

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid
By the LOM on
Tuesday, 23rd
October, 2018.
Mwangi*



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF KENYA
MARINE AND FISHERIES RESEARCH
INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2017**



**KENYA MARINE AND FISHERIES RESEARCH
INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2017**

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





KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
Financial Statements for the year ended 30 June 2017

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I. KEY ENTITY INFORMATION AND MANAGEMENT

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 collapse of the East African Community. However, Cap 250 has since been repealed and replaced by the Science, Technology and Innovation Act No.28 of 2013.

Principal Activities

KMFRI's main role is to undertake research in "marine and freshwater fisheries, aquaculture, environmental and ecological studies", 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. Elaborately, the roles of KMFRI include;

- (a) To conduct multidisciplinary and collaborative research of fish ecology, population dynamics, stock assessment and general aquatic ecology.
- (b) To collect and disseminate scientific information on fisheries and other aquatic resources and related natural products.
- (c) To study and identify suitable species for culture including development, adoption and transfer of rearing technology and procedure.
- (d) To study chemical and physical processes that affect productivity of aquatic ecosystems.
- (e) To monitor water quality and pollution in fresh and marine water environments.
- (f) To carry out socio-economic research on aspects relevant to fisheries, environment and other aquatic resources.
- (g) To establish a marine and freshwater collection for research and training purposes.
- (h) To offer training facilities to aquatic scientists.
- (i) To conduct research on fish quality control, post-harvest preservation and value addition technologies.

Vision

To be a Centre of excellence in aquatic research and promotion of sustainable utilization of marine and freshwater resources for national development.

Mission

To contribute to the management and sustainable exploitation of aquatic resources and thus alleviate poverty, enhance employment creation and food security through multidisciplinary and collaborative research in both marine and fresh-water aquatic systems.

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Strategic Objectives

KMFRI's Strategic Objectives for the period 2010-2015 are as below:

- (a) To undertake research aimed at increasing fisheries production for wealth creation and food security.
- (b) To develop and transfer innovative technologies for value addition and reduction of post-harvest losses for employment creation, increased incomes and food security, and package and disseminate scientific information to stakeholders.
- (c) To conduct research to reduce environmental degradation and enhance the productivity of aquatic systems.
- (d) Conduct research on the social and economic aspects of the utilization of aquatic resources towards enhanced community participation, optimal exploitation and improved benefits at all levels.

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Parent Ministry:-

- Ministry of Agriculture, Livestock and Fisheries & Blue Economy.
- **Entity Headquarters/Contacts,**
English Point – Mkomani,
P.O. Box 81651 – 80100
Mombasa, Kenya
Telephone Nos. 020-802160/1 Fax: 020-23533226 Email: director@kmfri.co.ke/
kmfridirector@gmail.com

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
- Standard Chartered Bank,
Treasury Square,
P.O. Box 90170 – 80100,
Mombasa, Kenya

Independent Auditors:-

- The Auditor-General,
Kenya National Audit Office,
Anniversary Towers, University Way
P.O Box 30084 - 00100
Nairobi, Kenya

Principal Legal Advisor:-


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

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II. BOARD OF MANAGEMENT:-

Prof. P. Aloo-Obudho	Chairman - Term expired 16 th April, 2018
Dr. Suhaila Omar Hashim	Member – Term expired 1 st February, 2018
Mr. Otieno Okello	Member - " " "
Dr. Mary C. Mwiandi	Member - " " "
Mr. Kiprop Bundotich	Member - " " "
Mr. Adhan Nuri Berhe	Member - " " "
Mr. Joram Mwenda Guantai	Member - " " "
Ms. Susan Imende	Representative PS - State Dept. for Fisheries & Blue Economy
Mr. Andrew Opiyo	Representative PS – The National Treasury
Mr. Said Hussein	Representative Secretary, NACOSTI
Prof. James M. Njiru	Director of KMFRI


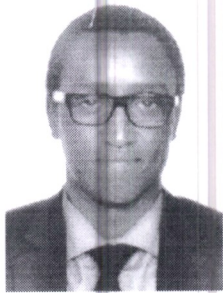
BOARD OF MANAGEMENT MEMBERS

Photo	Date of Birth	Date of Appointment	Key Qualifications	Work Experience
 Prof. P. Aloo- Obudho, PhD	1960	17 th April 2015	PhD	<ul style="list-style-type: none"> ▪ Deputy Vice Chancellor (Academic, Research & Student Affairs), Karatina University. ▪ Chairman, University Committee on Gender Based Violence and Sexual Harassment, Kenyatta University. ▪ University Department Representative to State Dept. of Fisheries Development & Blue Economy.



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 <p>Dr. Suhaila Omar Hashim, PhD</p>	1972	1 st February 2015	PhD	<ul style="list-style-type: none"> ▪ 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.
 <p>Mr. Otieno Okello</p>	1967	1 st February 2015	B.Sc., CPA(K)	<ul style="list-style-type: none"> ▪ Executive Director & Board Member, Diners Club International - South Africa. ▪ Director, Aquaculture Technologies (K) Ltd & Country Harvest Ltd. ▪ Managing Director, Pioneer Fish Farms Ltd. ▪ Chairman, Commercial Aquaculture Society of Kenya. ▪ Member Aquaculture Association (SA) & Association of (SA) Travel Agents



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 <p>Dr. Mary C. Mwiandi, PhD</p>	<p>1957</p>	<p>1st February 2015</p>	<p>PhD</p>	<ul style="list-style-type: none"> ▪ Senior Lecturer in History & Armed Conflict & Peace Studies – University of Nairobi. ▪ Chairman, Dept. of History & Archaeology. ▪ Coordinator, BA in Conflict & Peace Studies. ▪ Departmental Representative at the College of Arts Welfare Committee. ▪ Examiner, Kenya National Examinations Council. ▪ Lecturer, USIU-A in Research Methodology for MA & PhD Students. ▪ Senior Researcher with NORAD/NORHED. ▪ Supervision of PhD and MA Thesis and Dissertations.
 <p>Zedekiah Bundotich</p>	<p>1973</p>	<p>1st February 2015</p>	<ul style="list-style-type: none"> ▪ Cambridge International College – Sales Management & Marketing ▪ Various Professional Courses in Leadership, Development & Management 	<ul style="list-style-type: none"> ▪ Group Executive Director & Founder of Buzeki Group of Companies. ▪ Board Member, Kenya Transporter Association, Kenya Chapter.

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 <p>Mr. Joram Mwenda Guantai</p>	1969	1 st February 2015	LLB Dip. in Law, Kenya School of Law	<ul style="list-style-type: none"> ▪ Member, Chartered Institute of Arbitration. ▪ Committee Member – Law Society of Kenya. ▪ Senior Partner – Muringi & Company Advocates. ▪ Chief Legal Officer – Kenyatta National Hospital. ▪ Advocate, Mathenge & Muchemi Advocates. ▪ Pupil in Chambers, Mwiti Murungi & Co. Advocates
 <p>Mr. Adhan Nuri Berhe</p>	1972	1 st February 2015	<ul style="list-style-type: none"> ▪ MA (Project Planning) ▪ Bsc (Wildlife Mgt.) ▪ Dip. (Wildlife Mgt.) 	<ul style="list-style-type: none"> ▪ Kenya Wildlife Warden. ▪ Elections Coordinator (IEBC). ▪ Chairman, County Public Service Board - Tana River.


