lack capacity in human resources. Also, the State Corporation Advisory Committee, which categorized the Authority under Category 3C Parastatal, had advised that the Authority ought to have created five (5) departments: Marketing Development and Client Services, Marketing Research and Information Management, Corporate Services Department, Corporation Secretary and Legal Services, and the Internal Audit. However, none of them had been created as at 30 June, 2025.

Further, it was noted that the non-operationalization of the Authority made it impossible to receive the Kshs.52,702,696,000 as revenue, which had been projected for during the financial years; 2022/2023, 2023/2024, and 2024/2025 respectively, as detailed at page xxviii of the financial statements.

In the circumstances, Management was in breach of the law.

2. Failure to Establish and Operationalize the General Fund

Review of Section 207(1) of the Fisheries Management and Development Act, 2016 revealed that the Fish Marketing Authority ought to have established a General Fund, which should have been vested in the Board of Directors and into which the following monies should have been paid;

a) monies appropriated by Parliament for the Fish Marketing Authority;

b) monies that may accrue to or vest in the Fish Marketing Authority in the course of the performance of its functions under this Act or any other law and approved by Parliament;

c) monies provided to the Fish Marketing Authority from the Fund;

d) donations, grants and gifts made to the Fish Marketing Authority, and

e) monies from any other source approved by the Cabinet Secretary for the time being responsible for matters relating to finance.

Section 207(2) of the Act provides that expenditure shall be paid out of the General Fund of the Fish Marketing Authority, while Section 207(3) of the Act provides that subject to the approval of the Cabinet Secretary for the time being responsible for finance, the Authority may invest funds not immediately required for its purposes.

In the circumstances, Management was in breach of the law and the failure to establish and operationalize the general fund has impacted negatively on the Authority's achievement of its objectives.

3. Failure to Operationalize the Beach Management Units

Field verification conducted in October, 2025, revealed that the Governors of Mombasa and Kwale Counties are holding the Cooperative certificates of Beach Management Units (BMUs) in these Counties and the BMUs were inactive despite the training and sensitization efforts that have been put into them.

In the circumstances, the BMUs operations were not operational and value for money has not been realised in their set-up.

4. Composition of the Board

Review of the Board composition revealed that the Board was not properly constituted because it lacked;

i. A member with some knowledge and experience in matters relating to fisheries, nominated by the Council of Governors, the Chief Executive Officer of the Fund;

ii. Four members who are nominated or selected through a competitive process, taking into consideration regional balance and gender parity, and appointed by the Cabinet Secretary;

Further, there was a member on the Board who represented the Office of the Attorney General. However, this office does not form part of the composition of the Board as is enshrined in Section 201 (1) of the Fisheries Management and Development Act, 2016.

In addition, the term of four (4) Board Members expired within the financial year, and, therefore, the Board was not fully constituted towards the end of the year.

In the circumstances, Management was in breach of the law and the Board was operating illegally.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Unconfirmed Board Evaluation

Review of documents provided for audit revealed that a Board evaluation exercise was conducted during the year. However, the report was not presented by the States Corporation Advisory Committee (SCAC) to the Board for adoption. Failure to present the report to the Board must have made it difficult for the Board to review its performance early so as to improve its annual plans. This is contrary to Section E part (4) of Management of State Corporation Circular Ref No OP/CAB.9/1A dated March 11, 2020, which provides that all State Corporations will be required to undertake their Board Evaluations within the first four months of every Financial Year or as directed by SCAC.

This will facilitate early review of performance and the implementation of improvement plans as developed.

In the circumstances, the effectiveness of the Board's operations in discharging its oversight roles could not be ascertained.

2. Lack of Approved Board and Committee Charters

Review of documents provided for audit revealed that the Authority operated without approved Board and Committee Charters during the year. This is contrary to Clause 1.11 of the Mwongozo Code of Governance, which provides that the Board should develop and adopt a Board Charter that defines the role, responsibilities and functions of the Board in the governance of the organization and that the Board should periodically review its Board Charter.

In the circumstances, the Board's efficiency might have been impaired in the absence of the approved Board and Committee Charters.

3. Failure to Carry Out a Governance Audit

Review of documents provided for audit revealed that a Governance audit was not undertaken during the financial year under review. This failure to conduct the audit is contrary to Clause 1.13 of the Mwongozo Code of Governance for State Corporations, which provides that, "the Board, in consultations with the oversight Office, should ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose."

In the circumstances, the oversight roles of the Board may not have been effective.

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 controls, 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual 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 governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Authority'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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2025