

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**DATE:** 23 SEP 2021

**DAY:**

Thursday

**TABLED  
BY:**

L.O.M

**CLERK-AT  
THE TABLE:**

Maimah Warjiku

**THE AUDITOR-GENERAL**

**ON**

**KENYA MARINE AND FISHERIES  
RESEARCH INSTITUTE**

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





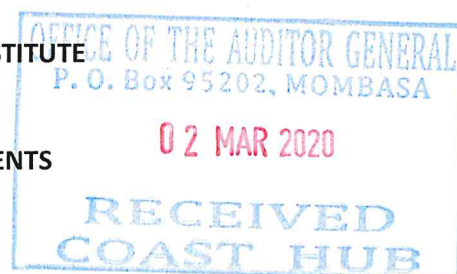


---

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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



---

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

| <b>Table of Contents</b>   | <b>Page</b> |
|--|-------------|
| KEY ENTITY INFORMATION AND MANAGEMENT.....   | ii          |
| THE BOARD OF MANAGEMENT.....   | v           |
| MANAGEMENT TEAM .....  | xi          |
| CHAIRMAN'S STATEMENT .....   | xiv         |
| REPORT OF THE CHIEF EXECUTIVE OFFICER.....   | xv          |
| CORPORATE GOVERNANCE STATEMENT .....   | xvii        |
| MANAGEMENT DISCUSSION AND ANALYSIS.....  | xix         |
| CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....                   | xxi         |
| REPORT OF THE DIRECTORS .....  | xxvi        |
| STATEMENT OF DIRECTORS' RESPONSIBILITIES.....  | xxvii       |
| REPORT OF THE INDEPENDENT AUDITORS ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE .....  | xxviii      |
| STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019.....                    | 2           |
| STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 .....                                   | 3           |
| STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019 .....                   | 4           |
| STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....                               | 5           |
| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019 ..... | 6           |
| NOTES TO THE FINANCIAL STATEMENTS .....  | 23          |
| APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....                          | 26          |
| APPENDIX II: INTER-ENTITY TRANSFERS.....   | 27          |
| APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES .....                  | 27          |



## KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

Kenya Marine and Fisheries Research Institute (KMFRI) was established by an Act of Parliament (**The Science and Technology Act, Cap 250 of the Laws of Kenya**) in 1979 after the dissolution of the East African Community. However, Cap 250 has since been repealed by the Science, Technology and Innovation Act, No.28 of 2013.

### (b) Principal Activities

KMFRI's mandate is to undertake research in "marine and freshwater fisheries, aquaculture, environmental and ecological studies and physical oceanography", in order to provide scientific data and information for sustainable development of the Blue Economy. Elaborately, the roles of KMFRI include:

- (i) Economic valuation of marine and coastal resources;
- (ii) Development of appropriate post-harvest technologies, value addition, marketing and techniques for sustainable exploitation of national fisheries resources;
- (iii) Identification, assessment of the potential, and enabling access to new and under exploited stocks, especially the offshore fisheries;
- (iv) Development of new fishing technologies to access offshore fish stocks;
- (v) Development, improvement and transfer of adaptive aquaculture and mariculture technologies for production and management of quality fish feeds and seed;
- (vi) Indigenous knowledge and livelihood enhancement;
- (vii) Monitoring and Evaluation of the integrity of the aquatic ecosystems (critical habitats), for restoration and sustainable fisheries and aquaculture development;
- (viii) Climate change and physical oceanographic processes including bathymetric profiles;
- (ix) Marine geology and marine spatial planning; and
- (x) Riverine ecosystems, satellite lakes and dams.

### Vision

A Centre of Excellence in innovative research in marine, fisheries and the Blue Economy for development.

### Mission

To generate and disseminate scientific information for sustainable development of the Blue Economy.

### Strategic Objectives

KMFRI's Strategic Objectives for the period 2018-2022 are as below:

- (a) To conduct innovative research for the Blue Economy;
- (b) To transfer knowledge and innovative technologies to communities and stakeholders;
- (c) To mobilize and manage financial and human resources;
- (d) To strengthen institutional structure and capacity;
- (e) To promote local and international collaborations and partnerships;

(c) **Key Management**

During the period, KMFRI Board Members were as below:

|    | <b>Name (BoM)</b>               | <b>Role</b>   | <b>Date Appointed</b>            |
|----|---------------------------------|---|----------------------------------|
| 1. | Hon. John Safari Mumba          | Chairman  | 21 <sup>st</sup> September, 2018 |
| 2. | Mr. Ali Juma Mafimbo            | Member  | 14 <sup>th</sup> December 2018   |
| 3. | Ms. Dorcas Mghoi Mlughu         | Member  | 14 <sup>th</sup> December 2018   |
| 4. | Prof. Suhaila Omar Hashim       | Member  | 3 <sup>rd</sup> May 2019         |
| 5. | Mr. Valentine Mwaisaka Mwakamba | Member  | 3 <sup>rd</sup> May 2019         |
| 6. | Mr. Farid Ahmad Swaleh          | Member  | 3 <sup>rd</sup> May 2019         |
| 7. | Dr. Indenje Wanyama             | Representative PS – The National Treasury                                       | 16 <sup>th</sup> April 2018      |
| 8. | Ms. Rachael Nyambura Mbugua     | Representative - Office of the Attorney General                                 | 6 <sup>th</sup> June 2017        |
| 9. | Ms. Nancy Ruguru Kagau          | Representative PS - State Dept. for Fisheries, Aquaculture and the Blue Economy | 9 <sup>th</sup> June 2017        |

(d) **Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

| <b>No.</b> | <b>Designation</b>                         | <b>Name</b>                   |
|------------|--|-------------------------------|
| 1.         | Director, Chief Executive Officer          | Prof. James M. Njiru, PhD     |
| 2.         | Deputy Director Finance and Administration | CPA. Abraham Kagwima, CPA (K) |
| 3.         | Deputy Director Ocean and Coastal Services | Dr. Renison Ruwa, PhD         |
| 4.         | Deputy Director Freshwater Systems         | Dr. Enock Wakwabi, PhD        |
| 5.         | Ag. Deputy Director, Aquaculture           | Dr. Jonathan Munguti, PhD     |

(e) **Fiduciary Oversight Arrangements**

Fiduciary oversight on the Institute activities are carried out by the following:

**The Finance and Human Resource Committee**

The Committee is comprised of 5 members of the Board including the Institute Director. Its main function is to review and monitor the Institute's financial position on behalf of the Board, including review of the liquidity status, all the Institute's Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliation. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Institute.

**The Board Audit and Risk Management Committee**

This Committee is comprised of 4 members of the Board. Its main function is to consider and process on behalf of the Board all matters relating to audit, audit queries and Management Letters from Office of Auditor General or the duly appointed external auditors. It also considers matters of quality assurance of systems and processes in the Institute's operations and reviewing the risk management framework and the periodic performance contract reports.



**(f) Entity Headquarters**

Silos Road, Mkomani Mombasa  
P.O. Box 81651 GPO, Mombasa 80100, Kenya

**(g) Entity Contacts**

Telephone No.: +254 (20) 8021560/1, 0712003853  
Email: [director@kmfri.co.ke](mailto:director@kmfri.co.ke) /[kmfridirector@gmail.com](mailto:kmfridirector@gmail.com)  
Website: <http://www.kmfri.co.ke>

**(h) Entity Bankers**

- National Bank of Kenya,  
Nkrumah Road Branch,  
P.O. Box 90363 – 80100,  
**Mombasa, Kenya**
- Kenya Commercial Bank,  
P.O. Box 150 – 30500,  
**Lodwar, Kenya**
- Kenya Commercial Bank,  
P.O. Box 130 – 20117,  
**Naivasha, Kenya**

**(i) Independent Auditors**

Office of Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

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



**Hon. John Safari Mumba**  
**Chairman, Board of Management**

**Key Academic Qualifications**

- Currently pursuing a Master's Degree in Business Administration at Kenya Methodist University
- BSc Zoology Botany, Makerere University;
- Postgraduate diploma in Education, University of Nairobi;
- Postgraduate Diploma in Fisheries Management, Grimsby College of Technology, UK;
- Postgraduate Diploma in Management of Public Enterprises, the Harvard University (HIID), USA.

**Date of Birth:**

1946

**Date of Appointment:**

21<sup>st</sup> September, 2018

**Work Experience:**

- Bahari MP from 1992 to 1997;
- Former Managing Director and CEO of Kenya Cashew nuts Ltd;
- Coast Provincial Director of Fisheries, from 1975 to 1982;
- Directorships held: Kenya Bixa Limited; Director, ICDC; Director, Tototo Home Industries; Centre for Multiparty Democracy (CMD) Kenya;
- Chairman, Cashew nut Industry Revitalization Task Force.





**Ms. Dorcas Mghoi Mlughu**  
**Chair, Board Audit and Risk**  
**Management Committee**

**Key Qualifications:**

- Degree in International Relations and Diplomacy, Kenya Methodist University, 2015
- Diploma in Mass Communication and Public Relations from Multimedia University College of Kenya
- National Democratic Institute training on women in politics and leadership (NDI) in May 2017.
- Attended Kenya Women Parliamentary Association workshop on women leadership and politics (KEWOPA).

**Date of Birth**  
1986

**Date of Appointment**  
14<sup>th</sup> December 2018

**Work Experience**

- Political radio host at Royal Media Service's Bahari FM.
- A presenter, as well as the producer of famous Taita Radio programme - Kwasinda.
- Sales Supervisor at Telkom (K) & Zain.
- News anchor at Radio MMU.



**Prof. Suhaila Omar Hashim;**

**Key Qualifications**

- PhD in Biotechnology, Lund Univ. Sweden.
- Msc in Biochemistry.
- Bsc in Biochemistry & n Biology

**Date of Birth**  
1972

**Date of Appointment**  
3<sup>rd</sup> May 2019

**Work Experience**

- Senior Lecturer and Head of the Department – Chemistry and Biochemistry, Pwani University.
- Acting Dean, School of Pure & Applied Sciences.
- Teaching and Training at undergraduate and postgraduate levels.
- Co-chairperson of steering committee of proposed Pwani University Health Research Institute.



**Mr. Ali Juma Mafimbo (HSC)**  
**Chairman;**  
**Finance and Human Resource Committee**  
**and Scientific and Technical Committee**

**Key Qualifications**

- Applied Ocean Sciences Master's Degree (Physical Oceanography) from the University of Cape Town, South Africa

**Date of Birth**

1958

**Date of Appointment**

14<sup>th</sup> December 2018

**Work Experience**

- County Executive in charge of Lands, Physical Planning and Natural Resources in Kwale (May 2013 - October, 2017)
- Senior Assistant Director - Kenya Meteorological Department (October, 1981 - June, 2013)
- Consultant - World Meteorological Organization (WMO), Intergovernmental Oceanographic Commission (IOC) of UNESCO, IGAD Climate Prediction and Application Centre (ICPAC), Kenya Marine Fisheries Research Institute (KMFRI), Coastal Oceans Research and Development - Indian Ocean (CORDIO)-East Africa, and Western Indian Ocean Marine Science Association (WIOMSA)



**Mr. Valentine Mwaisaka Mwakamba;**

**Key Qualifications**

- Code and corporate governance – SCAC
- Certified Trustee by RBA- School of Insurance
- Diploma, Business Administration – Mombasa Polytechnic; 1978-1979
- Bookkeeping and Accounts- Pitmans Institute, London; 1977-1978

**Date of Birth**

6<sup>th</sup> Nov, 1958

**Date of Appointment**

3<sup>rd</sup> May 2019

**Work Experience**

- Kenya Ports Authority, Auditor and Risk Committee of the Board - Chairman
- The National Alliance Party of Kenya, (Mombasa) - Chairman
- Kenya International Freight and Warehouse Association (KIFWA) – Chairman
- Kenya National Chamber of Commerce & Industry(KNCCI), (Mombasa) - Branch Secretary
- Star of The Sea School Board, Mombasa – Chairman
- Linu Agencies, Mombasa - General Manager
- Coffee Marketing Board (U) Limited, (Uganda, Dar es Salaam, Mombasa) - Stocks Controller.





**Mr. Farid Ahmad Swaleh**

**Key Qualifications:**

- Training on corporate ethics, investments, negotiation, career development, time management, branding and soft skills as well as cost estimation and tendering from National Construction Authority (NCA).
- Contract administration, from the Kenya Institute of Curriculum Development (KICD) and leadership and corporate governance.

**Date of Birth**  
1973

**Date of Appointment**  
3<sup>rd</sup> May 2019

**Work Experience**

- Director - Kenya Shipping Line Agencies
- KANU Youth Wing Mobiliser, Mombasa



**Ms. Nancy Kagau**

**Key Qualifications:**

- MA. Project Planning and Management Ongoing – University of Nairobi.
- BSc. (Hons) Zoology and Geography University of Nairobi

**Date of Birth**  
1960

**Date of Appointment:**  
9<sup>th</sup> June 2017

**Work Experience**

- Deputy Director of Fisheries
- PS Representative, the SDFA& BE



**Dr. Indeje Wanyama, PhD**

**Key Qualifications:**

- PhD - Management Science, Shanghai University of Finance and Economics.
- Master's Degree - Economic policy Analysis, Addis Ababa University.
- Bachelor's Degree -Economics the University of Nairobi

**Date of Birth**

1969

**Date of Appointment**

16<sup>th</sup> April 2018

**Work Experience**

- Deputy Director Financial Affairs, The National Treasury
- PS Representative, the National Treasury.



**Ms Rachel Nyambura Mbugua**

**Key Qualifications:**

- Masters in International Law and Comparative Law from Indiana University.
- Bachelor of Law (Keele University-UK.
- Diploma in Law (Kenya School of Law)

**Date of Birth:** 1981

**Date of Appointment:** 6<sup>th</sup> June 2017

**Work Experience**

- Advocate of the High Court of Kenya
- Senior State Counsel
- Representative of the Office of the Attorney General





**Prof. James M. Njiru, PhD.**  
**Secretary to the Board**

**Key Qualifications:**



- PhD –Aquatic Ecology/Fish Biology and Ecology, Moi University, Eldoret
- M.Sc. – Aquatic Science/Fish Biology/Ecology (University of British Columbia, Canada
- B.Sc. (Zoology, Botany and Chemistry), 2nd Class Hons, Moi University, Eldoret

**Date of Birth:** 1965

**Area of Responsibility**

- Director/Chief Executive Officer of the Institute.
- Chief Accounting Officer of the Institute.
- Secretary to the KMFRI Board of Management.