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		1960	1 st February 2015	<ul style="list-style-type: none"> ▪ Msc ▪ Specialization – Fisheries Mgt & Governance 	<ul style="list-style-type: none"> ▪ PS Representative, State Department for Fisheries & the Blue Economy. ▪ Director, State Department for Fisheries & Blue Economy.
					PS Representative, The National Treasury.

Ms. Susan Imende

Mr. Andrew Opiyo

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				<ul style="list-style-type: none">▪ Representative of the Secretary, National Commission for Science, Technology & Innovation.
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Mr. Said S. Hussein


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KEY MANAGEMENT TEAM


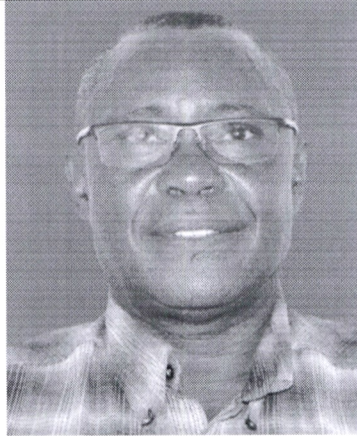
The Institute's day-to-day management is under the following key organs:-

- Principal Secretary, State Department for Fisheries & the Blue Economy;
- The Board of Management;
- Director/KMFRI;
- Deputy Director (Oceans& Coastal Systems);
- Deputy Director (Freshwater Systems); and
- Deputy Director (Finance & Administration).


III. MANAGEMENT TEAM

Photo	Date of Birth	Qualifications	Area of Responsibility
 <p>Prof. James M. Njiru, PhD</p>	1965	PhD	<ul style="list-style-type: none"> ▪ Chief Executive Officer of the Institute. ▪ Chief Accounting Officer of the Institute. ▪ Secretary to the KMFRI Board of Management. ▪ Formulation and implementation of Institute Policies. ▪ Scientific and Administrative Head of the Institute.

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 <p>Dr. Renison Ruwa, PhD</p>	1956	PhD, MBS	<ul style="list-style-type: none"> ▪ Deputy Director (Coastal & Marine Waters). ▪ In-charge of Coastal & Marine Waters research directorate. ▪ Supervise planning, management and coordination of all research activities in the Marine and Coastal Waters. ▪ Oversee the implementation of performance contracting, reporting and evaluation of the performance obligations for the Marine & Coastal Waters.
 <p>Dr. Enock Wakwabi, PhD</p>	1955	PhD	<ul style="list-style-type: none"> ▪ Deputy Director (Freshwater Systems) ▪ In-charge of freshwater systems research directorate. ▪ Supervise planning, management and coordination of all research activities in the freshwater systems. ▪ Oversee the implementation of performance contracting, reporting and evaluation.

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 <p>CPA Abraham Kagwima</p>	1969	<ul style="list-style-type: none">▪ MBA, CPA(K)▪ ICPACK REG. NO. 2954	<ul style="list-style-type: none">▪ Deputy Director (Finance & Administration).▪ Head of Finance and Administration Directorate.▪ Advisor to the Director on finance and administrative matters.▪ To assist the Director on routine administration of the Board of Management affairs.
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IV. CHAIRMAN'S STATEMENT

As a Centre of excellence in aquatic research, KMFRI continued to play its central role of advising 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 security in line with Vision 2030.

ACHIEVEMENTS DURING THE FINANCIAL YEAR 2016/2017

The Institute continued with expansion of its local and international collaborative programmes, which have seen a number of KMFRI scientists get scholarships for further studies in areas of interest to KMFRI. The Institute successfully implemented the Kenya Coastal Development Project (KCDP), a World Bank-funded project for the Coastal region. During the year, the Institute also completed the construction of Marine and Oceanic Centre which is now fully occupied.

The Institute also unveiled its Corporate Strategic Plan 2016/2020 which is anchored on the Kenya Vision 2030, the Second Medium Term Plan and the lessons learnt in the implementation of the KMFRI's Strategic Plan 2010/2015.

In addition, several research programmes were finalized by the researchers during the year.

ONGOING INITIATIVES

KMFRI has several ongoing initiatives which include the; ISO re-certification, and the construction of a mariculture research station in Shimoni, in the South Coast. The Institute has also been identified as an implementing agency for the Strategic Action Programme Policy Harmonization and Institutional Reforms (SAPPHIRE), a nine country, five-year project, which commenced during the 2015/2016 financial year after endorsement by all the nine countries of South West Indian Ocean region. The Institute continued to use oceanographic research vessel RV Mtafiti which was 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).

FUTURE PROSPECTS OF THE INSTITUTE

KMFRI is unique in that it conducts research in the challenging marine environment and fresh water aquatic systems. The Board of Management is continually seeking new approaches that would enable the Institute to conduct research that would create more impact on the livelihoods of communities living around the aquatic resources.

ENVIRONMENT SUSTAINABILITY

Being keenly aware of the need to sustain the environment while conducting research, the Institute is committed to conducting her research in an environmentally sustainable manner. The Institute will endeavor to minimize the environmental impact of her activities by implementing all relevant environmental sustainability legislations and regulations and, where possible, exceed the set minimum

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requirements. The Institute will continue to foster and promote research and education in environmental sustainability matters among her staff members, stakeholders and the general public.



Prof. Hamadi I. Boga, PhD

PRINCIPAL SECRETARY/STATE DEPT. OF AGRI. RESEARCH

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I have the pleasure to present the Annual Report and Financial Statements for the Kenya Marine and Fisheries Research Institute (KMFRI) for the financial year ended 30th June 2017.

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 YEAR

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 demarcate 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 increased scientific publications and realized an increase in the number of funded proposals for specific research programmes. A new vehicle and boats were procured to serve the Turkana station and increase the capacity of other inland stations, and the inland stations offices also were repaired in creating a better work environment for research. In terms of employees' welfare, the Institute adopted a comprehensive NHIF medical cover for its entire staff. This has motivated the staff to work better with assurance of health security together with their families.

ONGOING PROJECTS

In collaboration with six other government agencies, KMFRI implemented various development activities focusing on the whole ecosystem of the coastal region with a view to improving the livelihood of communities living around the oceans and hinterland. Specifically, the institute continued with the implementation of the '*Hazina ya Maendeleo ya Pwani*' (HMP), which gives grants to coastal communities for conservation, sound and sustainable management of natural resources, and focuses on building coastal capacity for sustainable use and management of the natural resources within the coastal region.

