REPUBLIC OF KENYA

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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA FISHING INDUSTRIES CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA FISHING INDUSTRIES CORPORATION 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 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on the 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

I have audited the accompanying financial statements of Kenya Fishing Industries Corporation set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2025 and the 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, 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 Kenya Fishing Industries Corporation 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 State Corporations Act Cap 446 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance at 30 June, 2025 of Kshs.64,674,530. However, recomputation yielded balance of Kshs.62,681,728 resulting in an unexplained variance of Kshs.1,992,802.

In the circumstances, the accuracy and completeness of the cash and cash flows statement could not be confirmed.

2. Unsupported Revaluation Reserve Balance

The statement of financial position reflects revaluations reserve balance of Kshs.3,417,548 with no corresponding disclosure Note. However, the balance has not been supported.

In the circumstances, the accuracy and fair statement of revaluation reserve balance of Kshs.3,417,548 as at 30 June, 2025 could not be confirmed.

3. Misstatements in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.30,169,606 as disclosed in Note 19 to the financial statements. The balance includes additions during the year of Kshs.18,760,915 but excludes assets acquired during the year at a cost of Kshs.3,255,172. Further, assets valued at Kshs.12,905,740 delivered after the closure of the year were included in the additions for the year resulting to an overstatement.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.30,169,606 as at 30 June, 2025 could not be confirmed.

4. Inaccuracy in Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.64,628,776 as disclosed in Note 17 to the financial statements. Included in the balance is Kshs.58,985,763 held in Central Bank of Kenya Central Security Depositary account which differs with the bank statement balance of Kshs.60,000,000 resulting in an unexplained and unreconciled variance of Kshs.1,014,237.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.64,628,776 as at 30 June, 2025 could not be confirmed.

5. Unsupported Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.36,644,481 as disclosed in Note 18 to the financial statements. However, review of the receivables aging analysis report provided revealed a balance of Kshs.33,458,589 resulting in an unexplained variance of Kshs.3,185,892.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.36,644,481 as at could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.78,343,010 as disclosed in Note 20 to the financial statements. Analysis of the balance revealed accrued expenditure items totalling to Kshs.7,695,349 which were unsupported as they could not be traced to their respective expenditure ledgers.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.78,343,010 as at 30 June, 2025 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Fishing Industries Corporation 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 qualified opinion.

Emphasis of Matter

Budget and Budgetary Controls

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.100,800,000 and Kshs.89,029,589 respectively, resulting in underperformance of Kshs.11,770,411 or 12% of the budget.

The underperformance affected planned activities and may have impacted negatively on service delivery to the citizens.

My opinion is not modified in respect of this matter.

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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous financial year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Corporation in 2024/2025 revealed that the following twelve (12) issues remained unresolved as at 30 June, 2025:

No.	Audit Issue
1.	Understatement of revenue from rendering of services
2.	Inaccurate expenditure on employee costs
3.	Unsupported and long outstanding receivables from exchange transactions
4.	Understatement of trade and other payables
5.	Inaccurate statement of changes in net assets
6.	Failure to recognize revenue from non-exchange transactions
7.	Property, plant and equipment
8.	Excess budgetary allocation on board expenses
9.	Over expenditure on travel, accommodation, subsistence and other allowances budget
10.	Unsupported procurement of refines fuel and lubricants for transport
11.	Failure to appoint substantive chief executive officer
12.	Lack of approved staff establishment

Other Information

The Management is responsible for the Other Information set out on page iv to xlvii which comprise of Key Entity Information and Management, The Board of directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against the Predetermined Objectives for the FY 2024/2025, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation'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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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 effect of 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. Excessive Budgetary Allocation to Remuneration of Directors

The statement of comparison of budget and actual amounts reflects final approved remuneration of directors' budgeted expenditure of Kshs.11,343,000 and operation and maintenance budget of Kshs.54,666,247. The board expenses budget represents 21% of the operations and maintenance expenditure contrary to the Presidential Circular Ref. No. OP/CAB/1A dated 11 March, 2020 which capped board expenditure at Kshs.30,000,000 or 5% of the operations and maintenance expenditure.

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

2. Staff Holding Multiple Imprests

Review of the imprest register provided for audit revealed that the date when imprests were due was not indicated to monitor and control the surrender dates. Further, four (4) employees received multiple imprests before surrendering the previously held amounts contrary to Regulation. 93.(4) of the Public Finance Management (National Government) Regulations, 2015 which requires that before issuing temporary imprests, the accounting officer ensures that the applicant has no outstanding imprest.

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

3. Construction of Liwatoni Ultra-Modern Fish Hub

Review of documents provided for audit revealed that the State Department of Fisheries entered into a contract with a contractor on 29 March, 2022 for the construction of proposed hazard analysis critical control point compliant ultra-modern Tuna fish hub at a contract sum of Kshs.1,498,169,658 for a period of 26 weeks. At the time of audit in May 2025, the Corporation had paid Kshs.702,760,937 and Kshs.64,283,415 was held in the development account as retention money.

However, the transfer documents and details of amounts received from the State Department of Fisheries and spent on the project was not provided for audit review. Further, the amount was not accounted for in the Corporation's financial statements. This is contrary to Regulation 23 of the Public Finance Management (National Government) Regulations, 2015 which states that the accounting officer is responsible for maintaining effective systems of internal controls and the measures taken to ensure that they are effective and for measures taken to prepare the financial reports that reflect a true and fair financial position of the entity.

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

4. Failure to Reserve 30% of Procurement Opportunities for Special Groups

Review of the annual procurement plan revealed that the entity did not reserve a prescribed percentage of its procurement budget to the disadvantaged group of Youth, Women and Persons with Disabilities. This is contrary to Section 157(5) of the Public Procurement and Asset Disposal Act, 2015 which requires that an accounting officer of a procuring entity, when processing procurement, to reserve a prescribed percentage of its procurement budget, which is not less than thirty per cent, to the disadvantaged groups.

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

5. Failure to Appoint Substantive Chief Executive Officer

Review of human resource documents revealed that the position of the Chief Executive Officer has been held on an acting capacity since 3 March, 2021. The position was advertised on 13 December, 2022, interviews subsequently conducted and board recommendation for appointment made with three (3) follow up correspondences for the appointment. However, the approval to appoint was still pending as at the time of the audit.

The continued acting of the Chief Executive Officer contravenes part C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that acting allowance not be paid for a duration of more than six months.

In the circumstances, Management was in breach of the law while decisions required of holder of the Office may not be made in absence of substantive office holder.

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

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 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 the Management and Board of Management

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 Corporation'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 Management is responsible for overseeing the Corporation'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

02 December, 2025