## MANAGEMENT TEAM

|  |  |
|--|--|
|  <p><b>Prof. James M. Njiru, PhD</b><br/><b>Director, Kenya Marine and Fisheries Research Institute</b></p> <p><b>Key Qualifications:</b></p> <ul style="list-style-type: none"> <li>• PhD –Aquatic Ecology/Fish Biology and Ecology, Moi University, Eldoret</li> <li>• M.Sc. – Aquatic Science/Fish Biology/Ecology (University of British Columbia, Canada)</li> <li>• B.Sc. (Zoology, Botany and Chemistry), 2nd Class Hons, Moi University, Eldoret</li> </ul> | <p><b>Date of Birth:</b> 1965</p> <p><b>Area of Responsibility</b></p> <ul style="list-style-type: none"> <li>• Director/Chief Executive Officer of the Institute.</li> <li>• Accounting Officer of the Institute.</li> <li>• Secretary to the KMFRI Board of Management.</li> </ul> |
|  <p><b>Dr. Renison K. Ruwa, PhD</b></p> <p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• PhD University of Florence (Italy)</li> <li>• MSc. University of Nairobi</li> <li>• BSc. (Hons Upper Second Class) University of Nairobi</li> </ul>  | <p><b>Date of Birth:</b> 1956</p> <p><b>Area of Responsibility</b></p> <ul style="list-style-type: none"> <li>• Deputy Director (Coastal &amp; Marine Waters).</li> <li>• In-charge of Coastal &amp; Marine Waters research directorate.</li> </ul>                                  |

|  |   |
|--|---|
| <div data-bbox="327 235 590 560" data-label="Image"> </div> <div data-bbox="319 560 630 593" data-label="Caption"> <p><b>Dr. Enock Wakwabi, PhD</b></p> </div> <div data-bbox="220 667 405 698" data-label="Section-Header"> <p><b>Qualifications:</b></p> </div> <div data-bbox="266 739 865 1030" data-label="List-Group"> <ul style="list-style-type: none"> <li>• PhD in Marine Science from the University of Gent, Belgium</li> <li>• MSc. in Hydrobiology from the University of Nairobi</li> <li>• Bachelor of Education in Botany, Zoology &amp; Education from the University of Nairobi</li> <li>• Post graduate Diploma (PGD) in Fisheries from the University of Bergen, Norway</li> </ul> </div> | <div data-bbox="882 147 1244 179" data-label="Text"> <p><b>Date of Birth:</b> 1955</p> </div> <div data-bbox="882 257 1161 288" data-label="Section-Header"> <p><b>Area of Responsibility</b></p> </div> <div data-bbox="930 295 1388 434" data-label="List-Group"> <ul style="list-style-type: none"> <li>• Deputy Director (Freshwater Systems)</li> <li>• In-charge of freshwater systems research directorate.</li> </ul> </div>            |
| <div data-bbox="330 1182 601 1525" data-label="Image"> </div> <div data-bbox="319 1525 679 1592" data-label="Caption"> <p><b>CPA Abraham John Kagwima</b><br/>ICPAK REG. NO. 2954</p> </div> <div data-bbox="217 1632 405 1664" data-label="Section-Header"> <p><b>Qualifications:</b></p> </div> <div data-bbox="264 1706 857 1845" data-label="List-Group"> <ul style="list-style-type: none"> <li>• Masters of Business Administration (Finance Option)</li> <li>• Certified Public Accountant (K)<br/>ICPAK REG. NO. 2954</li> </ul> </div>  | <div data-bbox="882 1229 1240 1258" data-label="Text"> <p><b>Date of Birth:</b> 1969</p> </div> <div data-bbox="882 1301 1160 1332" data-label="Section-Header"> <p><b>Area of Responsibility</b></p> </div> <div data-bbox="930 1339 1385 1478" data-label="List-Group"> <ul style="list-style-type: none"> <li>• Deputy Director (Finance &amp; Administration).</li> <li>• Head of Finance and Administration Directorate.</li> </ul> </div> |



|  |   |
|--|---|
| <div data-bbox="418 159 679 488" data-label="Image"> </div> <div data-bbox="376 486 719 521" data-label="Caption"> <p><b>Dr. Jonathan Munguti, PhD</b></p> </div> <div data-bbox="226 584 414 616" data-label="Section-Header"> <p><b>Qualifications:</b></p> </div> <div data-bbox="276 645 868 898" data-label="List-Group"> <ul style="list-style-type: none"> <li>• PhD - University of Natural Resources and Applied Life sciences Vienna, Vienna, Austria</li> <li>• MSc. environmental science and technology (Limnology &amp; Wetland Ecosystems) IHE. Delft the Netherlands</li> <li>• B. Ed Sc. Hons (Zoology/chemistry), Moi University, Eldoret, Kenya</li> </ul> </div> | <div data-bbox="887 150 1219 183" data-label="Text"> <p><b>Date of Birth:</b> 1974</p> </div> <div data-bbox="887 259 1169 295" data-label="Section-Header"> <p><b>Area of Responsibility</b></p> </div> <div data-bbox="935 297 1394 439" data-label="List-Group"> <ul style="list-style-type: none"> <li>• Acting Deputy Director (Aquaculture)</li> <li>• In-charge of aquaculture &amp; mariculture research directorate.</li> </ul> </div> |
|--|---|

## **CHAIRMAN'S STATEMENT**

As a Centre of excellence in aquatic and marine research, KMFRI continued to play its central role in aquatic and marine research in order to advise the government and other stakeholders on aquatic matters. I thank the government for committing funds in grants for research to the Institute, which made it possible for our researchers to come up with scientific innovations and technologies that would increase fish production in the country and improve food and nutritional security in line with the Big Four, Vision 2030 and promote the Blue Economy Investments.

## **ACHIEVEMENTS DURING THE FINANCIAL YEAR 2018/2019**

First Board of Management meeting was held on 29<sup>th</sup> January 2019 following inauguration of the new Board, RV Mtafiti Book documenting the achievements and the findings of the research expeditions in the EEZ was launched during the Blue Economy Conference held in Nairobi. The Chairman also hosted the West Flanders Governor – Belgium who has been a longstanding partner in the Marine Research. To promote community outreach the Institute signed a MoU with World Vision-Kenya to support the aquaculture programmes in Homabay County.

The Institute also reviewed its Corporate Strategic Plan 2018/2022 in line with the Constitution of Kenya 2010, Vision 2030, Third Medium Term Plan 111, Big Four Agenda, National Oceans and Fisheries Policy 2008, African Agenda 2063 and United Nations SDGs and the lessons learnt in the implementation of the KMFRI's Strategic Plan 2016/2020.

## **ONGOING INITIATIVES**

The Institute has been identified as an implementing agency for the Strategic Action Programme Policy Harmonization and Institutional Reforms (SAPPHIRE), a nine country, five-year project and the World Bank funded Kenya Marine Fisheries and Socio economic Development Project (KEMSFD). The Institute continued to use oceanographic research vessel RV Mtafiti commissioned in 2014 by His Excellency the President of the Republic of Kenya, Hon. Uhuru Kenyatta for research within the unexploited Exclusive Economic Zone (EEZ) and the North Kenya Banks which is the next frontier in the exploitation of the Blue Economy.

## **FUTURE PROSPECTS OF THE INSTITUTE**

KMFRI conducts research in the marine environment and fresh water aquatic systems. The Board of Management continually seeks new approaches to enable the Institute conduct research that would create more impact on the livelihoods of communities living around the aquatic resources. The Institute has also been identified as the clearing house for research in the development of the Blue Economy in the country.

In conclusion, I take this opportunity to thank members of the KMFRI Board of Management, Management and Staff for their support in providing leadership over the past one year. Their commitment contributed immensely to our performance. I am confident that they will continually spare no effort to attain and surpass the targets set for the new financial year.



Hon. John Safari Mumba  
**CHAIRMAN, KMFRI BOARD OF MANAGEMENT**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

I have the pleasure to present the Report and Financial Statements for the Kenya Marine and Fisheries Research Institute (KMFRI) for the period ended 30<sup>th</sup> June, 2019.

The Institute remained on course in undertaking aquatic research activities within its mandate in order to contribute to the management and sustainable exploitation of aquatic resources aimed at alleviating poverty and enhancing food security, while creating employment through multidisciplinary and collaborative research in marine and fresh water aquatic systems.

For the period under review, the Institute continued to actively collect and disseminate scientific information on aquatic resources to all stakeholders.

## **ACHIEVEMENTS DURING THE PERIOD**

During the period, KMFRI scientists developed innovative technologies for value addition and reduction of post-harvest losses, and transferred the technologies to citizens in order to uplift livelihoods of people living around Lakes Victoria, Turkana, Naivasha and Baringo. The Institute continued to map and demarcates important fishing grounds and undertook environmental and biophysical research and stock assessments to establish baselines for commercial fisheries within the country's water bodies. KMFRI also recorded increase scientific publications and realized an increase in the number of funded proposals for specific research programmes. The Institute successfully implemented its Performance Contract for the financial year 2018/2019 as negotiated with the Parent Ministry and vetted by the Performance Contracting Secretariat. The Institute hosted all her stakeholders in the Mtafiti Open Day in May 2019 to showcase the new technologies and discuss areas of furthering research. Two KMFRI senior scientists were recognized in the international fora for their contribution to science with award to Dr. Jacqueline Uku receiving the NK Panikkar Memorial Medal and Pew Fellowship to Dr. James Kairo.

KMFRI successfully hosted a side event during the Blue Economy dubbed "Harnessing the full potential of the Blue Economy through research and innovation" with support from Irish Embassy and UNDP. The Institute was also represented in the Coast to Ocean Conference by Dr. Jonathan Munguti in Egypt.

## **ONGOING PROJECTS**

Through the individual donor research programmes, the Institute continued to implement various other projects including Tuna study supported by WIOMSA, Pathway to food security in Lake Victoria, Kenya -World Bank, Building a strategic framework for aquaculture education in Kenya-VLIROUS, Enhancing Climate Sma Aquaculture Technologies and Innovations towards Food Security and Sustainable Livelihoods in East and Southern Africa- World Bank, Establishment of the 1<sup>st</sup>marine hatchery in Kwale Shimoni funded by the National Research Fund (Kenya), Larval fish production and dispersal in critical habitats of coastal East Africa - WIOMSA-MASMA.

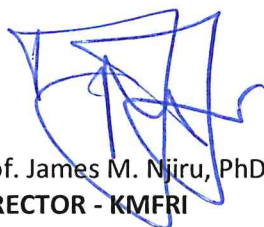
The Institute also took the lead in national aquaculture and mariculture research by undertaking research on the impact of improved quality seeds and formulated fish feeds to support fish production from aquaculture farms in the country. MESA (Monitoring for Environment and Security in Africa) is utilizing satellite and in situ Earth Observation (EO) data to support environmental management and security in Africa at continental, regional and national levels. The purpose is to increase capacity in information management, decision-making and planning of African continental, regional and national institutions mandated for environment, climate and food security. In Kenya, KMFRI is the Technical Focal Point.



To support the aquaculture research directorate, the Institute operationalized the fish feeds pelletizer equipment located at its Sangoro Station to produce high quality floating fish feeds.

#### **COMPLIANCE WITH THE LAWS AND REGULATIONS**

During the 2018/2019 financial year, the Institute complied with the set budgetary levels for the year. All the funds released by the government to the Institute were expended towards the intended and approved core activities of the Institute. In addition, KMFRI enhanced monitoring and evaluation of research programmes and support activities in order to ensure compliance with the allocated budget. In the coming year, the Institute will continue undertaking research activities aimed at providing scientific information for sustainable exploitation of aquatic resources to enhance food and nutritional security and the national development agenda for alleviating poverty and raising living standards of the people of Kenya in line with the Government's Vision 2030 and the Big Four Priority Agenda.



Prof. James M. Njiru, PhD  
**DIRECTOR - KMFRI**

## **CORPORATE GOVERNANCE STATEMENT**

Good corporate governance entails establishment and enhancement of sustainable value for stakeholders through adoption of ethically driven procedures and processes. The Board ensures that corporate governance guidelines and best practices are followed, and that all corporate affairs are managed in a fair and transparent manner. In this regard, we believe it is our inherent responsibility to disclose timely and accurate information on our financials and performance as well as leadership and governance of the Institute. The Board of Management and KMFRI Management remains steadfastly committed to the adoption of corporate governance best practices in support of our vision to provide world-class services that delight our customers, create value and meet stakeholders' expectations. This statement sets out the main corporate governance practices and structures in the Institute and actions taken towards achievement of our goals.

### **Board of Management**

The KMFRI Board of Management consists of six (6) independent non executive members, Representatives of the National Treasury, State Department for Fisheries, Aquaculture and the Blue Economy and the Attorney General and the Director/KMFRI who is the Board Secretary. The Board composition draws a good mix of skills, experience and proficiencies in various fields.

### **Board work plan and meetings**

Dates for Board meetings in the ensuing year are decided in advance and scheduled in the Board's work plan (ALMANAC). The Board meets at least four times in a financial year to monitor and transact the Institute's business. Board Members receive adequate notice and detailed papers on issues to be discussed in good time to enable them prepare for the meetings.

### **Board Committees**

The Board has three standing committees that assist to effectively discharge various business functions and responsibilities. An adhoc committee can be constituted to deal with pertinent issues as they arise. The Board defines terms of reference under which the respective committees operate. The committees submit reports of their activities to the Board.

During the year, the Board established the following committees:

#### **The Board Audit and Risk Management Committee**

The Committee acts as the oversight Board Committee and is responsible for evaluating the effectiveness of the internal control procedures and risk management procedures. It is responsible for establishing an internal audit function and ensuring that there is an effective risk-based internal audit system. The Board Audit Committee is also responsible for reviewing financial information as well as monitoring the effectiveness of management information systems and the reporting thereof. The committee reviews all significant findings of the internal and external auditors and provides policy direction as appropriate.