A component targeting Vulnerable and Marginalized Groups (VMG's) is on course. Through the individual donor research programmes, the Institute continued to implement various other projects including Sustainable Poverty Alleviation from Coastal Ecosystems Services (SPACES) and participating in piloting a Sustainable Integrated Sanitary Solid Waste disposal landfill to mitigate negative effects of climate change. A project dubbed "*The Potential for Aquaculture in Lake Victoria and Implications for Wild Fisheries and Fish Commodity Market*" funded by National Science Foundation (NSF) and the USA is on course.

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

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from aquaculture farms in the country. KMFRI is involved in the implementation of Lake Victoria Environmental Management Project (LVEMP), and continued to upscale use of solar dryers at Lake Victoria and Lake Turkana in order to reduce post-harvest losses. KMFRI will also participate in the BYCAM PROJECT which will be implemented across the West Indian Ocean with case studies in Kenya, Madagascar, Mozambique, Tanzania and Zanzibar. The aim of this project is to assess bycatch and develop economically viable methods for mitigation of non-target mega-fauna species bycatch (retained or discarded), in artisanal/small-scale commercial gillnets (drift-and bottom sets), longlines, and semi-industrial prawn trawl fisheries in the WIO.

Monitoring for Environment and Security in Africa (MESA) 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.

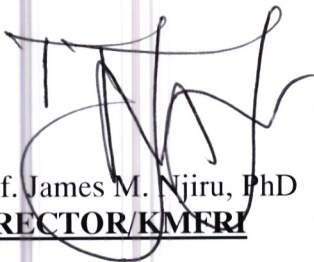
RESOURCES AVAILABLE AND UTILISATION DURING THE YEAR

With regards to budgetary resources, the government released exchequer grants to the Institute as per the government printed estimates for the 2016/2017 financial year. The Institute received grants for recurrent expenditure amounting to KSh. 935.5 million, which enabled KMFRI to pay staff salaries and sustain its operations and maintenance expenditure for the financial year. The Institute also received KSh.340 million for RV Mtafiti research activities.

KMFRI received grants for development expenditure amounting to KSh.948.4 million. The receipts included KSh.948.4 million in capital grants to government agencies for the implementation of the Kenya Coastal Development Project (KCDP). In addition, KMFRI also received KSh.38.6 million generated through donor-funded proposals for the implementation of specific research programmes.

COMPLIANCE WITH THE LAWS AND REGULATIONS

During the 2016/2017 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 security and the national development agenda for alleviating poverty and raising living standards of the people of Kenya in line with Vision 2030.



Prof. James M. Njiru, PhD
DIRECTOR/KMFRI

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VI. CORPORATE GOVERNANCE PHILOSOPHY

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 Directors and 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 Board of Management consists of 12 members inclusive of the Chairperson of the Board who is an independent non-executive director and the Director/KMFRI who is the Board Secretary.

BOARD WORK PLAN AND MEETINGS

Dates for Board meetings in the ensuing year are decided in advance and scheduled in a work plan. The Board meets at least four times in a financial year to monitor and transact the Institute's business. Directors 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 ad hoc 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 had 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.

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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 such as the Kenya Vision 2030 and Second Medium Term Plan. The committee is also responsible for approving proposed research funding and recommending manning of research functions.

FINANCE AND ESTABLISHMENT COMMITTEE

The Committee is responsible for providing policy guidelines to the Institute 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 effectiveness of the Institute personnel policies. The committee reviews and deliberates on staff matters and provides guidelines in the implementation of the personnel policies.



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VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KMFRI acknowledges her responsibility to the environment and the local communities in which it conducts her research. 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 environment the Institution interacts with. The communities within which the Institution conducts her activities are considered as important stakeholders and integral to the achievement of KMFRI's core objectives.

In the financial year ended 30 June, 2017, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

KMFRI Marine Debris Volunteer Group

Ocean and water way trash ranks as one of the most serious pollution problem choking our planet. Besides being an eyesore, a rising tide of marine debris threatens human health, wildlife communities and economies around the world. The International Ocean clean-up day is dedicated to the prevention of the degradation of the beaches, coastal regions and its environs. It is said to be the largest volunteer event in the world and it has been existence for the last 26 years.

KMFRI Marine Debris Volunteer Group actively participated in the International ocean clean-up day. The volunteer members formed two groups in the clean-up exercise; one group was allocated Mkomani Beach and the other group Nyali Beach. Those who participated were drawn from the mainstream KMFRI staff, internees and students on attachment and community members from the above mentioned localities. The clean-up involved collection of trash, weighing and quantification of the same. Approximately 400kgs of trash was collected on that day. The event was extensively covered by Radio Rama, a local fm radio station.



Some of the group members at work

The KMFRI Volunteer Group regularly collects trash along the beaches every Thursday of every week besides participating in the World Oceans Day. The sole intent of dedicating every Thursday to

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collection of thrash is to keep the ocean waters pollution free and creating awareness on the need of keeping the ocean waters pollution-free. The group intends to continue with the same spirit for purposes of creating a sustainable environment in line with the national policy guidelines. The team is ably led by its founder and patron, Dr. Eric Okuku, a KMFRI Research Scientist.



A section of the group members with the collected debris for weighing, quantification and categorization

KMFRI Gazi Sub-Station

KMFRI Gazi sub-station continued to contribute to developmental activities in and around Gazi area in the year under review. The activities undertaken were mainly focused in the area of improving the local infrastructure, forming a robust forest management plan and supporting Mikoko Pamoja initiatives, the local carbon offset project. The sub-station undertook the following activities in the year:-

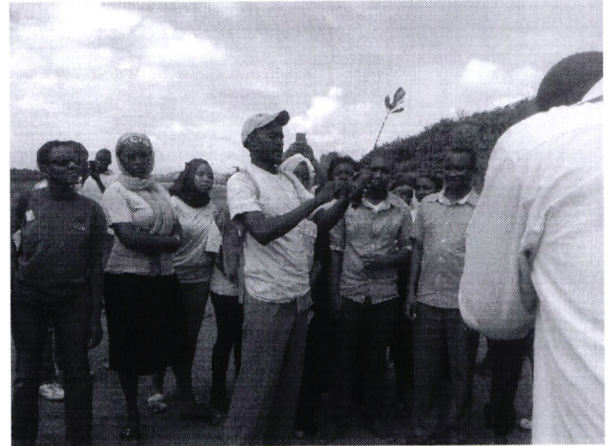
i. Mangrove Planting

Through the initiative of the station's leadership, the station staff and members of the local community participated in mangrove tree planting during the world mangrove day. This, in no small measure, is the station's contribution in afforestation initiatives along the coastline for purposes of conserving the environment and reforestation.

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Kmfri staff assisting in tree nursery establishment



Demonstration on planting Kmfri mangroves

ii. Workshop on Environmental Stewardship

KMFRI in collaboration with Mikoko Pamoja organized a workshop for secondary school teachers in and around Gazi Bay for purposes of seeking ways of integrating mangrove education with co-curriculum activities through environmental clubs. The workshop was to train and recruit mangrove conservation champions who will serve as agents of change to nurture a long lasting culture of responsible mangrove utilization and conservation for future generations. The workshop was held for two days with participants drawn from various secondary schools in and around Gazi Bay. A KMFRI Scientist in mangrove conservation Dr. James Kairo and other scientists stationed at Gazi played a key role in organizing and facilitating the workshop.