#### **Scientific and Technical Committee**

The Committee is charged with the responsibility of providing policy direction and ensuring that the Institutional Research Agenda is in line with the Corporate Strategic Plan, and it is linked with the National Development Policies including the Kenya Vision 2030, Big Four Priority Agenda and Third Medium Term Plan. The Committee is also responsible for approving proposed research funding and recommending manning of research functions.

#### **Finance and Human Resource Committee**

The Committee is responsible for providing policy direction to the Institute's in human resource and financial management matters. The Committee reviews and approves the Institute's annual budget, administers the recurrent and development annual budgets and ensures the budgets are aligned to the government printed estimates. The Committee deliberates on and approves the Institute's annual report and financial statements. The Committee is also responsible for the establishment of the terms and conditions of service and scheme of service for the Institute employees, and making regulations governing the appointments, remuneration, conduct and discipline of institute employees. The committee regularly reviews and evaluates the adequacy and effectiveness of the Institute's personnel policies. The committee reviews and deliberates on staff matters and provides guidelines in the implementation of the personnel policies.



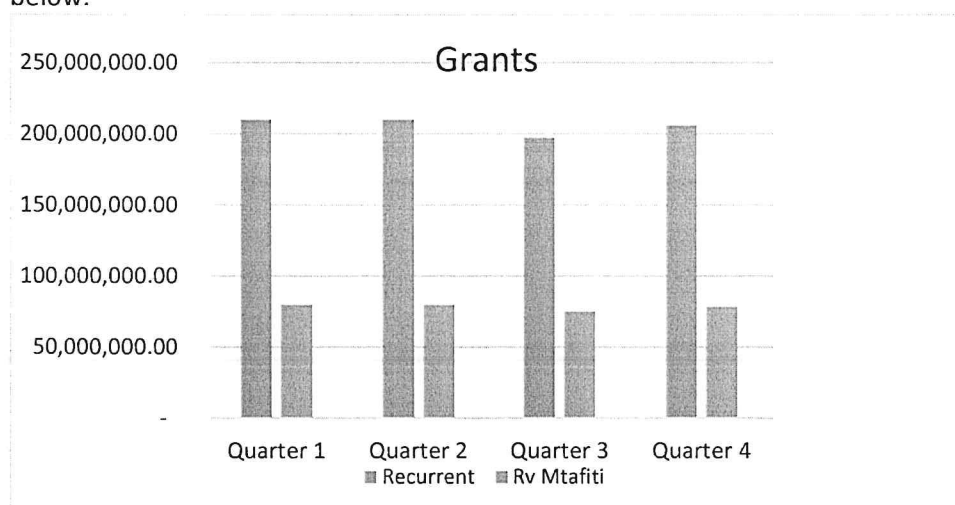
### Operational performance

During the period, KMFRI continued to implement its Performance Contract for the financial year 2018/2019 as negotiated with the Parent Ministry and vetted by the Performance Contracting Secretariat. The Institute hosted the annual RV Mtafiti Open day, from 30<sup>th</sup>– 31<sup>st</sup> of May 2019 and the World Oceans Day on 8<sup>th</sup> June 2019 at its headquarters Mombasa. The institute in collaboration with other stakeholders participated in the replantation of mangroves in the degraded areas at Vanga fish landing beach in South Coast on 24<sup>th</sup> June 2019. The institute also reviewed its Strategic Plan 2018-2022 at the North Coast Beach Hotel from 3<sup>rd</sup> to 5<sup>th</sup> June 2019.

With regards to budgetary resources, the government released exchequer grants to the Institute as per the government printed estimates for the 2018/2019 financial year.

### Financial performance

The Institute received grants for recurrent expenditure amounting to Kshs. 1,137,290,000 which enabled KMFRI to pay staff salaries and sustain its operations and maintenance expenditure for the period as shown below:



The institute further received donor grants of Kshs.132,876,356 to fund individual research programmes undertaken by KMFRI Scientist in the three research directorates of Oceans and Coastal systems research, Fresh Water Systems Research and the Aquaculture research and realized a total of Kshs.14,948,909 in Appropriation in Aid funds from various activities including sales of fish fingerlings and fish feeds, student educational visits and attachment fees, disposal of bonded wares and sale of value added products.

### Expenditure Performance Overview

Key Expenditure recorded in the period under review was Kshs. 1,140,897,654 as shown below:

- Employee Costs – Ksh. 539,958,155
- General Expenses - Kshs. 426,403,938
- Depreciation & Amortization Expenses – Kshs. 120,906,168

### Entity's compliance with statutory requirements

During the period, the Institute complied with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT, HELB and Withholding tax within the stipulated deadlines.

The institute was also in compliance with regulatory requirements including PFM Act 2012, The Public Procurement and Asset Disposal Act, 2015 and the State Corporations Act.

#### **Major risks facing the entity**

The Board of Management is responsible for the Institute risk management. The Institute in the course of its mandate identified key corporate risks, the associated risk levels, and their mitigation strategies as defined below:

- i. Litigation against the Institute and unfavourable court decisions. The Institute is mitigates this risk by:
  - Lodging appeals where adverse judgements were delivered
  - Building capacity of internal counsel to enable proper representation.

- ii. Sub-optimal level of uptake of new and/or existing products and services

The Institute shall collaborate with relevant stakeholders on investor education and awareness programmes on new products and services to support and successful implementation and maintain an updated database on necessary reforms and continuously review the market to provide guidance to the relevant stakeholders.

- iii. Sub-optimal staff capacity

The Institute shall effectively train the staff and align the departmental activities to the corporate activities and projects, while optimizing vacancy ratios and supporting effective learning and development programs.

- iv. Cyber security threats

The Institute is continuously mitigating the risks to its ICT Infrastructure, Information Systems and data by:

- (a) Conducting scheduled preventive maintenance exercise for ICT infrastructure and network components;
- (b) Conducting fail over tests for ICT systems to the hot Disaster Recovery sites;
- (c) Implementing appropriate security measures and controls on the enterprise fire wall and network components;
- (d) Restricting access to the Primary data centre to authorized personnel and maintaining a server access log;
- (e) Monitoring and managing the backup process to ensure all critical data is included in the scheduled backups; and
- (f) Conducting cyber security awareness workshops for staff on current threats.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

KMFRI acknowledges the need to give back to society to promote harmonious relations given the contribution made by surrounding communities in creating a conducive environment for her research activities conducted across the Institute's stations in Mombasa headquarters, Kisumu, Sagana, Kegati, Naivasha, Sang'oro, Gazi, Shimoni, Turkana and Baringo. The community comprises fishers folks who are the major consumers of KMFRI's research findings. Others include pupils, students, residents, and government and state corporations.

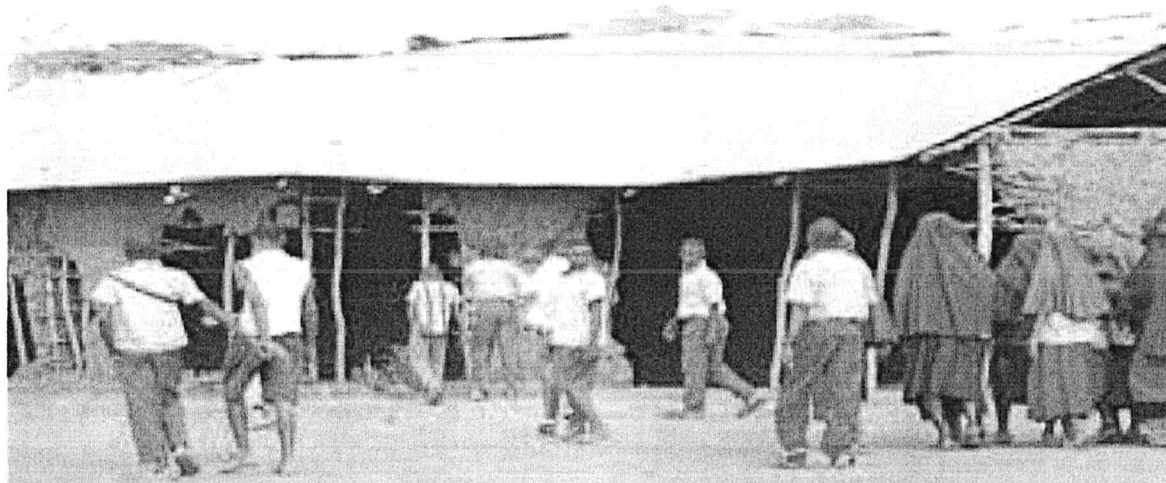
Through elaborate corporate citizenship programmes, KMFRI has reached more people and enhanced understanding of her various products and services rendered to the public. The projects also boost support for her research work and attract goodwill from the public. Besides looking out for the welfare of the people, KMFRI is cognizant of the fact that it has a responsibility towards the environment seeing that conservation of marine environment is enshrined in her mission.

The Institute actively encourages her employees to behave in a responsible manner toward the society in which her research activities are undertaken in order to create a harmonious relationship with the publics the Institute interacts with. These communities within which the KMFRI conducts her research are considered as important stakeholders integral to the achievement of KMFRI's core objectives.

In the financial year ended 30<sup>th</sup> June 2019, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

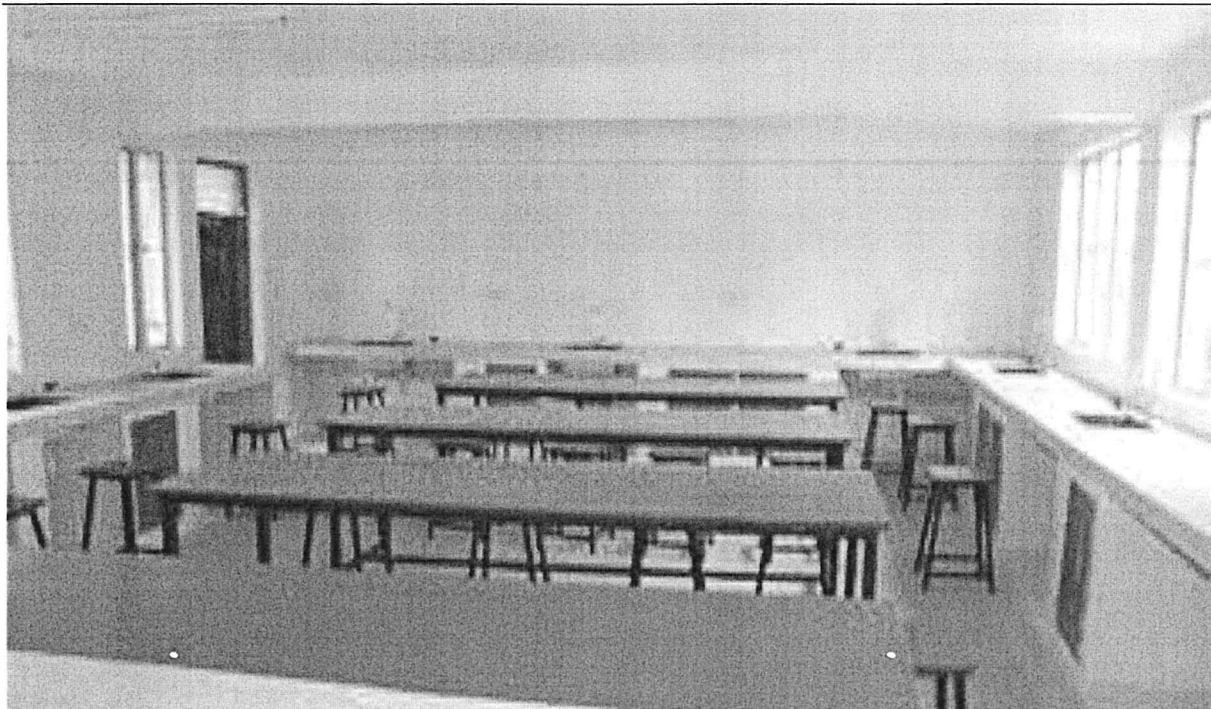
### **Shimoni Primary School – Classroom**

KMFRI undertook educational based CSR activities by constructing a classroom for Shimoni Primary School in Kwale County.



*Figure 1: Classroom in Shimoni Primary School, Kwale County*





*Figure 2: New Classroom constructed by KMFRI for Shimoni Primary School in 2018/2019 FY*

#### **Replantation of mangroves in the degraded areas at Vanga fish landing beach in South Coast**

KMFRI collaborated with other institutions to help the Vanga Bay community initiate several community projects including replantation of mangroves supported by Vajiki Project spearheaded by Dr. James Kairo.

Vajiki just like MikokoPamoja is a carbon offset project based in Vanga Bay that aims to conserve mangroves. The project is run by local volunteers from Vanga and adjacent villages. In the three years the project will be going on, several education and water programmes, including the restoration of mangroves in Vanga Bay will be funded. KMFRI will be providing technical expertise to the project in matters pertaining to nursery establishment, biological monitoring of the project, marketing and preparation of annual reports.





Figure 2: Community members during mangrove reforestation programme –Vanga, Kwale County on 24<sup>th</sup> June 2019

#### KMFRI Marine Debris Group

Ocean and water way trash ranks as one of the most serious pollution problems choking our planet and marine ecosystem. During the period under review, there has been clarion calls to beat plastic pollution because plastics entangle marine animals with lethal consequences, while others choke and die after feeding on trash. Besides being an eyesore, a rising tide of marine debris threatens human health, wildlife communities and economies around the world.



Participants sort out trash at Mkomani beach during World Ocean day on 8<sup>th</sup> June 2019



In recognition of the need to keep our oceans healthy to boost the Blue Economy, KMFRI's Marine Debris Volunteer Group (KMDVP) largely comprised of student, drawn from various universities, cleans Mkomani beach every Thursday. This initiative is meant to conserve aquatic life by creating a conducive environment for fish and other marine organisms to thrive. This exercise creates awareness on the need to protect our oceans as they are a source of livelihoods for millions of people. Ocean comprises 42% of land cover with fisheries contributing about Sh40

billion to Kenya's GDP, according to a survey done in 2016. Further, one of KMFRI's role is to enhance food



security by harnessing research in the Blue Economy through exploitation of marine resources such as fish, seagrass, seaweed and coral reefs hence the need to keep oceans pollution-free.

KMDVP also actively participated during the International Coastal Clean-up Day marked on September 15, 2018, and collected trash along Tamarind, Mkomani and Mama Ngina beaches. Participants were KMFRI staff, interns, attaches and community members. Approximately 460kgs of trash was collected on that day. The event was published in the institute's newsletter Mtafiti.



Join us for the  
**33rd INTERNATIONAL  
COASTAL  
CLEANUP**  
**SEPTEMBER 15, 2018**  
@ Tamarind, Mkomani and Nyali Beaches  
Main event will be held at Mama Ngina Drive from 11am.  
**Taking Action for Trash Free Seas**



### **ASK Shows**

Over the years, the Institute has been participating in the ASK shows/trade fairs where it has continued to stand-out and emerged winner in various categories emerging the position one in research and innovation category.





---

**REPORT OF THE DIRECTORS**

The Board of Management has the pleasure to submit the annual report and audited financial statements for the year ended June 30, 2019 in accordance with the International Financial Reporting Standards, the State Corporations Act (Cap 446) of 1986 and the PFM Act, 2012 which discloses the state of affairs of the Institute.

**Principal activities**

The Institute mandate is to undertake research in “marine and freshwater fisheries, aquaculture, environmental and ecological studies and physical oceanography”, in order to provide scientific data and information for sustainable exploitation, management and conservation of Kenya’s fisheries and aquatic resources, and contribute to National strategies of food security, poverty alleviation, clean environment and creation of employment as provided for under Vision 2030 and set out by the Science and Technology Act, Cap 250 of the Laws of Kenya.

**Results**

The results of the Institute for the year ended June 30, 2019 are set out on page one (1) below.

**Directors**

The members of the Board of Management who served during the year are shown on page (iii). During the year the Chairman of the Board was appointed by the President on 21<sup>st</sup> September, 2018 and five (5) Board members were also appointed with effect from 21<sup>st</sup> December 2018 and 3<sup>rd</sup> May 2019 respectively by the Cabinet Secretary of the Parent Ministry.

**Dividends/Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Institute did not make any surplus during the financial year 2018/19 and hence no remittance to the Consolidated Fund.

**Auditors**

The Office of the Auditor General is responsible for the annual audit of the Institute’s books, in accordance with Article 229 of the Constitution of Kenya and Section 7(1) of the Public Audit Act, 2015. The Audit is undertaken with due regard to the stipulations of the Science and Technology Act, Cap 250 of the Laws of Kenya, the State Corporations Act (Cap 446) of 1986, the Public Finance Management (PFM) Act, 2012, the Public Procurement and Disposal of Assets Act, 2015 and the various circulars and guidelines from the Parent Ministry and the National Treasury. In accordance to Section 23 of the Public Audit Act 2015, the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

**By Order of the Board**



Prof. James M. Njiru, PhD

**DIRECTOR/SECRETARY - KMFRI Board of Management**

Date: 27TH FEB. 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, requires the Institute Directors to prepare financial statements which give a true and fair view of the state of affairs at the end of the financial year and the operating results thereof. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy, its financial position. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institutes financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on 30<sup>th</sup> June 2019. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 institute assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility of the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of KMFRI's financial transactions during the financial year ended 30<sup>th</sup> June 2019, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

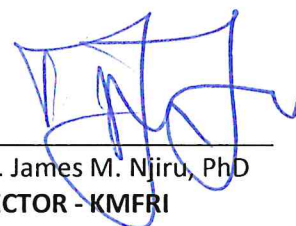
Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Institute's financial statements were approved by the Board on 27<sup>th</sup> FEB 2020 and signed on its behalf by:



Hon. John Safari Mumba  
**CHAIRMAN - KMFRI BOARD OF MANAGEMENT**

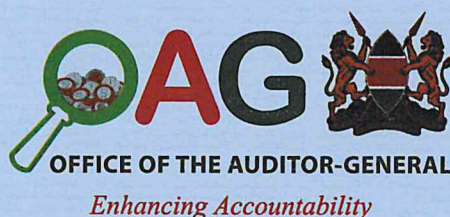


Prof. James M. Njiru, PhD  
**DIRECTOR - KMFRI**



# REPUBLIC OF KENYA

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



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019**

---

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute set out on pages 1 to 25 which comprise the statement of financial position as at 30 June, 2019, 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 effects of 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 Marine and Fisheries Research Institute as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in the Financial Statements**

The financial statements for the year ended 30 June, 2019 availed for audit review contained the following inaccuracies:

##### **1.1 Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2019 reflects a decrease in trade and other payables from non-exchange transactions of Kshs.28,565,644 while the recomputed amount was Kshs.28,771,904, resulting to a variance of Kshs.206,260. Although Management explained that the variance related to outstanding medical bill written off, no documentary evidence was provided.



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

### **1.1 Statement of Financial Position – Accumulated Surplus**

The statement of financial position as at 30 June, 2019 reflects an accumulated surplus of Kshs.924,581,510 while the corresponding Note 29 to the financial statements reflects an accumulated surplus of Kshs.926,931,510, resulting to a variance of Kshs.2,350,000 which had not been explained nor reconciled.

Consequently, the accuracy and completeness of the statement of financial position as at 30 June, 2019 could not be confirmed.

## **2. Property, Plant and Equipment**

### **2.1 Un-surveyed Land**

The Institute owns un-surveyed land located in Baringo, Sangoro and Mtwapa measuring 2.35 hectares, 0.7 hectares, and 13.4 acres respectively. However, as previously reported, the properties have not been valued or included in the reported property, plant and equipment balance of Kshs.1,734,161,109. Further, other than allotment letters for the 2 parcels of land in Baringo, ownership documents for the land parcels were not provided and Management reported that the land in Mtwapa was encroached before the transfer from the Kenya Agricultural Research Institute (KARI) was complete.

### **2.2 Sale of the Kongowea Land**

As previously reported, the Institute on 26 January, 2007 sold the Kongowea parcel of land LR No. 6034/1/MN-Kongowea Mombasa, measuring approximately 1.998 hectares valued at Kshs.22.8 million to a private developer at a price of Kshs.15,020,000. However, the title was transferred to the purchaser before the Institute received full amount of the sale price. In addition, the lawyer who received the money on behalf of the Institute on 26 March, 2009 did not remit the same to the Institute until 2010/2011 financial year when he transmitted Kshs.13,444,923, leaving a balance of Kshs.1,575,077 and any interest accrued for the period the funds were held. Further, the selling price of Kshs.15,020,000 was below the market value of Kshs.22,800,000, resulting to a probable loss of Kshs.7,780,000. As at 30 June, 2019, the balance of Kshs.1,575,077 had not been remitted to the Institute.

No explanation was provided for the transfer of property before receiving full consideration and also why the property was sold below market value.

### **2.3 Loss of Deep Sea Observatory Rover**

As disclosed in Note 20 to the financial statements, included in the reported property, plant and equipment balance of Kshs.1,734,161,109 are assets additions (purchases) of Kshs.386,552,403 which further includes an amount of Kshs.281,613,777 in respect of research vessels. The research vessel purchases of Kshs.281,613,777 includes an amount of Kshs.13,242,599 being the cost of deep sea observatory rover. However, the equipment was not physically verified as it was reportedly lost in deep sea and the loss



reported at a local police station on 16 July, 2019. As at the time of audit in the month of January 2020, the equipment had not been traced. Further, the equipment was not insured raising doubts as to whether the Institute would be compensated for the loss.

In view of the foregoing matters, the existence, accuracy and completeness of the reported property, plant and equipment balance of Kshs.1,734,161,109 could not be confirmed as fairly stated.

### **3. Cash and Cash Equivalents - Stolen Cash in Hand**

The statement of financial position reflects cash and cash equivalents balance of Kshs.486,455,555 which, as disclosed under Note 17 to the financial statements, includes cash in hand of Kshs.266,577. However, the cash in hand balance included Kshs.165,112 being cash held at Baringo station which differed with the nil balance reflected in the cash count certificate. Although Management explained that the money was stolen from the station's cash office, no evidence of the action taken against the officer responsible or that the incident was reported to the Police was provided for audit verification.

In the circumstances, the accuracy and existence of the reported cash in hand balance of Kshs.266,577 could not be confirmed.

### **4. Doubtful Receivables from Former Staff**

The statement of financial position reflects Kshs.12,014,930 in respect of receivables from non-exchange transactions which, as disclosed in Note 18 to the financial statements, includes staff debtors amounting to Kshs.5,713,246. However, the staff debtors includes an amount of Kshs.1,251,116 in respect of advances to staff who have since left the Institute and could not be traced. Although the Management indicated intention to seek legal advice on how to recover the receivables, no recoveries had been made as at 30 June, 2019.

Consequently, full recoverability of the receivables from non-exchange transactions balance of Kshs.1,251,116 from former staff could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Marine and Fisheries Research Institute 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.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual revenue on comparable basis of Kshs.1,687,424,889 and Kshs.1,285,115,265 respectively resulting to an under-funding of Kshs. 402,309,624 or 24% of the budget. Similarly, the Institute had an approved expenditure budget of Kshs.1,437,432,512 against an actual expenditure of Kshs.1,140,897,654, resulting to an overall under expenditure of Kshs.296,534,858 or 21%. The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **2. Unresolved Prior Year Audit Matters**

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, several matters reported in the prior year remained unresolved as at 30 June, 2019.

## **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. PV Doria Operationalization**

Records availed for audit review indicated that in the financial year 2018/2019, the Institute had a budget of Kshs.627,597,545 for research programmes, out of which a total of Kshs.116,594,000 was budgeted for PV Doria operationalization expenses. However, Kshs.37,886,770 of the funds were transferred to the State Department for Fisheries under unclear circumstances and expenditure returns from the State Department of Fisheries were not provided for audit verification.

Consequently, the propriety of the expenditure and compliance with Section 54(1) of the Public Finance Management (National Government) Regulations, 2015, which prohibits payments made out of funds earmarked for specific activities for purposes other than those activities, could not be confirmed.

#### **2. Procurement of Research Vessels Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,734,161,109 which, as disclosed in Note 20 to the financial statements, includes

an amount of Kshs.281,613,777 in respect of research vessels equipment bought during the year. However, a review of the procurement documents revealed the following anomalies:

## **2.1 Use of Wrong Tender Documents**

The Institute issued International Competitive Bidding (ICB) tender document instead of National Competitive Bidding (NCB) as per the advertisement placed in a local daily newspaper dated 16 January, 2019 and the Kenya Marine Fisheries Research Institute website, contrary to Section 58(1) of the Public Procurement and Asset Disposal Act, 2015 which requires public entities to use the standard documents from the Public Procurement Regulatory Authority.

## **2.2 Omission of Confidential Business Questionnaire Form**

The Confidential Business Questionnaire Form as per the standard documents issued by the Public Procurement Regulatory Authority was missing in the tender documents. Instead, the Management used a form titled 'bidders' information form' which does not provide information on the nature of business, registration certificate, value of business, names of directors and their nationalities.

## **2.3 Excess Payments on Inland Transportation**

Instructions to bidders Clause 15.7(Price Schedule) included cost of inland transportation and other services required in the purchaser's country to convey the goods to their final destination. However, records availed for audit review indicated that the Institute incurred unexplained additional expenditure of Kshs.2,433,627 on inland transportation and other services. Consequently, the validity of expenditure of Kshs.2,433,627 on inland transportation could not be confirmed.

In view of the foregoing matters, the Management was in breach of the Law.

## **3. Officers Serving in an Acting Capacity for a Long Time**

Section C.14(1) of Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016 prohibits an officer from acting in a position for more than 6 (six) months. However, as previously reported, four staff had been serving in acting capacities for a period beyond the stipulated six (6) months as detailed below:

| S/No. | Designation                | Acting Position                    | Acting Period          |
|-------|----------------------------|------------------------------------|------------------------|
| 1.    | Senior ICT Officer         | Acting Chief ICT officer           | From 01 December, 2013 |
| 2.    | Principal Accountant       | Acting Chief Accountant            | From 01 October, 2010  |
| 3.    | Personal Secretary I       | Acting Executive Secretary         | From 01 April, 2015    |
| 4.    | Principal Research Officer | Acting Deputy Director-Aquaculture | From 01 January, 2018  |

It was not clear why the positions were not filled.



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, except for the matters described in the Basis for Conclusion on 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 overall governance were not effective.

### Basis for Conclusion

#### 1. Lack of Internal Audit Charter

The Institute did not have an Internal Audit Charter, as required under Regulation 162 (2) of the Public Finance Management (National Government) Regulations, 2015 which provides that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of internal audit reports, appropriate action to be taken on internal audit recommendations; and to be independent of the programs, operations and activities he or she audits to ensure the impartiality and credibility of the internal audit work undertaken.

In absence of the Internal Audit Charter, the credibility of internal audit work could not be confirmed.

#### 2. Lack of Board Charter

Section 1.11 of the Mwongozo Code of Governance for State Corporations requires the Board to develop a charter to define the role, responsibilities and functions of the Board in the governance of the organizations. However, the Institute's Board of Management had not established a Board Charter.

In absence of a Board Charter, the effectiveness of the Board may have been compromised.

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 the Board**

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute'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 Institute or to cease its 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.