Dr. James Kairo explaining a point during the workshop

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iii. Provision of Clean Drinking Water

Realizing that clean drinking water is key in improving the livelihood of the local community, Earthwatch in collaboration with KMFRI funded construction of a water supply system in the area. The project was completed, commissioned and handed over to the community for use. Community members have now a constant supply of clean drinking water.

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VIII. REPORT OF THE DIRECTORS

The Directors submit their Report together with the Financial Statements for the year ended 30 June, 2017 which shows the state of the Institute affairs.

Activities

The principal activities of the Institute is to undertake research in “marine and freshwater fisheries, aquaculture, environmental and ecological studies”, 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.

Results

The results of the Institute for the year ended 30 June, 2017 are set out on page 1.

Directors

The Board of Directors who held office during the year are shown on pages v-xi in accordance with the Science, Technology and Innovation Act No. 28 of 2013.

Financial Statements

At the date of this report the Board was not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

Auditors

The Auditor General is responsible for the statutory audit of the Institute books of account in accordance with Section 35 of the Public Audit Act, 2015.

BY ORDER OF THE BOARD



Prof. James M. Njiru, PhD
Secretary to the Board
31 August, 2017
MOMBASA

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Financial Statements for the year ended 30 June 2017

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(5) of the Public Finance Management (PFM) Act, 2012 and section 14(3) of the State Corporation Act, Cap 4 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, the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's 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 June, 30 2017. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair representation of the financial statements, ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the entity;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and State Corporation 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 June 2017, 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 control.

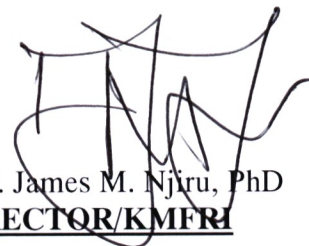
Nothing has come to the attention of the Directors that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Institute's Financial Statements were approved by the Board on.....2017 and signed on its behalf by:



Prof. Hamadi I. Boga, PhD
PRINCIPAL SEC./STATE DEPT. AGRI. RES.



Prof. James M. Njiru, PhD
DIRECTOR/KMFRI

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
Financial Statements for the year ended 30 June 2017

REPORT OF THE INDEPENDENT AUDITOR

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2017

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 32, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Marine and Fisheries Research Institute as at 30 June 2017, 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 Science and Technology Act, Cap 250 laws of Kenya.

In addition, as required by Article 229 (6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Presentation of Financial Statements

The financial statements presented for audit review for the year ended 30 June 2017 were not approved by the Chair of the Board as the Board term expired on 6 April 2018 and at the time of the audit, a new Chair was awaiting appointment. This is contrary to Section 15 (1) of State Corporations Act Cap 446 which states that the Board shall be responsible for the proper management of the affairs of a state corporation and shall be accountable for the moneys, the financial business and the management of a state corporation.

Report of the Auditor-General on the Financial Statements of Kenya Marine and Fisheries Research Institute for the year ended 30 June 2017

In the circumstances, the financial statements presented for audit were not fully approved.

2. Property Plant and Equipment

2.1 Ownership Documents and Valuation

As previously reported, the Institute owns un-surveyed land located in Baringo, Sangoro and Mtwapa, measuring 2.35 hectares, 0.7 hectares, and 13.4 acres respectively, which have neither been valued nor included in the property, plant and equipment figure of Kshs.1,293,392,910 as at 30 June 2017. For the 2 parcels of land in Baringo, the Institute holds only allotment letters while the 3 parcels of land in Sangoro measuring 1.8 hectares, the Institute did not avail any ownership document. In addition, for the land in Mtwapa, the ownership documents were also not availed for audit verifications but the management reported that this land was grabbed before the transfer from Kenya Agricultural Research Institute (KARI) was complete. The status remains as previously reported.

2.2 Sale of the Kongowea Land

As reported previously, 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 Kongowea Market Estate Limited at a selling price of Kshs.15,020,000 and the title 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. The balance of Kshs.1,575,077 had not been remitted to the institute as at 30 June 2017. No explanation was provided for the transfer of the property before receiving full consideration and also why the property was sold below the market value.

The transaction has resulted to a probable loss in excess of Kshs.9,355,077 to the Institute.

3. Motor Vehicles

As reported in the previous years, included in the property, plant and equipment balance of Kshs.1,293,392,910 as at 30 June 2017 is a balance of Kshs.16,761,483 in respect of motor vehicles. Included in motor vehicle balance of Kshs.16,761,483 is the cost of seven (7) motor vehicles amounting to Kshs.35,652,051 acquired during the financial year 2014/2015. However, according to the Institute's year 2014/2015 procurement plan, only one vehicle was to be purchased at a cost of Kshs.2,600,000. Therefore, the basis of procuring the extra six (6) vehicles was not clear. In addition, out of the Kshs.35,652,051 spent on acquisition of motor vehicles, Kshs.28,357,049

was reallocated from the Government of Kenya counterpart funds for Kenya Coastal Development Project without any evidence of authority to reallocate the funds. Further, the vehicles were distributed to locations where the project's activities are not undertaken.

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.1,293,392,910 as at 30 June 2017 could not be ascertained.

4. Cash and Cash Equivalent

4.1 Unsupported Project Accounts Balances

Note 12 to the financial statements for the year ended 30 June 2017 reflects cash and cash equivalents balance of Kshs.882,964,824. Included in this amount is a balance of Kshs.219,570,643 in respect of Project Accounts. However, bank reconciliation statements, certificate of balances and bank statements availed for audit supported Kshs.218,476,551 resulting to unexplained nor reconciled variance of Kshs.1,094,092

Consequently, the accuracy and completeness cash and cash equivalent balance of Kshs.882,964,824 as at 30 June 2017 could not be confirmed.

4.2 Sagana Recurrent Account

Note 12 to the financial statements for the year ended 30 June 2017 reflects the cash and cash equivalents balance of Kshs.882,964,824 includes an amount of Kshs.565,521,957 in respect to recurrent accounts. Included in this amount is a balance of Sagana recurrent account of Kshs.551,822. However, bank reconciliation statement of the Sagana recurrent account availed for audit reflected cashbook balance of Kshs.108,633 which results to an unreconciled variance of Kshs.443,189.

Consequently, the accuracy and completeness of the cash and cash equivalent balance of Kshs.882,964,824 could not be confirmed.

5. General Expenses

5.1 Donor Projects Costs

The general expenses balance of Kshs.1,224,143,394 includes a balance of Kshs.1,063,250,881 in respect to research programs. This includes World Bank Donor projects costs which was indicated as Kshs.880,290,146. However, examination of certified financial statements for the two World Bank projects for the year ended 30 June 2017, revealed that Kenya Coast Development Project Credit number 4801 had expenditure of Kshs.781,995,333 while Project Grant Number TF 97578 had expenditure of Kshs.102,386,674, all totalling to Kshs.884,382,007. This resulted to unreconciled variance of Kshs.4,091,861 between the certified accounts for the two Donor projects and the schedules availed for audit to support the Donor projects costs.

Consequently, the accuracy, validity and completeness of research program expense balance of Kshs.1,224,143,394 for the year ended 30 June 2017 could not be confirmed.

5.2 Cruise Expenditure

Included in the research program is an amount of Kshs.57,730,325.65 in respect to RV Mtafiti expenses where Kshs.35,294,412 was paid out as night outs to staff while on expedition cruises through temporary imprests. However, the basis of night out payments to the cruise staff was not clear since all the cruise expenditure was catered for by the Institute.

Consequently, the accuracy, propriety and completeness of the MV Mtafiti night out expenses of Kshs.35,294,412 could not be confirmed.

5.3 Unaccounted for Expenditure on Fuel

The amount of Kshs.57,730,326 in respect of RV Mtafiti expenses also includes an amount of Kshs.11,880,000 related to fuel supplied by National Oil for Mtafiti Research Vessel. However, documents showing how the fuel was utilized were not availed for audit review.

In the circumstances, the accuracy, completeness and propriety of MV Mtafiti fuel expenditure of Kshs.11,880,000 could not be confirmed.

6. Government Grants

The statement of financial performance for the year ended 30 June 2017 reflects government grants of Kshs.1,275,500,000 from the parent ministry. However, records at the State Department of Fisheries and Blue economy reflects a transfer of Kshs.1,356,730,476 to Kenya Marine and Fisheries Research Institute, resulting to an unreconciled variance of Kshs.81,230,476.

In the circumstances, the accuracy and completeness of the government grants figure of Kshs.1,275,500,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Marine and Fisheries Research Institute in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget Control and Performance

According to the statement of comparison of budget and actual amounts, the Institute had an approved budget of Kshs.1,570,055,691 for the financial year 2016/2017 against actual expenditure of Kshs.1,872,237,523 resulting to an overall over expenditure of Kshs.302,181,832 or 19% as detailed below;

Item	Budget Kshs.	Actual Kshs.	Under Expenditure Kshs.	Over Expenditure Kshs.	% Variance
Basic Salaries	309,265,621	294,777,626	14,487,995		4.7%
Personal Allowances	206,053,741	204,245,748	1,807,993		0.9%
Personal Allowances-Reimbursement	6,914,000	4,926,082	1,987,918		28.8%
Employers Pension Contribution	72,850,717	51,024,204	21,826,513		30.0%
Utilities Supplies & Services	11,290,000	11,344,903		(54,903)	0.5%
Communication, Supplies & Services	9,970,050	11,469,120		(1,499,070)	15.0%
Domestic Travel And Subsistence	30,000,000	37,358,636		(7,358,636)	24.5%
Foreign Travel And Subsistence	3,000,000	1,908,502	1,091,498		36.4%
Printing & Publishing Information	8,150,000	7,372,894	777,106		9.5%
Rental Of Produced Assets	7,520,000	5,549,094	1,970,906		26.2%
Training Expenses	11,010,000	8,705,875	2,304,125		20.9%
Hospitality Supplies \$ Service	20,158,125	22,949,655		(2,791,530)	13.8%
Insurance Costs	79,113,433	34,020,143	45,093,290		57.0%
Research Programmes	668,970,232	1,063,416,450		(394,446,218)	59.0%
Specialised Materials & Supplies	3,778,340	7,154,760		(3,376,420)	89.4%
General Office Suppliers	8,420,682	10,374,199		(1,953,517)	23.2%
Fuel , Oil And Lubricants	3,505,000	3,652,968		(147,968)	4.2%

Other Operating Expenses	30,637,007	68,623,001		(37,985,994)	124.0%
Routine Maintenance-Vehicle &	11,461,756	8,767,976	2,693,780		23.5%
Routine Maintenance-Other Ass	26,302,000	13,698,579	12,603,421		47.9%
Purchase Of Furniture	11,435,000	-	11,435,000		100.0%
Purchase Of Specialized Plant, Equip.	30,000,000	-	30,000,000		100.0%
Purchase Of Coffins/Rel. Expen	249,987	897,109		(647,122)	258.9%
Total	1,570,055,691	1,872,237,524	148,079,546	(450,261,378)	

The management did not provide authority for the over expenditure of Kshs.450,261,378 or 29%. Regularity of this over expenditure could not be confirmed. Further, the Authority under spent on some items by Kshs.148,079,546 or 9% thus affecting delivery of goods and services to the citizens.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern/sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Institute's or cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

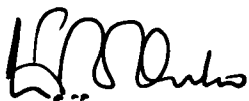
ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Institute's 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 offering 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 offering 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 of the entities or business activities 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 July 2018



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

PARTICULARS	NOTE	2016/2017	2015/2016
Revenue from Non-Exchange Transactions:-		Kshs.	Kshs.
Government Grants	3	1,275,500,000	885,405,000
Donor Grants	4	987,001,616	1,159,956,563
Revenue from Exchange Transactions:-			
Finance Income	5	1,212,970	1,541,505
Other Income	6	7,505,376	3,913,380
Total Revenue		2,271,219,962	2,050,816,448
Expenses:-			
Employee Costs	7	554,973,660	503,282,554
Board of Management Costs	8	17,029,258	13,928,295
General Expenses	9	1,224,143,394	1,114,507,703
Bulk Purchase of Water & Electricity	10	11,344,903	10,096,142
Repairs and Maintenance	11	22,466,554	7,976,384
Depreciation & Amortization Expenses		42,279,753	57,842,714
Total Expenses		1,872,237,523	1,707,633,792
Surplus for the Year		398,982,440	343,182,656

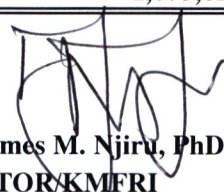
**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	2016/2017	2015/2016
ASSETS		Kshs.	Kshs.
Current Assets:-			
Cash & Cash Equivalents	12	882,964,824	426,650,902
Receivables from Non-Exchange Transactions	13	18,131,247	155,967,325
Receivables from Exchange Transactions	14	918,714	1,515,533
Total Current Assets		902,014,785	584,133,760
Non-current Assets:-			
Property, Plant & Equipment	15	1,293,392,910	453,844,032
Work-in-progress	16	2,243,410	146,272,850
Intangible Assets	17	845,920	116,200
Total Non-Current Assets		1,296,482,240	600,233,082
Total Assets		2,198,497,025	1,184,366,842
LIABILITIES			
Current Liabilities:-			
Trade & Other Payables from Exchange Transactions	18	29,945,757	11,604,386
Trade & Other Payables from Non Exchange Transactions	19	12,055,005	41,922,661
Total Current Liabilities		42,000,763	53,527,047
Non-Current Liabilities:-			
Retirement Benefits Obligation	20	35,226,665	55,226,666
Total Non-Current Liabilities		35,226,665	55,226,666
Total Liabilities		77,227,428	108,753,713
TOTAL NET ASSETS		2,121,269,597	1,075,613,129
RESERVES			
Capital Reserve	21	629,544,041	629,544,041
Donations Reserve	22	344,701,880	123,684,570
Revaluations Reserve	23	537,997,254	112,340,535
Accumulated Surplus	24	609,026,423	210,043,983
		2,121,269,597	1,075,613,129

Signed:


Prof. Hamadi I. Boga, PhD
PRINCIPAL SEC./STATE DEPT. OF AGRI. RES.