The Board of Management is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Institute monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute to cease to continue 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 Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

Nairobi

20 August, 2021





STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

| PARTICULARS                                     | NOTE | 2018/2019            | 2017/2018            |
|---|------|----------------------|----------------------|
| <b>Revenue from Non-Exchange Transactions:-</b> |      | <b>Kshs.</b>         | <b>Kshs.</b>         |
| Grants from National Government                 | 6    | 1,137,290,000        | 1,325,558,242        |
| Grants from International Organizations         | 7    | 132,876,356          | 103,459,146          |
| <b>Revenue from Exchange Transactions:-</b>     |      |                      |                      |
| Sales of goods                                  | 8    | 10,226,700           | 3,558,586            |
| Rendering Services                              | 9    | 4,722,209            | 4,299,680            |
| Finance Income                                  | 10   | -                    | 1,279,541            |
| <b>Total Revenue</b>                            |      | <b>1,285,115,265</b> | <b>1,438,155,195</b> |
| <b>Expenses:-</b>                               |      |                      |                      |
| Employee Costs                                  | 11   | 539,958,155          | 559,550,962          |
| Use of Goods and Services                       | 12   | 13,458,855           | 14,493,687           |
| Board of Management Costs                       | 13   | 13,360,096           | 8,341,189            |
| Depreciation & Amortization Expenses            | 14   | 120,906,168          | 84,779,1             |
| Repairs and Maintenance                         | 15   | 26,810,442           | 48,533,184           |
| General Expenses                                | 16   | 426,403,938          | 564,202,447          |
| <b>Total Expenses</b>                           |      | <b>1,140,897,654</b> | <b>1,279,900,644</b> |
| <b>Surplus for the Year</b>                     |      | <b>144,217,611</b>   | <b>158,254,551</b>   |


The notes set out on pages 12 to 22 form an integral part of these Financial Statements




STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

|   | Note | 2018/2019            | 2017/2018            |
|---|------|----------------------|----------------------|
| <b>ASSETS</b>   |      | <b>Kshs.</b>         | <b>Kshs.</b>         |
| <b>Current Assets:-</b>                               |      |                      |                      |
| Cash & Cash Equivalents                               | 17   | 486,455,555          | 462,034,276          |
| Receivables from Non-Exchange Transactions            | 18   | 12,014,930           | 340,545,712          |
| Receivables from Exchange Transactions                | 19   | 25,172,275           | 24,326,208           |
| <b>Total Current Assets</b>                           |      | <b>523,642,760</b>   | <b>826,906,196</b>   |
| <b>Non-current Assets:-</b>                           |      |                      |                      |
| Property, Plant & Equipment                           | 20   | 1,734,161,109        | 1,499,113,280        |
| Work-in-progress                                      | 21   | 39,561,800           | 36,648,813           |
| Intangible Assets                                     | 22   | 1,705,665            | 3,252,075            |
| <b>Total Non-Current Assets</b>                       |      | <b>1,775,428,574</b> | <b>1,539,014,168</b> |
| <b>Total Assets</b>                                   |      | <b>2,299,071,334</b> | <b>2,365,920,364</b> |
| <b>LIABILITIES</b>                                    |      |                      |                      |
| <b>Current Liabilities:-</b>                          |      |                      |                      |
| Trade & Other Payables from Exchange Transactions     | 23   | 4,275,829            | 88,862,565           |
| Trade & Other Payables from Non Exchange Transactions | 24   | 6,855,521            | 35,627,425           |
| <b>Total Current Liabilities</b>                      |      | <b>11,131,350</b>    | <b>124,489,990</b>   |
| <b>Non-Current Liabilities:-</b>                      |      |                      |                      |
| Retirement Benefits Obligation                        | 25   | -                    | 15,226,665           |
| <b>Total Non-Current Liabilities</b>                  |      | <b>-</b>             | <b>15,226,665</b>    |
| <b>Total Liabilities</b>                              |      | <b>11,131,350</b>    | <b>139,716,655</b>   |
| <b>TOTAL NET ASSETS</b>                               |      | <b>2,287,939,984</b> | <b>2,226,203,709</b> |
| <b>RESERVES</b>                                       |      |                      |                      |
| Capital Reserve                                       | 26   | 584,810,971          | 629,544,041          |
| Donations Reserve                                     | 27   | 263,472,171          | 304,017,400          |
| Revaluations Reserve                                  | 28   | 512,725,332          | 525,361,294          |
| Accumulated Surplus                                   | 29   | 924,581,510          | 767,280,974          |
|   |      | <b>2,287,939,984</b> | <b>2,226,203,709</b> |

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:

Signed:   
Name: Hon. John Safari Mumba  
Chairman of the BOM-KMFRI

  
Name: Prof. James Njiru  
Director-KMFRI

  
Name: CPA Abraham Kagwima  
Deputy Director - Finance  
(ICPAK Member No:2954)

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

|  | Note | Capital Reserve | Donations Reserve | Revaluation Reserve | Accum. Deficit | TOTAL         |
|--|------|-----------------|-------------------|---------------------|----------------|---------------|
|  |      | Kshs.           | Kshs.             | Kshs.               | Kshs.          | Kshs.         |
| Balance as at 1 July 2018                  |      | 629,544,041     | 304,017,400       | 525,361,294         | 767,280,974    | 2,226,203,709 |
| Dev. Grants/Donations in the year          |      | (44,733,070)    | 266,924           | -                   | 15,432,925     | (29,033,221)  |
| Revaluations in the year                   |      | -               | -                 | -                   | -              | -             |
| Depreciation/Amortization in the year      |      | -               | (40,812,153)      | (12,635,962)        | -              | (53,448,114)  |
| Depreciation/Amortization adj. in the year |      | -               | -                 | -                   | -              | -             |
| Surplus for the period                     |      | -               | -                 | -                   | 144,217,611    | 144,217,611   |
| Balance as at 30 June 2019                 |      | 584,810,971     | 263,472,171       | 512,725,332         | 926,931,510    | 2,287,939,984 |

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

|  | Note | Capital Reserve | Donations Reserve | Revaluation Reserve | Accumulated Surplus | TOTAL         |
|--|------|-----------------|-------------------|---------------------|---------------------|---------------|
|  |      | Kshs.           | Kshs.             | Kshs.               | Kshs.               | Kshs.         |
| Balance as at 1 July 2017                  |      | 629,544,041     | 344,701,880       | 537,997,254         | 609,026,423         | 2,121,269,598 |
| Dev. Grants/Donations in the year          |      | -               | -                 | -                   | -                   | -             |
| Revaluations in the year                   |      | -               | -                 | -                   | -                   | -             |
| Depreciation/Amortization in the year      |      | -               | (40,684,480)      | (12,635,960)        | -                   | (53,320,440)  |
| Depreciation/Amortization adj. in the year |      | -               | -                 | -                   | -                   | -             |
| Surplus for the period                     |      | -               | -                 | -                   | 158,254,551         | 158,254,551   |
| Balance as at 30 June 2018                 |      | 629,544,041     | 304,017,400       | 525,361,294         | 767,280,974         | 2,226,203,709 |

NOTE: Capital Reserves constitute the cumulative amounts disbursed to KMFRI over the years by the Government for capital expenditure. Donations constitutes cumulative values of donated assets to KMFRI over the years. Revaluation Reserve constitutes the cumulative values of revalued assets over the years. Accumulated surplus/deficit constitutes amounts of surplus/deficits as realized in the statements of financial performance over the years.



STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

|  | NOTE      | 2018/2019            | 2017/2018            |
|--|-----------|----------------------|----------------------|
| <b>Cash flows from Operating Activities</b>                            |           | <b>Kshs.</b>         | <b>Kshs.</b>         |
| Surplus  |           | 144,217,611          | 158,254,551          |
| Add:-  |           |                      |                      |
| Depreciation/Amortization Charge for the Year                          |           | 120,906,168          | 84,779,175           |
|  |           | 265,123,779          | 243,033,726          |
| Working Capital Changes:-  |           |                      |                      |
| Decrease/Increase in Receivables from Non-Exchange Transactions        | 18        | 328,530,780          | (322,414,465)        |
| Decrease/Increase in Receivables from Exchange Transactions            | 19        | (846,067)            | (23,407,495)         |
| Increase/Decrease in Trade & Other Payables from Exchange Transactions | 23        | (84,586,736)         | 58,916,808           |
| Decrease in pension deficit  | 25        | -                    | (20,000,000)         |
| Increase/Decrease in Other Payables from Non-Exchange Transactions     | 24        | (28,565,644)         | 23,572,420           |
| <b>Net cash flows from Operating Activities</b>                        |           | <b>479,656,112</b>   | <b>(40,299,006)</b>  |
| <b>Cash flows from Investing Activities</b>                            |           |                      |                      |
| Work-in-Progress   | 21        | (23,949,360)         | (34,405,403)         |
| Purchase of Assets   | 20 & 22   | (386,552,403)        | (346,226,139)        |
| <b>Net cash flows from Investing Activities</b>                        |           | <b>(410,501,763)</b> | <b>(380,631,542)</b> |
| <b>Cash Flows from Financing Activities</b>                            |           |                      |                      |
| Refund of GOK Counterpart funds to SDFA & Blue Economy                 |           | (44,733,070)         | -                    |
| <b>Net cash flows from Financing Activities</b>                        |           | <b>(44,733,070)</b>  | <b>-</b>             |
| <b>Net Increase in Cash and Cash Equivalents</b>                       |           | <b>24,421,279</b>    | <b>(420,930,548)</b> |
| Cash and Cash Equivalents at the Start of the Period                   |           | 462,034,276          | 882,964,824          |
| <b>Cash and Cash Equivalents at the End of the Period</b>              | <b>17</b> | <b>486,455,555</b>   | <b>462,034,276</b>   |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

| A.I.A | GRANTS AND                                  | Original Budget<br>2018/2019 | Adjustments        | Final Budget<br>2018/2019 | Actual on<br>comparable<br>basis | Performance<br>difference | Performance<br>Difference<br>% |
|-------|---|------------------------------|--------------------|---------------------------|----------------------------------|---------------------------|--------------------------------|
|       | Revenue from Non-Exchange<br>Transactions:- | Kshs                         | Kshs               | Kshs                      | Kshs                             | Kshs                      | %                              |
|       | Grants from National Government             | 1,474,203,545                | 78,934,004         | 1,553,137,549             | 1,137,290,000                    | 415,847,549               | 27%                            |
|       | Grants from International<br>Organizations  | 90,000,000                   | 29,287,340         | 119,287,340               | 132,876,356                      | (13,589,016)              | -11%                           |
|       | <b>Revenue from Exchange</b>                | <b>1,564,203,545</b>         | <b>108,221,344</b> | <b>1,672,424,889</b>      | <b>1,270,166,356</b>             | <b>402,258,533</b>        | <b>24%</b>                     |
|       | <b>Transactions:-</b>                       |                              |                    |                           |                                  |                           |                                |
|       | Sales of goods                              | 13,600,000                   | (1,800,000)        | 11,800,000                | 10,226,700                       | 1,573,300                 | 13%                            |
|       | Rending Services                            | 7,900,000                    | (4,700,000)        | 3,200,000                 | 4,722,209                        | (1,522,209)               | -48%                           |
|       | <b>Total Revenue</b>                        | <b>21,500,000</b>            | <b>(6,500,000)</b> | <b>15,000,000</b>         | <b>14,948,909</b>                | <b>51,091</b>             | <b>0%</b>                      |
|       | <b>TOTAL REVENUE</b>                        | <b>1,585,703,545</b>         | <b>101,721,344</b> | <b>1,687,424,889</b>      | <b>1,285,115,265</b>             | <b>402,309,624</b>        | <b>24%</b>                     |
|       | <b>Expenses:-</b>                           |                              |                    |                           |                                  |                           |                                |
|       | Employee Costs                              | 604,021,030                  | (20,534,813)       | 583,486,218               | 539,958,155                      | 43,528,062                | 7%                             |
|       | Use of Goods and Services                   | 10,551,200                   | 4,011,642          | 14,562,842                | 13,458,855                       | 1,103,987                 | 8%                             |
|       | Board of Management Costs                   | 7,950,000                    | 5,281,000          | 13,231,000                | 13,360,096                       | (129,096)                 | -1%                            |
|       | Depreciation & Amortization<br>Expenses     | 120,906,168                  | -                  | 120,906,168               | 120,906,168                      | (0)                       | 0%                             |
|       | Repairs and Maintenance                     | 22,707,118                   | 8,058,133          | 30,765,251                | 26,810,442                       | 3,954,809                 | 13%                            |
|       | General Expenses                            | 520,555,652                  | 153,925,381        | 674,481,033               | 426,403,938                      | 248,077,095               | 37%                            |
|       | <b>Total Expenses</b>                       | <b>1,286,691,168</b>         | <b>150,741,344</b> | <b>1,437,432,512</b>      | <b>1,140,897,654</b>             | <b>296,534,858</b>        | <b>21%</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kenya Marine and Fisheries Research Institute (KMFRI) is a Corporate Body constituted as per The Science and Technology Act Cap.250 (20) which has since been repealed and replaced by the Science, Technology and Innovation Act, 2013.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Public Finance Management Act 2012 Section 192 provides for the setting up of the Public Sector Standards Board (PSAB). The Cabinet Secretary, National Treasury gazetted members of the Board on the 28th February 2014. The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities. In exercising its mandate, the Board approved adoption and application of the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board (IPSASB) with effect from 1st July 2014.

The Institute's financial statements are prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) as approved for adoption and application by the Public Sector Standards Board (PSAB). The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

The entity did not adopt any new or amended standards in year 2019.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Consolidation Principle

The financial statements consolidate the revenues and expenses of the Institute and her satellite center's/stations which are spread across the country.

#### a) Revenue recognition

Income is recognized in the period in which it is earned. Income is not accrued if its recoverability is considered doubtful.

#### i) Revenue from non-exchange transactions

##### Government Grants and Donations

Grants from the National Government are recognized in the year in which the Institute actually receives such grants. Donor grants are recognized in the Institute books of account to the extent that it is probable that future economic benefits will accrue to the Institute and the grants can be reliably measured.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii) Revenue from exchange transactions  
Finance Income and Other Income**

**i. Translation of Foreign Currencies**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of transaction. Trade creditors or debtors denominated in foreign currency are reflected in the statement of financial position reporting date by applying the exchange rate on that date.

Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognized in the income statement for the year.

**ii. Functional and Presentation of Currencies**

Items included in the financial statements of the Institute are measured using Kenya Shillings which is the currency of the primary economic environment in which the Institute operates ('functional currency'). The financial statements are therefore presented in Kenya Shillings.