Signed:


Prof. James M. Njiru, PhD
DIRECTOR/KMFRI



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Note	Capital Reserve Kshs.	Donations Reserve Kshs.	Reval. Reserve Kshs.	Accum. Deficit Kshs.	TOTAL Kshs.
Balance as at 1 July 2015	548,728,041	108,008,356	112,490,535	(133,135,822)	636,091,109
Development Grants/Donations	39,776,000	15,676,215	-	-	55,452,215
GOK Counterpart Funding	41,040,000	-	-	-	41,040,000
Revaluations in the year (Adj.)	-	-	(150,000)	-	(150,000)
Surplus for the period	-	-	-	343,182,656	343,182,656
Balance as at 30 June 2016	629,544,041	123,684,570	112,340,535	210,043,983	1,075,613,129

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Note	Capital Reserve Kshs.	Donations Reserve Kshs.	Reval. Reserve Kshs.	Accumulated Surplus Kshs.	TOTAL Kshs.
Balance as at 1 July 2016	629,544,041	123,684,570	112,340,535	210,043,983	1,075,613,129
Dev. Grants/Donations in the year	-	253,495,521	-	-	253,495,521
Revaluations in the year	-	-	594,371,942	-	594,371,942
Depreciation/Amortization in the year	-	(32,476,411)	(25,761,430)	-	-
Depreciation/Amortization adj. in the year	-	(1,800)	(142,953,793)	-	-
Surplus for the period	-	-	-	398,982,440	398,982,440
Balance as at 30 June 2017	629,544,041	344,701,880	537,997,254	609,026,423	2,121,269,597

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 cumulative amounts of surplus/ deficits as realized in KMFRI's statements of financial performance over the years.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2016/2017	2015/2016
Cash flows from Operating Activities		Kshs.	Kshs.
Surplus		398,982,440	343,182,656
Add:-			
Depreciation/Amortization Charge for the Year		42,279,753	57,842,714
		441,262,193	401,025,370
Working Capital Changes:-			
Decrease/Increase in Receivables from Non-Exchange Transactions	13	137,836,078	(91,779,031)
Decrease/Increase in Receivables from Exchange Transactions	14	596,819	(311,538)
Increase/Decrease in Trade & Other Payables from Exchange Transaction	18	(18,341,371)	3,303,421
Decrease in pension deficit	20	20,000,000	-
Increase/Decrease in Other Payables from Non-Exchange Transactions	19	(29,867,656)	9,315,627
Net cash flows from Operating Activities		551,486,064	321,553,849
Cash flows from Investing Activities			
Work-in-Progress	16	(2,243,410)	(145,916,928)
Purchase of Assets	15 & 17	(92,928,733)	(70,287,260)
Net cash flows from Investing Activities		(95,172,143)	(216,204,188)
Cash Flows from Financing Activities			
Development Grants		-	80,816,000
Net cash flows from Financing Activities		-	80,816,000
Net Increase in Cash and Cash Equivalents		456,313,921	186,165,661
Cash and Cash Equivalents at the Start of the Period		426,650,902	240,485,241
Cash and Cash Equivalents at the End of the Period	12	882,964,824	426,650,902

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE			
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2016/2017			
GRANTS AND A.I.A	Final Budget 2016/2017	Actual on comparable basis	Performance difference
	Kshs	Kshs	Kshs
1300000 GRANTS			
1300201 . GRANT FROM GOK-RECURRENT	935,500,000	935,500,000	-
1300203. GRANTS FROM GOK-RV MTAFFITI	340,000,000	340,000,000	-
1300203 . GRANTS FROM GOK-MTAFFITI BAL. B/FW	237,718,950	237,718,950	-
TOTAL GRANTS FROM GOK	1,513,218,950	1,513,218,950	-
1300100 .GRANTS INDIVIDUAL DONORS	-	-	-
1300101.99-GRANTS FROM OTHER INDIVIDUAL D	46,836,741	38,601,616	8,235,125.00
TOTAL GRANTS FROM INDIVIDUAL DONORS	46,836,741	38,601,616	8,235,125.00
1300300-APPROPRIATION IN AID			-
1300302 . SALE OF TENDER DOCUMENT	150,000	175,000	25,000.00
1300303. DISPOSAL OF EQUIPMENT	500,000	321,000	179,000.00
1300304 . CONSULTANCY FEES FOR SERVICES	-	215,132	215,132.00
1300305 . SALE OF FISH AND FINGERLINGS	1,600,000	1,381,590	218,410.00
1300306 . EDUCATION VISIT AND ATTACHMENT F	450,000	492,370	42,370.00
1300307 . MISCELLANEOUS INCOME	500,000	169,825	330,174.74
1300308 . RENTAL INCOME	-	14,949	14,949.00
1300319 . SALE OF FISH FEED	2,300,000	4,222,760	1,922,760.00
1300401 . INTEREST INCOME	1,500,000	1,204,251	295,749.15
1300321.HIRE OF CONFERENCE FACILITIES& VES	-	364,250	364,250.00
1300380. KMFRI ENTERPRISE SERVICE	3,000,000	-	3,000,000.00
1300322. SALE OF BROODERS	-	148,500	148,500.00
TOTAL APPROPRIATION IN AID	10,000,000	8,709,627	1,290,372.89
TOTAL RECURRENT REVENUE	1,570,055,691	1,560,530,193	9,525,497.89
EXPENDITURE			
2211100. BASIC SALARIES-PERMANENT EMPLO			
2211100. BASIC SALARIES-KMFRI	308,365,621	294,233,264	14,132,357.00
2211102 . CASUAL LABOUR	900,000	544,362	355,638.00
TOTAL BASIC SALARIES	309,265,621	294,777,626	14,487,995.00
2211200. PERSONAL ALLOWANCES			-
2211201 . HOUSE ALLOWANCE	129,205,204	121,478,226	7,726,978.00
2211202 . ACTING ALLOWANCE	708,471	499,603	208,868.00
2211203 . HARDSHIP ALLOWANCE	11,499,140	12,030,020	530,880.00
2211204 . MEDICAL ALLOWANCE	2,407,796	9,487,661	7,079,865.00
2211205 . SPECIAL DUTY ALLOWANCE	2,779,596	2,584,588	195,008.00
2211207 . TRANSFER ALLOWANCE	800,000	2,181,004	1,381,004.00
2211208 . RESPONSIBILITY ALLOWANCE	9,600,338	6,183,554	3,416,784.00
2211209 . ENTERTAINMENT ALLOWANCE	672,000	581,600	90,400.00
2211210 . TRANSPORT(COMMUTER) ALLOWANCE	47,823,196	45,506,267	2,316,929.00
2211211 . EXTRANEIOUS DUTY ALLOWANCE	480,000	320,200	159,800.00
2211212 . SANITATION ALLOWANCE	78,000	81,083	3,083.00
2211213 . LEAVE ALLOWANCE	-	3,311,942	3,311,942.00
TOTAL PERSONAL ALLOWANCES	206,053,741	204,245,748	1,807,993.00
2211300. PERSONAL ALLOWANCES-REIMBURSEMENT			
2211301 . MEDICAL IN.PATIENT	2,960,000	4,926,082	1,966,082.05
2211213. LEAVE ALLOWANCE	3,954,000	-	3,954,000.00
TOTAL PERSONAL ALLOWANCES-REIMBURSEMENT	6,914,000	4,926,082	1,987,917.95
2211400. EMPLOYERS PENSION CONTRIBUTION			-
2211401 . NSSF KMFRI CONTRIBUTION	2,001,600	1,952,000	49,600.00
2211402 . PENSION KMFRI CONTRIBUTION	40,141,847	38,978,070	1,163,777.00
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KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2016/2017