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly on 16th July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

**c) Property, plant and equipment**

- i. Property, Plant and Equipment are stated at cost or as professionally revalued less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and



equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

- ii. Full depreciation is charged on assets in the year of purchase and none is made in the year the assets are disposed. Depreciation charge for leasehold land is apportioned evenly over the lease period. No depreciation is charged on freehold land and as it is deemed to have an indefinite life.
- iii. Property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.
- iv. Motor vehicles that have a book value of less than Kshs. 100,000 are not depreciated.
- v. Depreciation on property, plant and equipment is calculated on the straight-line basis to write down the cost of the assets to their residual values over their estimated useful life. The estimated assets useful lives and rates used are as shown below:

| Asset Description                      | Estimated useful life in years | Rate % or apportionment                  |
|--|--------------------------------|--|
| Leasehold Land                         | 99                             | Apportioned evenly over the lease period |
| Buildings                              | 40                             | 2.5%                                     |
| Plant & Lab Equipment                  | 8                              | 12.5%                                    |
| Research Vessels                       | 8                              | 12.5%                                    |
| Motor Vehicles                         | 4                              | 25%                                      |
| Furniture, Fittings & Office Equipment | 8                              | 12.5%                                    |
| Computers                              | 3.33                           | 30%                                      |
| Library Books                          | 5                              | 20%                                      |
| Computer Software                      | 3.33                           | 30%                                      |

#### **d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

#### **i) Provisions**

Provisions are recognized when the Institute has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

***Contingent liabilities***

The Institute 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.

***Contingent assets***

The Institute does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. KMFRI maintains the following reserves:

**Capital Reserve**

This constitutes the cumulative amounts disbursed to KMFRI over the years for development expenditure. The funds were spent on construction works and purchase of assets.

**Donations Reserve**

This constitutes the cumulative donations disbursed to KMFRI over the years for development expenditure.

**Revaluation Reserve**

This constitutes the cumulative values of assets revalued over the years.

**Accumulated Surplus**

This constitutes the cumulative amounts of surpluses realized over the years

**k) Employee benefits**

**Retirement benefit plans**

The Institute operates a defined contribution pension scheme for her employees, both unionizable and non-unionizable. The scheme is administered by an independent Board of Trustees and it is funded by contributions from KMFRI and her employees. KMFRI contributes 15% of the employees' basic pay to the scheme and the employees contribute

7.5% of their basic pay. Contributions to the scheme from KMFRI are charged to the statement of financial performance in the year to which they relate. The cost of the defined contribution scheme is determined using the actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of the scheme, such estimates are subject to significant uncertainty.

The Institute also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the scheme are determined by statute and are currently

set at Kshs. 200 per employee per month. The employee contributes Kshs. 200 per month and the employer similarly contributes Kshs. 200.

The scheme administrators are AON (K) Insurance Brokers Ltd and the scheme assets managers are Britam (K) Ltd. The fund custodian is NIC Bank

**l) 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 various commercial banks at the end of the financial year.

**m) Comparative figures**

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

**n) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

**Estimates and Assumptions**

The preparation of financial statements in conformity with IPSAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements are prepared and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the managements' best knowledge of current events and actions, actual results of events may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**5      SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

**Financial Risk Management**

The Institute's financial risk policies involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is inevitable and operational risks are unavoidable in any business. The aim is to minimize potential adverse effects on the Institute's financial performance.

Risk management is undertaken by the Institute Management under the supervision of the Board of Management. The financial risk management objectives and policies are as outlined below:

**Credit risk**

The Institute's exposure to credit risk primarily arises from advances made to her staff members, for instance salary and medical advances. The Institute structures the level of credit risk it undertakes by placing limits on the amount of money that can be advanced to a staff member in a given period of time. Such risks are monitored on a revolving basis and are subject to frequent review.

**Liquidity risk**

This risk arises when the Institute is unable to meet her financial obligations when they fall due. KMFRI's approach in mitigating the impact of this risk is by managing her liquidity by ensuring that it always has sufficient funds to meet her maturing obligations as necessary without damaging the Institution's reputation and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. Further, mechanisms have been put in place in limiting the institution's expenditure to set budgetary levels at all times.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 GRANTS FROM NATIONAL GOVERNMENT

| REVENUE FROM NON EXCHANGE TRANSACTIONS |                      |                      |
|--|----------------------|----------------------|
|  | 2018/2019            | 2017/2018            |
|  | Kshs                 | Kshs                 |
| Recurrent Grants                       | 823,396,000          | 960,600,000          |
| RV Mtafiti Grants                      | 313,894,000          | 309,856,300          |
| Other GOK Grants                       | -                    | 55,101,942           |
|  | <b>1,137,290,000</b> | <b>1,325,558,242</b> |

The Institute received grants for recurrent expenditure amounting to Kshs. 823,396,000.00 which enabled KMFRI to pay staff salaries and sustain its operations and maintenance expenditure. The grant of Ksh. 313,894,000 was used in the expenditures of the RV Mtafiti Research Vessel and PV Doria Patrol Vessel.

6 (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Name of the Entity sending the grant   | Month Received | Amount recognized to Statement of Comprehensive Income | Amount deferred under deferred income | Amount recognized in capital fund. | Total grant income during the year 2018/2019 | Total grant income during the year 2017/2018 |
|--|----------------|--|---------------------------------------|------------------------------------|--|--|
|  |                | Ksh.   | Kshs.                                 | Kshs.                              | Kshs.  | Kshs.  |
| <b>Recurrent Grants</b>  |                |  |                                       |                                    |  |  |
| SDFA & the Blue Economy  | August         | 210,050,000  |                                       |                                    | 210,050,000                                  | 240,150,000                                  |
| SDFA & the Blue Economy  | October        | 210,050,000  |                                       |                                    | 210,050,000                                  |  |
| SDFA & the Blue Economy  | January        | -  |                                       |                                    | -  | 240,000,000                                  |
| SDFA & the Blue Economy  | February       | 197,447,000  |                                       |                                    | 197,447,000                                  |  |
| SDFA & the Blue Economy  | March          | -  |                                       |                                    |  | 240,300,000                                  |
| SDFA & the Blue Economy  | May            | 205,849,000  |                                       |                                    | 205,849,000                                  |  |
| SDFA & the Blue Economy  | June           | -  |                                       |                                    |  | 240,150,000                                  |
| <b>Total</b>   |                |  |                                       |                                    | <b>823,396,000</b>                           | <b>960,600,000</b>                           |
| <b>RV Mtafiti Grants</b>   |                |  |                                       |                                    |  |  |
| SDFA & the Blue Economy  | August         | 80,075,000   |                                       |                                    | 80,075,000                                   | -  |
| SDFA & the Blue Economy  | October        | 80,075,000   |                                       |                                    | 80,075,000                                   | -  |
| SDFA & the Blue Economy  | January        | -  |                                       |                                    | -  | 170,000,000                                  |
| SDFA & the Blue Economy  | February       | 75,270,500   |                                       |                                    | 75,270,500                                   | -  |
| SDFA & the Blue Economy  | March          | -  |                                       |                                    | -  | 80,000,000                                   |
| SDFA & the Blue Economy  | May            | 78,473,500   |                                       |                                    | 78,473,500                                   | -  |
| SDFA & the Blue Economy  | June           | -  |                                       |                                    | -  | 85,000,000                                   |
| June (Transfers to Parent Ministry on account of PV Doria operations)                                  | June           | -  |                                       |                                    | -  | (25,143,700)                                 |
| <b>Total</b>   |                |  |                                       |                                    | <b>313,894,000</b>                           | <b>309,856,300</b>                           |
| State Dept for Fisheries, Aquaculture & the Blue Economy - Blue Economy and KCDP GOK Counterpart funds | August         | -  |                                       |                                    | -  | 12,866,940                                   |
| State Dept for Fisheries, Aquaculture & the Blue Economy - Blue Economy and KCDP GOK Counterpart funds | December       | -  |                                       |                                    | -  | 42,235,002                                   |
| <b>Total Grants from National Government</b>   | -              | <b>1,134,679,724</b>                                   |                                       |                                    | <b>1,137,290,000</b>                         | <b>1,325,558,242</b>                         |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 GRANTS FROM INTERNATIONAL ORGANIZATIONS

|  | 2018/2019          | 2017/2018          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Kenya Coastal Development Project- IDA                     | -                  | 38,877,594         |
| Western Indian Ocean Marine Scientist Association (Wiomsa) | 20,856,540         | 12,331,264         |
| Gent Universitet   | -                  | 10,675,958         |
| Odin Africa Project  | 738,037            | 891,112            |
| University of Denver                                       | 2,937,463          | 1,594,252          |
| Stockholms University                                      | -                  | 1,426,923          |
| Food Agricultural Organization (FAO)                       | 1,421,285          | 583,810            |
| Radiosotopes - IAEA  | 869,268            | 804,719            |
| Signthil Camous Erdinbough                                 | -                  | 5,780,447          |
| State Department of University Education                   | -                  | 17,502,965         |
| Centre For Intern. Forestry                                | -                  | 1,655,156          |
| Other Small Projects-IOC,AORA,ICIPE,WWLF,MASENO,SDUE&ALMA  | 35,946,204         | 11,334,946         |
| National Research Fund                                     | 55,803,584         | -                  |
| Alma Waters Solutions                                      | 5,806,387          | -                  |
| University of Northingham                                  | 1,875,328          | -                  |
| Worldwide for Nature                                       | 5,175,100          | -                  |
| Edininrgh Napier University                                | 229,458            | -                  |
| Elsen Grid Arendal   | 784,759            | -                  |
| World wild life fund                                       | 432,944            | -                  |
| <b>Total Grants from international organizations</b>       | <b>132,876,356</b> | <b>103,459,146</b> |

The institute further received donor grants of Kshs. 132,876,356 to fund individual research programmes undertaken by KMFRI Scientists in the three research directorates of Oceans and Coastal Systems Research, Fresh Water Systems Research and the Aquaculture Research.

REVENUE FROM EXCHANGE TRANSACTIONS

8 SALE OF GOODS

|                                    | 2018/2019         | 2017/2018        |
|------------------------------------|-------------------|------------------|
|                                    | Kshs              | Kshs             |
| Sale of tender documents           | -                 | 12,000           |
| Sale of fish fingerlings& brooders | 2,569,280         | 2,058,575        |
| Sales of fish feeds                | 6,841,635         | 1,488,011        |
| Sale of value added products       | 432,430           | -                |
| Disposal of bonded equipment/wares | 383,355           | -                |
| <b>Total sale of goods</b>         | <b>10,226,700</b> | <b>3,558,586</b> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 RENDERING SERVICES

|   | 2018/2019        | 2017/2018        |
|---|------------------|------------------|
|   | Kshs             | Kshs             |
| Miscellaneous income including projects overheads | 3,652,107        | 3,319,315        |
| Students educational visits and attachment fees   | 758,102          | 520,900          |
| Hire of research vessels                          | 130,500          | 86,250           |
| Rental Income                                     | 4,750            | -                |
| Hire of conference facilities                     | 176,750          | 168,845          |
| Consultancy fees for services                     | -                | 204,370          |
| <b>Total rendering of services</b>                | <b>4,722,209</b> | <b>4,299,680</b> |

10 FINANCE INCOME

|   | 2018/2019 | 2017/2018        |
|---|-----------|------------------|
|   | Kshs      | Kshs             |
| Interest income on short-term bank deposits | -         | 1,279,541        |
|   | -         |                  |
| <b>Total Finance Income</b>                 | <b>-</b>  | <b>1,279,541</b> |

11 EMPLOYMENT COSTS

|  | 2018/2019          | 2017/2018          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Salaries and allowances of permanent employees | 481,854,728        | 503,345,625        |
| Wages of temporary employees                   | 1,545,223          | 295,176            |
| Compulsory national health insurance schemes   | 9,128,278          | 9,484,252          |
| Compulsory national social security schemes    | 1,671,400          | 1,925,400          |
| Other pension contributions                    | 39,418,127         | 40,115,379         |
| Leave pay and gratuity provisions              | 6,340,400          | 4,385,130          |
| <b>Total Employee Costs</b>                    | <b>539,958,155</b> | <b>559,550,962</b> |

12 USE OF GOODS AND SERVICES

|                                 | 2018/2019         | 2017/2018         |
|---------------------------------|-------------------|-------------------|
|                                 | Kshs              | Kshs              |
| Electricity                     | 11,022,064        | 13,313,714        |
| Water                           | 2,436,791         | 1,179,973         |
| <b>Total Goods and Services</b> | <b>13,458,855</b> | <b>14,493,687</b> |

The total amount spent on utilities in the year under review is Kshs. 13,458,855.



**13 BOARD OF MANAGEMENT COSTS**

|  | 2018/2019         | 2017/2018        |
|--|-------------------|------------------|
|  | Kshs              | Kshs             |
| Board Allowances                       | 9,212,683         | 4,288,900        |
| Board travel costs                     | 1,370,614         | 2,548,541        |
| Board Management related costs         | 2,776,799         | 1,503,748        |
| <b>Total Board of Management Costs</b> | <b>13,360,096</b> | <b>8,341,189</b> |

**14 DEPRECIATION AND AMORTIZATION EXPENSE**

|   | 2018/2019          | 2017/2018         |
|---|--------------------|-------------------|
|   | Kshs               | Kshs              |
| Depreciation expenses                                 | 119,359,758        | 83,199,565        |
| Amortization expense                                  | 1,546,410          | 1,579,610         |
| <b>Total Depreciation &amp; Amortization Expenses</b> | <b>120,906,168</b> | <b>84,779,175</b> |

*\*Detailed notes are provided in Note 20 and 22*

**14A. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

|   |                      |                      |
|---|----------------------|----------------------|
| (Detailed Schedule Separate)                | 2018/2019            | 2017/2018            |
| <b>Cost</b>                                 | <b>Kshs</b>          | <b>Kshs</b>          |
| <b>At at 1 July 2018</b>                    | <b>2,028,724,834</b> | <b>1,686,366,122</b> |
| Additions                                   | 407,588,776          | 342,240,374          |
| Donations                                   | 266,924              | 118,338              |
| <b>At end of the Year</b>                   | <b>2,436,580,534</b> | <b>2,028,724,834</b> |
| <b>Depreciation and impairment</b>          |                      |                      |
| At 1 July 2018                              | 529,611,553          | 393,220,618          |
| Depreciation                                | 119,359,758          | 83,199,565           |
| Depreciation of revalued and donated assets | 53,448,114           | 53,191,371           |
| <b>At end of year</b>                       | <b>702,419,425</b>   | <b>529,611,554</b>   |
|   |                      | -                    |
| <b>Net Book Values</b>                      | <b>1,734,161,109</b> | <b>1,499,113,280</b> |

**15 REPAIRS AND MAINTENANCE**

|   | 2018/2019         | 2017/2018         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| Maintenance of Motor Vehicles                         | 6,549,946         | 8,096,293         |
| Maintenance of boats, Research vessels & Marine Equip | 2,812,359         | 622,583           |
| Maintenance of Other Assets                           | 17,448,137        | 39,814,308        |
| <b>Total repair and maintenance</b>                   | <b>26,810,442</b> | <b>48,533,184</b> |

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**16 GENERAL EXPENSES**

|  | <b>2018/2019</b>   | <b>2017/2018</b>   |
|--|--------------------|--------------------|
|  | <b>Kshs</b>        | <b>Kshs</b>        |
| Communication services and supplies                | 13,100,591         | 11,144,850         |
| Transportation, travelling and subsistence         | 25,776,536         | 40,238,563         |
| Advertising, printing, stationery and photocopying | 5,895,408          | 11,712,893         |
| Rent expenses                                      | 4,677,051          | 7,501,996          |
| Staff training expenses                            | 12,762,038         | 22,168,570         |
| Hospitality supplies and services                  | 10,318,759         | 9,268,207          |
| Insurance costs                                    | 40,966,468         | 18,543,822         |
| Bank charges and commissions                       | 311,577            | 425,937            |
| Office and general supplies and services           | 9,511,190          | 14,408,847         |
| Legal fees   | 7,801,843          | 6,321,469          |
| Audit Fees   | 811,200            | 1,622,400          |
| <b>Other operating expenses</b>                    | -                  | -                  |
| Donor Funded Expenses                              | 60,502,119         | 41,001,047         |
| Seed Expenses                                      | 36,770,971         | 62,532,618         |
| Worldbank Expenses                                 | 10,562,918         | 192,328,458        |
| RV Mtafiti Expenses                                | 51,705,297         | 68,728,905         |
| RV Mtafiti Maintenance                             | 32,756,528         | 14,212,424         |
| RV Mtafiti Training Expenses                       | 8,235,017          | 10,694,051         |
| RV Mtafiti Publicity Expenses                      | 5,531,683          | -                  |
| RV Mtafiti Grant for operation                     | 37,886,771         | -                  |
| Fuel Oil and Lubricants                            | 6,222,119          | 5,350,454          |
| Specialized Materials and Supplies                 | 12,592,466         | 7,866,245          |
| Contracted Guards and Cleaning                     | 12,363,200         | 14,131,120         |
| Subscription to Professional bodies                | 529,275            | 463,450            |
| Contracted Professional Services                   | 9,392,052          | 255,154            |
| Contracted Technical Services                      | 7,151,520          | 264,000            |
| Parking Charges                                    | 61,055             | 60,530             |
| Exchange Loss                                      | 305,959            | 522,477            |
| Licensing fee - Drivers                            | 11,500             | 14,150             |
| Business Wing Expenses                             | 1,248,919          | 2,356,331          |
| Internal Audit Expenses                            | 582,100            | -                  |
| Gas Expenses                                       | 59,808             | 63,480             |
| <b>Total general expenses</b>                      | <b>426,403,938</b> | <b>564,202,447</b> |

**17 CASH AND CASH EQUIVALENTS**

|                                     | <b>2018/2019</b>   | <b>2017/2018</b>   |
|-------------------------------------|--------------------|--------------------|
| <b>BANK AND CASH BALANCES</b>       | <b>Kshs</b>        | <b>Kshs</b>        |
| Projects A/c At NBK                 | 107,734,912        | 116,948,092        |
| Recurrent and Seed A/c at NBK & KCB | 295,907,938        | 244,528,612        |
| Development A/c at NBK              | 62,685,206         | 88,394,149         |
| Revenue A/c at NBK                  | 19,860,922         | 11,890,034         |
| Cash at Hand                        | 266,577            | 273,389            |
| <b>Total Bank and cash balances</b> | <b>486,455,555</b> | <b>462,034,276</b> |

The cash at bank in the year under review was Kshs. 486,455,555 as detailed in note 17 (a) below.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

17(a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

| Financial Institutions/Banks             | Bank Account Number |                  |                  |
|--|---------------------|------------------|------------------|
| <b>Current Accounts</b>                  |                     | <b>2018/2019</b> | <b>2017/2018</b> |
| <b>National Bank of Kenya</b>            |                     | <b>Kshs</b>      | <b>Kshs</b>      |
| KMFRI Recurrent Account                  | 1003007622501       | 101,402,476      | 1,483,995        |
| KMFRI Research Vessel Account            | 1023047777700       | 191,349,528      | 233,703,544      |
| KMFRI Kegati -Recurrent                  | 1001033897500       | 84,069           | 433,773          |
| KMFRI Kisumu -Recurrent                  | 1003023506000       | 2,161,023        | 3,503,061        |
| KMFRI Sagana- Recurrent                  | 1003044552200       | 2,019            | 446,778          |
| KMFRI Sangoro- Recurrent                 | 1001023506100       | 81,410           | 1,576,814        |
| KMFRI Nairobi -Recurrent                 | 1003000906500       | 241,219          | 198,765          |
| KMFRI SEED                               | 1003007618800       | 224,050          | 2,261,228        |
| KMFRI GOK SEED Kegati                    | 1001034490900       | 109,232          | 40,882           |
| KMFRI GOK SEED Kisumu                    | 1003025165500       | 6,119            | 25,385           |
| KMFRI Centre recurrent account           | 1003009032700       | 35,423           | -                |
| KMFRI Sangoro SEED                       | 1003025162000       | 36,794           | 647,106          |
| KMFRI Development Account                | 1003007622502       | 62,685,206       | 88,394,149       |
| KMFRI KCDP GOVERNMENT FUNDS              | 1020065804500       | -                | 70,707,282       |
| KMFRI Revenue Account                    | 100307622500        | 8,447,055        | 6,137,900        |
| KMFRI Kegati Revenue Account             | 1230035258900       | 7,427            | 527              |
| KMFRI Kisumu Revenue Account             | 1003023735300       | 2,846            | 36,206           |
| KMFRI Sagana Revenue Account             | 1003044652600       | 2,445            | 8,725            |
| KMFRI Products & Services Account        | 1003066549100       | 11,401,149       | 5,694,676        |
| <b>Individual Donor Project Accounts</b> |                     |                  |                  |
| <b>A. Kenya Shilling Account</b>         |                     |                  |                  |
| KMFRI Project General Account            | 1003008646200       | 75,451,285       | 13,772,194       |
| KMFRI Kisumu Micro Project               | 1003023652400       | 7,355,589        | 3,396,318        |
| KMFRI IOI EAOP Project Acct              | 1003007613400       | 1,046,817        | 1,246,351        |
| KMFRI Masma Cholera Project Acct         | 1003065804502       | 305,139          | 701,949          |
| KMFRI MASMA MANGROVE Project             | 1003007622509       | 3,631,358        | 629,543          |
| KMFRI CAMARV Projects Bank               | 1003065804501       | 2,423,959        | 5,944,095        |
| KMFRI BLUE FOREST Project                | 1023072984800       | 2,639,472        | 4,797,327        |
| KMFRI MASMA JUV CRAB Project Acct        | 1003065804500       | 6,075            | 6,075            |
| KMFRI RADIO ISOTOPES Project             | 1003066009100       | 5,228,922        | 733,527          |
| KMFRI Secure fish Project Account        | 1003007622510       | 6,815            | 6,815            |
| KMFRI Artemia Project Account(Shs)       | 1003066285200       | 9,720            | 80,780           |
| KMFRI ICOAST Project Account             | 1001008646200       | 2,135,492        | 2,504,992        |
| KMFRI INSFEED Project Account            | 1001044975700       | 6,783            | 41,883           |
| KMFRI TEAM Project Account               | 1001103114800       | 571,313          | 1,877,143        |
| KMFRI ESPA Spaces Project Account        | 1020008646200       | 421,804          | 421,804          |
| <b>B. Other Currencies Accounts</b>      |                     |                  |                  |
| <b>Dollar Current Accounts (USD)</b>     |                     |                  |                  |
| KMFRI DOLLAR -Projects Account           | 2020007622500       | 6,267,358        | 6,007,831        |
| KMFRI IOI DOLLAR Project                 | 2003007613400       | 58,575           | 57,861           |
| KMFRI Secure fish DOLLAR                 | 2003007622508       | 4,599            | 4,599            |
| <b>Euro Current Accounts (Euro)</b>      |                     |                  | -                |
| KMFRI RECOMAP EURO Project Account       | 307622506           | 150,863          | 150,863          |



**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

|                                       |               |                    |                    |
|---------------------------------------|---------------|--------------------|--------------------|
| KMFRI TEAM Project Account            | 3001103114800 | 5,314              | 3,959,223          |
| KMFRI Artemia Project Account (Euro)  | 3020066285200 | 7,660              | 101,399            |
| <b>Kenya Commercial Bank</b>          |               |                    |                    |
| KMFRI Naivasha -Recurrent             | 1105266729    | 13,858             | (12,010)           |
| KMFRI Turkana -Recurrent              | 1107150086    | 2,974              | 3,357              |
| KMFRI Baringo- Recurrent              | 1202126979    | 4,621              | 24,945             |
| KMFRI Turkana SEED Account            | 1157553184    | 153,122            | 1,227              |
| <b>Cash in Hand</b>                   |               | 266,577            | 273,389            |
| <b>Total Cash and Cash Equivalent</b> |               | <b>486,455,555</b> | <b>462,034,276</b> |

**18 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**

|  | <b>2018/2019</b>  | <b>2017/2018</b>   |
|--|-------------------|--------------------|
|  | <b>Kshs</b>       | <b>Kshs</b>        |
| Staff Debtors                          | 5,713,246         | 7,883,609          |
| Medical Advance                        | 6,089,553         | 7,413,126          |
| Non Staff Advance                      | 212,131           | 98,977             |
| GOK Recurrent grants receivable        | -                 | 325,150,000        |
| <b>Net trade and other receivables</b> | <b>12,014,930</b> | <b>340,545,712</b> |

**19 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

|  | <b>2018/2019</b>  | <b>2017/2018</b>  |
|--|-------------------|-------------------|
|  | <b>Kshs</b>       | <b>Kshs</b>       |
| Prepayment- Motor vehicle Insurance    | 767,219           | 1,411,491         |
| Prepayment-Research Vessels Insurance  | 4,838,317         | 5,554,518         |
| Prepayment- Building Insurance         | 143,234           | 94,893            |
| Prepayment- Medical Insurance          | 18,744,548        | 17,192,415        |
| Prepayment-Others                      | 678,957           | 72,891            |
| <b>Net trade and other receivables</b> | <b>25,172,275</b> | <b>24,326,208</b> |

The above amounts are in respect of prepaid amounts in respect of the various insurance covers procured in the year under review.

**CONTINGENT ASSETS**

The table below has information on contingent assets as explained.

| <b>No</b>    | <b>Parties Involved</b>    | <b>Case details</b>           | <b>Total Amount Ksh.</b> |
|--------------|----------------------------|-------------------------------|--------------------------|
| 1.           | KMFRI Vs Jane Ndungu       | Breaching of bonding contract | 3,961,613                |
| 2.           | KMFRI Vs Robinson Mugo     | Breaching of bonding contract | 1,248,572                |
| 3.           | KMFRI Vs Tabitha Gathoni   | Breaching of bonding contract | 2,112,300                |
| 4.           | KMFRI Vs Bernard Fulanda   | Breaching of bonding contract | 2,270,646                |
| 5.           | KMFRI Vs L.N. Momanyi Adv. | Breaching of bonding contract | 4,500,000                |
| <b>TOTAL</b> |                            |                               | <b>14,093,131</b>        |

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**20 PROPERTY, PLANT AND EQUIPMENT**

| ASSET   | FREEHOLD   | LEASEHOLD          | BUILDINGS      | PLANT, MACH & LAB. EQUIPT. | MOTOR VEHICLES | RESEARCH VESSELS | FURN. FITT. & OFF. EQUIPT. | LIBRARY BOOKS | COMPUTERS & PRINTERS | TOTAL         |
|---|------------|--------------------|----------------|----------------------------|----------------|------------------|----------------------------|---------------|----------------------|---------------|
| DEPRECIATION RATE                                 | LAND<br>0% | LAND<br>Apportion. | 2.50%<br>Kshs. | 12.50%<br>Kshs.            | 25%<br>Kshs.   | 12.50%<br>Kshs.  | 12.50%<br>Kshs.            | 20%<br>Kshs.  | 30%<br>Kshs.         | Kshs.         |
| Cost 1st July 2018                                | Kshs.      | Kshs.              | Kshs.          | Kshs.                      | Kshs.          | Kshs.            | Kshs.                      | Kshs.         | Kshs.                | Kshs.         |
| Purchases B/fwd                                   | 6,392,000  | 39,650,424         | 354,885,655    | 272,191,564                | 132,549,361    | 238,490,073      | 33,081,226                 | 17,403,197    | 46,124,047           | 1,140,767,547 |
| Donations B/fwd                                   |            |                    |                |                            |                |                  |                            | 433,894       |                      | 433,894       |
| Revaluation B/fwd                                 | 10,608,000 | 279,849,576        | 319,421,942    |                            | 17,826,022     | 259,817,853      |                            |               |                      | 887,523,393   |
| (A) Totals for opening balance                    | 17,000,000 | 319,500,000        | 674,307,597    | 272,191,564                | 150,375,383    | 498,307,926      | 33,081,226                 | 17,837,091    | 46,124,047           | 2,028,724,834 |
| Additions During 2018/2019                        |            |                    |                |                            |                |                  |                            |               |                      |               |
| Purchases   |            | -                  | 27,270,548     | 40,059,986                 | 9,910,400      | 281,613,777      | 19,968,875                 | 901,557       | 6,827,260            | 386,552,403   |
| Donations   |            |                    |                |                            |                |                  |                            | 266,924       |                      | 266,924       |
| W/P Transfers                                     |            |                    | 21,036,373     |                            |                |                  |                            |               |                      | 21,036,373    |
| Assets w/off (Disposal)                           |            |                    |                |                            |                |                  |                            |               |                      | -             |
| (B) Sub-total for additions                       | -          | -                  | 48,306,921     | 40,059,986                 | 9,910,400      | 281,613,777      | 19,968,875                 | 1,168,481     | 6,827,260            | 407,855,700   |
| (C) 30 June 2019(A+B)                             | 17,000,000 | 319,500,000        | 722,614,518    | 312,251,550                | 160,285,783    | 779,921,703      | 53,050,101                 | 19,005,572    | 52,951,307           | 2,436,580,534 |
| Accumulated Depreciation                          |            |                    |                |                            |                |                  |                            |               |                      |               |
| As at 1st July 2018                               |            |                    |                |                            |                |                  |                            |               |                      |               |
| For additions B/fwd                               | -          | 12,235,071         | 59,188,097     | 48,849,707                 | 38,651,668     | 53,373,949       | 21,198,281                 | 3,600         | 37,261,595           | 270,761,968   |
| For Donations b/fwd                               |            | 242,424            |                |                            | 86,682,146     | 129,026,142      |                            | 17,376,951    |                      | 233,327,663   |
| For Rev. b/fwd                                    |            |                    | 25,521,922     |                            |                |                  |                            |               |                      | 25,521,922    |
| Charge for the year: Purchased Assets             | -          | 4,213,455          | 5,429,402      | 37,646,570                 | 3,007,014      | 56,542,112       | 5,374,192                  | 180,311       | 6,966,702            | 119,359,758   |
| Donated Assets                                    |            |                    |                |                            | 8,912,014      | 31,643,396       |                            | 256,743       |                      | 40,812,153    |
| Revalued Assets                                   |            |                    | 12,635,961     |                            |                |                  |                            |               |                      | 12,635,962    |
| Accumulated Depreciation as at 30 June 2019       | -          | 16,690,950         | 102,775,382    | 86,496,277                 | 137,252,842    | 270,585,599      | 26,572,473                 | 17,817,605    | 44,228,297           | 702,419,425   |
| NET BOOK VALUE                                    |            |                    |                |                            |                |                  |                            |               |                      |               |
| Grand Total Net Book Values B/fwd 1st July 2018   | 17,000,000 | 307,022,505        | 589,597,578    | 223,341,857                | 25,041,569     | 315,907,835      | 11,882,945                 | 456,540       | 8,862,452            | 1,499,113,281 |
| Grand Total of Net Book Values as at 30 June 2019 | 17,000,000 | 302,809,050        | 619,839,136    | 225,755,273                | 23,032,941     | 509,336,104      | 26,477,627                 | 1,187,967     | 8,723,010            | 1,734,161,109 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 WORK IN PROGRESS