	Final Budget 2016/2017	Actual on comparable basis	Performance difference
	Kshs.	Kshs.	
2211402.KMFRI CONVERSION COSTS DB-DC	20,000,000	-	20,000,000.00
2211403 . SERVICE GRATUITY	1,754,185	1,141,054	613,130.80
2211404 . IN-SERVICE DEATH GRATUITY	8,953,080	8,953,080	-
TOTAL EMPLOYERS PENSION CONTRIBUTION	72,850,717	51,024,204	21,826,512.80
2211500. UTILITIES SUPPLIES & SERVICES			
2211501 . ELECTRICITY EXPENSES	9,200,000	10,087,327	887,326.98
2211502 . WATER & SIs	2,050,000	1,257,576	792,424.24
2211503. GAS EXPENSES	40,000	-	-
TOTAL UTILITIES SUPPLIES & SERVICES	11,290,000	11,344,903	54,902.74
2211600. COMMUNICATION, SUPPLIES & SERVICES			
2211601 . TELEPHONE , FAX, E.MAIL	3,500,000	2,215,744	1,284,256.00
2211602 . INTERNET CONNECTION	4,850,000	7,728,949	2,878,949.32
2211603 . COURIER & POSTAL SERVICES	1,600,000	1,524,427	75,573.20
2211604 . LICENSING FEE FOR COMMUNICATIO	20,050	-	20,050.00
TOTAL COMMUNICATION, SUPPLIES & SERVICE	9,970,050	11,469,120	1,499,070.12
2211700. DOMESTIC TRAVEL AND SUBSISTENCE			
2211701 . TRAVEL COST	10,500,000	9,305,688	1,194,312.19
2211702 . ACCOMODATION COSTS	-	-	-
2211703 . DAILY SUB. ALLOWANCE	18,000,000	28,052,948	10,052,948.00
2211704 . SUNDRY ITEMS	-	-	-
2211705 . FIELD ALLOWANCES	-	-	-
2211706 . RETREAT EXPENSES	1,500,000	-	1,500,000.00
TOTAL DOMESTIC TRAVEL AND SUBSISTENCE	30,000,000	37,358,636	7,358,635.81
2211800. FOREIGN TRAVEL AND SUBSISTENCE			
2211801 . RETREAT EXPENSES	-	-	-
2211802 . TRAVEL COST	850,000	328,700	521,300.00
2211803 . ACCOMMODATION	-	-	-
2211804 . DAILY SUB. ALLOWANCE	2,125,000	1,579,802	545,198.25
2211805 . SUNDRY ITEMS	25,000	-	25,000.00
TOTAL FOREIGN TRAVEL AND SUBSISTENCE	3,000,000	1,908,502	1,091,498.25
2211900 - PRINTING & PUBLISHING INFORMATION			
2211901 . PRINTING & PUBLISHING	750,000	526,092	223,908.20
2211902 . NEWSPAPERS,PERIODICALS & MGZ	700,000	746,318	46,318.00
2211903 . ADVERTISING & PUBLICITY	3,500,000	3,919,817	419,817.00
2211904 . TRADE SHOWS & EXHIBITIONS	3,000,000	2,180,667	819,333.00
2211905. KMFRI CORPORATE SOCIAL RESPONSIBI	200,000	-	-
TOTAL PRINTING & PUBLISHING INFORMATIO	8,150,000	7,372,894	777,106.20
2212000 - RENTAL OF PRODUCED ASSETS			
2212002 . RENT & RATES . NON RESIDENTIAL	2,500,000	481,722	2,018,278.00
2212003 . HIRE OF TRANSPORT	5,000,000	4,981,872	18,128.20
2212004 . HIRE OF EQUIPMENT PLANT AND MA	20,000	85,500	65,500.00
2212005 . RENT & RATES . RESIDENTIAL	-	-	-
TOTAL RENTAL OF PRODUCED ASSETS	7,520,000	5,549,094	1,970,906.20
2212100 - TRAINING EXPENSES			
2212105 . TRAINER ALLOWANCE	-	-	-
2212107 . TRAINING ACCOMODATION ALLOWAN	-	-	-
2212108 . TRAINING EXPENSES	5,000,000	5,039,685	39,685.00
2212109 . TRAINING LEVY EXPENSES	510,000	484,050	25,950.00
2212110 . ISO CERTIFICATION & REL. EXPEN	5,000,000	2,150,249	2,849,751.00
2212111 . SUNDRY TRAINING EXPENSES	-	-	-
2212112 . ERP TRAINING COSTS	500,000	415,091	84,909.00
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KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 20