| Description        | 2018-2019  | 2017-2018  |
|--------------------|------------|------------|
|                    | KShs       | KShs       |
| WIP B/f            | 36,648,813 | 2,243,410  |
| Additions          | 23,949,360 | 34,405,403 |
| At end of the year | 60,598,173 | 36,648,813 |
| Less Transfers     | 21,036,373 | -          |
| WIP C/f            | 39,561,800 | 36,648,813 |

22 INTANGIBLE ASSETS

|                                | 2018/2019  | 2017/2018  |
|--------------------------------|------------|------------|
|                                | Kshs       | Kshs       |
| Cost                           |            |            |
| At beginning of the year       | 12,612,925 | 8,627,160  |
| Additions                      | -          | 3,985,765  |
| At end of the year             | 12,612,925 | 12,612,925 |
| additions-internal development | -          |            |
| At end of the year             | 12,612,925 | 12,612,925 |
| Amortization and impairment    |            |            |
| At beginning of the year       | 9,360,850  | 7,781,240  |
| Amortization                   | 1,546,410  | 1,579,610  |
| At end of the year             | 10,907,260 | 9,360,850  |
| Impairment loss                |            |            |
| At end of the year             | 10,907,260 | 3,252,075  |
| Net Book Value                 | 1,705,665  | 3,252,075  |

23 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

|                 | 2018/2019 | 2017/2018  |
|-----------------|-----------|------------|
|                 | Kshs      | Kshs       |
| Trade payables  | 4,275,829 | 88,862,565 |
| Total liability | 4,275,829 | 88,862,565 |

This are amounts payable to suppliers of goods and services in the year under review.

24 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

|                             | 2018/2019 | 2017/2018  |
|-----------------------------|-----------|------------|
|                             | Kshs      | Kshs       |
| Bank and Cooperative Loans  | 272,145   | 16,139,122 |
| Statutory Deductions        | 22,350    | 7,680,941  |
| Insurance Deductions        | 117,061   | 422,516    |
| Staff Welfare               | 1,227     | 577,558    |
| Staff Pension Contributions | 124,720   | 1,797,854  |
| House rent                  | -         | 143,350    |
| Other general liabilities   | 6,318,018 | 8,866,084  |
| Total liability             | 6,855,521 | 35,627,425 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 EMPLOYEE BENEFIT OBLIGATIONS

|   | 2018/2019  | 2017/2018         |
|---|------------|-------------------|
|   | Kshs       | Kshs              |
| Retirement benefits Obligation b/fwd        | 15,226,665 | 35,226,665        |
| Add: accrued amount                         |            | -                 |
| <b>Total</b>                                |            | <b>35,226,665</b> |
| Less: payment                               | 15,226,665 | 20,000,000        |
| <b>Retirement benefits Obligation b/fwd</b> | <b>-</b>   | <b>15,226,665</b> |

The KMFRI Pension Fund is now generating surpluses as reported in the recent actuarial valuation.

26 CAPITAL RESERVE

|  | 2018/2019          | 2017/2018          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Balance B/Fwd                          | 629,544,041        | 629,544,041        |
| Additions                              | -                  | -                  |
| Development A/c                        | -                  | -                  |
| Counterpart A/c                        | (44,733,070)       | -                  |
| <b>Capital Reserve - Balance C/Fwd</b> | <b>584,810,971</b> | <b>629,544,041</b> |

27 DONATIONS RESERVE

|                                  | 2018/2019          | 2017/2018          |
|----------------------------------|--------------------|--------------------|
|                                  | Kshs               | Kshs               |
| Balance B/Fwd                    | 304,017,400        | 344,701,880        |
| Additions                        | 266,924            | 118,338            |
| <b>Total</b>                     | <b>304,284,324</b> | <b>344,820,218</b> |
| Less: Depreciation               | (40,812,153)       | (40,802,818)       |
| Depreciation adj. on revaluation | -                  | -                  |
| <b>Donations - Balance C/Fwd</b> | <b>263,472,171</b> | <b>304,017,400</b> |

28 REVALUATIONS RESERVE

|  | 2018/2019          | 2017/2018          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Balance B/Fwd                              | 525,361,294        | 537,997,254        |
| Additions                                  | -                  | -                  |
| <b>Total</b>                               | <b>525,361,294</b> | <b>537,997,254</b> |
| Less: Depreciation                         | (12,635,962)       | (12,635,960)       |
| Depreciation adj. on revaluation           | -                  | -                  |
| <b>Revaluation Reserve - Balance C/Fwd</b> | <b>512,725,332</b> | <b>525,361,294</b> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

**29 ACCUMULATED SURPLUS**

|                            | <b>2018/2019</b>   | <b>2017/2018</b>   |
|----------------------------|--------------------|--------------------|
|                            | <b>Kshs</b>        | <b>Kshs</b>        |
| Accumulated Deficit B/Fwd  | 767,280,974        | 609,026,423        |
| Add: Adjustment            | 15,432,925         | -                  |
| Additional Surplus         | 144,217,611        | 158,254,551        |
| <b>Accumulated Surplus</b> | <b>926,931,510</b> | <b>767,280,974</b> |

**30 CONTINGENT LIABILITIES**

The Institute had the following Contingent Liabilities as at 30<sup>th</sup> June 2019

|  | <b>Kshs</b>        |
|--|--------------------|
| Industrial court award for former Director Dr Ezekiel Okemwa       | 81,411,205         |
| Industrial court award for former employee Mr Joseph T. Janga      | 30,340,570         |
| Industrial case No.235 of 2013 Joseph Onderi Vs KMFRI              | 30,000,000         |
| Civil Suit No 483 of 2016 Mwanaisha Nassoro, Athuman Tezi Vs KMFRI | 1,910,407          |
| Miscl. Application No 621 of 2017 Republic Vs. KMFRI               | 14,667,000         |
| <b>Total</b>   | <b>158,329,182</b> |

**31 ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation under the Ministry of Agriculture, Livestock and Fisheries. Its ultimate parent is the Government of Kenya.

**32 CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

#### APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the External Audit Report | Issue/Observations from Auditor   | Management Comments   | Focal Point to resolve the issue (Name & Designation)            | Status: (Resolved/Not Resolved)   | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|---|--|
| 2.1  | Ownership documents and valuation for Baringo, Mtwapa and Sangoro plots required. | Valuation of assets to be undertaken and efforts will be doubled in acquiring ownership documents.  | Mr. Gabriel Kitonga (Maintenance Officer)                        | Partially resolved. Valuation was undertaken 2016/2017FY. Ownership documents still being sought. | In one year.   |
| 2.2  | Sale of Kongowea Plot   | Necessary approvals for the sale of the plot were obtained from the Parent Ministry and the then Ministry of Finance. Thereafter the plot was sold as provided for in the Public Procurement and Disposal Act of 2005. The sale proceeds were deposited with the Institute lawyer with whom there were no express instructions to invest the same in an interest earning investment. However, the | Mr. Abraham Kagwima - Deputy Director (Finance & Administration) | Not resolved  | At the discretion of PIC.  |

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

|     |  |   |                                      |               |   |
|-----|--|---|--------------------------------------|---------------|---|
|     |  | proceeds were later invested on rolling basis by the Institute in a fixed deposit account with National Bank of Kenya.  |                                      |               |   |
| 3.1 | Cash Count Certificate for Mombasa and Baringo revenue offices | Cash of   | Nyakundi Nyangoto - Chief Accountant | Not resolved. | The issue to be handled jointly with officers from the Office of Auditor General. |
| 3.2 | Unsupported Project Accounts balances                          | The amount of Kshs. 218,476,551 was adjusted to Kshs. 219,570,643 in the adjusted financial statements for the year. The variance of Kshs. 1,094,092 was reconciled and journalized as necessary.   | Nyakundi Nyangoto – Chief Accountant | Not resolved. | The issue to be handled jointly with the office of the Auditor General.           |
| 4.0 | Government Grants  | Kindly note that the amount of grants receipted by KMFRI for Kshl. 1,325,558,242 and not Ksh. 1,340,352,400. This are the grants with were reflected in our books of account and the financial statements for the year 2017/2018 FY. Kindly note that the State Department of Fisheries and the | Nyakundi Nyangoto – Chief Accountant | Not resolved. | The issue to be handled jointly with the office of the Auditor General.           |

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

|     |                  |  |                                      |               |   |
|-----|------------------|--|--------------------------------------|---------------|---|
|     |                  | Blue Economy has not provided KMFRI with details of the transfers made to facilitate reconciliations.  |                                      |               |   |
| 5.0 | Donor Grants     | It is true that the Institute should have recognised the funds as a receivable in the FY 2016/2017 since the funds had already left the National Treasury and was in transit to the project through the State Department of Fisheries. Since the same did not happen, the Institute recognised the receipt of funds in the FY 2017/2018. | Nyakundi Nyangoto – Chief Accountant | Not resolved. | The issue to be handled jointly with the office of the Auditor General. |
| 6.0 | General Expenses |  |                                      |               |   |

Signed.....

Hon. John Safari Mumba

**CHAIRMAN - KMFRI BOARD OF MANAGEMENT**

Signed.....

Prof. James M. Njiru

**DIRECTOR - KMFRI**



APPENDIX II: INTER-ENTITY TRANSFERS

|    |  |                                |                      |  |
|----|--|--------------------------------|----------------------|--|
|    | ENTITY NAME:   |                                |                      |  |
|    | Break down of Transfers from the KMFRI to State Department of Fisheries and the Blue Economy |                                |                      |  |
|    | FY 2018/2019   |                                |                      |  |
| a. | Recurrent Grants   |                                |                      |  |
|    |  | <u>Bank Statement<br/>Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the<br/>amounts relate</u> |
|    |  | 14/12/2018                     | 2,610,276.00         | 2018/2019  |
|    |  | 04/01/2019                     | 11,553,723.00        | 2018/2019  |
|    |  | 11/01/2019                     | 12,949,048.90        | 2018/2019  |
|    |  | 04/04/2019                     | 10,773,723.00        | 2018/2019  |
|    |  | <b>Total</b>                   | <b>37 886 770.90</b> |  |
|    |  |                                |                      |  |

The above amounts have been communicated to and reconciled with the parent Ministry

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

**APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

| Name of the MDA/Donor<br>Transferring the funds       | Date<br>received         | Nature:<br>Recurrent/<br>Development/<br>Others | Total Amount -<br>KES | Where Recorded/recognized                |                 |                    |             |                                 | Total Transfers<br>during the<br>Year |
|---|--------------------------|---|-----------------------|--|-----------------|--------------------|-------------|---------------------------------|---------------------------------------|
|   | as per bank<br>statement |   |                       | Statement of<br>Financial<br>Performance | Capital<br>Fund | Deferred<br>Income | Receivables | Others -<br>must be<br>specific |                                       |
| State Department of Fisheries<br>and the Blue Economy | 22.08.2018               | Recurrent                                       | 290,125,000           | 290,125,000                              |                 |                    |             |                                 | 290,125,000                           |
| State Department of Fisheries<br>and the Blue Economy | 19.10.2018               | Recurrent                                       | 290,125,000           | 290,125,000                              |                 |                    |             |                                 | 290,125,000                           |
| State Department of Fisheries<br>and the Blue Economy | 22.02.2019               | Recurrent                                       | 272,717,500           | 272,717,500                              |                 |                    |             |                                 | 272,717,500                           |
| State Department of Fisheries<br>and the Blue Economy | 30.05.2019               | Recurrent                                       | 284,322,500           | 284,322,500                              |                 |                    |             |                                 | 284,322,500                           |
| <b>Total</b>  |                          |   | <b>1,137,290,000</b>  | <b>1,137,290,000</b>                     | -               | -                  | -           | -                               | <b>1,137,290,000</b>                  |

Sign.....  
Deputy Director Finance and Administration - KMFRI