GRANTS AND A.I.A	Final Budget 2016/2017	Actual on comparable basis	Performance difference
STRATEGIC PLANNING		616,800	616,800.00
TOTAL TRAINING EXPENSES	11,010,000	8,705,875	2,304,125.00
2212200 - HOSPITALITY SUPPLIES \$ SERVICE			
2212201 . CATERING SERVICES	3,800,000	5,206,083	1,406,083.04
2212204 . BOARD ALLOWANCES	9,000,000	9,740,396	740,396.20
2212205 . CONFERENCE, SEMINAR & WORKSHOP	2,000,000	714,313	1,285,686.57
2212207 . BOARD TRAVEL EXPENSES	3,500,000	5,564,096	2,064,095.74
2212208 . BOARD OF MANAGEMENT&RELATED E	1,858,125	1,724,766	133,358.71
TOTAL HOSPITALITY SUPPLIES \$ SERVICE	20,158,125	22,949,655	2,791,529.70
2212300 - INSURANCE COSTS			
2212301 . GROUP LIFE INSURANCE	1,475,910	1,504,912	29,002.00
2212302 . BUILDING INSURANCE	1,400,000	-	1,400,000.00
2212303 . INSURANCE OF MOTOR VEHICLES	1,948,577	1,583,416	365,160.54
2212304 . INSURANCE OF AIRCRAFT,BOATS	1,300,000	-	1,300,000.00
2212305 . INSURANCE OF BOARD MEMBERS	56,817	52,082	4,734.75
2212306 . OTHER INSURANCE COSTS	60,000	-	60,000.00
2212307 . GROUP PERSONAL ACCIDENT INSURA	872,129	799,452	72,677.42
2212308 . MEDICAL INSURANCE COVER	72,000,000	30,080,281	41,919,719.00
TOTAL INSURANCE COSTS	79,113,433	34,020,143	45,093,289.71
2212400 . RESEARCH PROGRAMMES			-
2212401 . DONOR FUND EXPENSES (OTHERS)	46,251,282	43,511,672	2,739,609.70
2212402 . SEED EXPENSES	45,000,000	29,938,735	15,061,265.15
2212403 WORLD BANK DONOR EXPENSES		880,290,146	880,290,145.69
2212405 . RV MTAFFITI EXPENSES	243,718,950	57,730,326	185,988,624.35
2212406 . RV MTAFFITI MAINTANANCE	30,000,000	4,894,001	25,105,999.00
2212407 . RV MTAFFITI DRY DOCKING SERVICE	60,000,000	39,794,162	20,205,838.00
2212409. RV MTAFFITI EXPENSES PORT CHARGES	11,000,000	-	-
2212407. RV MTAFFITI RESEARCH EQUIPMENT	223,000,000	-	-
2212408 . RV MTAFFITI TRAINING EXPENSES	10,000,000	7,257,409	2,742,591.00
TOTAL RESEARCH PROGRAMMES	668,970,232	1,063,416,450	394,446,218.49
2212500 - SPECIALISED MATERIALS & SUPPLIES			-
2212501 . LABORATORY MATERIALS	1,000,000	2,172,590	1,172,590.00
2212502 . EDUCATION AND LIBRARY SUPPLIES	50,000	7,672	42,328.00
2212504 . PURCHASE OF UNIFORMS AND CLOTH	350,000	1,875,863	1,525,863.00
2212505 . PURCHASE OF SPECIMEN	120,000	119,252	748.00
2212506 . DRUGS, INSECTICIDES & SPRAYS	2,500	-	2,500.00
2212507 . PURCHASE OF FISH FEEDS	2,244,840	2,906,208	661,368.00
2212508 . PURCHASE OF FISH TAGS	1,000	-	1,000.00
2212509 . FARM INPUTS	10,000	73,175	63,175.00
2212510 . OTHER MATERIALS AND SUPPLIES	-	-	-
TOTAL SPECIALISED MATERIALS & SUPPLIES	3,778,340	7,154,760	3,376,420.00
2212600 - GENERAL OFFICE SUPPLIERS			
2212601 . GENERAL OFFICE SUPPLIES	4,680,776	6,655,107	1,974,331.11
2212602 . COMPUTER SUPPLIES & ACCESSORIE	3,019,012	3,018,709	302.95
2212603 . SANITARY & CLEANING MATERIALS	720,894	700,383	20,510.98
TOTAL GENERAL OFFICE SUPPLIERS	8,420,682	10,374,199	1,953,517.18
2212700 - FUEL , OIL AND LUBRICANTS			-
2212701 . FUEL.OIL & LUB . MOTOR VEHICLE	3,500,000	3,618,848	118,848.00
2212702 . OTHER FUELS . WOOD & CHARCOAL	5,000	34,120	29,120.00
TOTAL FUEL , OIL AND LUBRICANTS	3,505,000	3,652,968	147,968.00
2212800 - OTHER OPERATING EXPENSES			-
2212801 . BANK CHARGES	625,000	604,395	20,604.90
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KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2017

GRANTS AND A.I.A	Final Budget 2016/2017	Actual on comparable basis	Performance difference
2212802 . MEDICAL EXPENSES	25,000	-	25,000.00
2212803 . CONTRACTED GUARDS & CLEANING	15,000,000	14,032,682	967,317.64
2212804 . SUBSCRIPTION TO PROFESSIONAL B	675,000	709,179	34,179.00
2212805 . LEGAL, ARBITRATION & COMPENSATI	4,000,000	5,325,401	1,325,400.60
2212806 . CONTRACTED PROFESSIONAL SERVIC	2,000,000	2,262,670	262,670.00
2212807 . CONTRACTED TECHNICAL SERVICES	1,500,000	783,500	716,500.00
2212809 . PARKING CHARGES	40,000	37,130	2,870.00
2212810 . DEPRECIATION OF FIXED ASSETS	-	41,967,406	41,967,406.00
2212811 . EXCHANGE LOSS		394,371	394,370.95
2212812 . DONATIONS		-	-
2212813 . PURCHASE PRICE VARIANCE		-	-
2212815 . WITHHOLDING TAX ON INT. INCOME	175,000	-	175,000.00
2212816 . SUNDRY EXPENSES	7,500	-	7,500.00
2212817 . LICENCING FEE . DRIVERS	9,500	14,750	5,250.00
2212819 . CONTRACTED PROF. SERVICE AUDIT	580,000	580,000	-
2212821 . BUSINESS WING EXPENSES	6,000,000	1,911,517	4,088,483.00
TOTAL OTHER OPERATING EXPENSES	30,637,007	68,623,001	37,985,994.01
2212900 - ROUTINE MAINTENANCE- VEHICLE &			
2212901 . MAINTENANCE OF MOTOR VEHICLE	4,611,756	7,868,883	3,257,126.62
2212902 . MAIN. BOATS, FERRYS, MARINE EQUIP	350,000	630,050	280,050.00
2212903 . MAINTANANCE OF RESEARCH VESSEL	6,500,000	269,043	6,230,957.00
TOTAL ROUTINE MAINTENANCE- VEHICLE &	11,461,756	8,767,976	2,693,780.38
2213000 - ROUTINE MAINTENANCE- OTHER ASS			
2213001 . MAINTENANCE OF PLANT & EQUIPME	800,000	1,124,074	324,074.00
2213002 . MAINTENANCE OF FURNITURE	100,000	116,950	16,950.00
2213003 . MAINTENANCE OF BUILDING NON.RE	25,000,000	11,221,033	13,778,967.26
2213004 . MAINTENANCE OF CIVIL WORKS	100,000	32,100	67,900.00
2213005 . MAINTENANCE OF COMPUTER & SOFT	200,000	412,363	212,363.00
2213006 . MAINTENANCE OF WATER SUPPLY &	7,000	412,920	405,920.00
2213008 . MAINTANAN. OF OFFICE EQUIPMENT	95,000	379,139	284,139.00
TOTAL ROUTINE MAINTENANCE- OTHER ASS	26,302,000	13,698,579	12,603,421.26
6100000. PURCHASE OF FURNITURE	11,435,000	-	-
6111300. PURCHASE OF SPECIALIZED PLANT, E	30,000,000	-	-
2213101 . PURCHASE OF COFFINS/REL. EXPEN	249,987	897,109	647,122.00
TOTAL EXPENSES	1,570,055,691	1,872,237,523	302,181,832.30



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017

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.

1. Statement of Compliance and Basis of Preparation and Form of Presentation

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.

2. Summary of Significant Accounting Policies

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

i. 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.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

ii. 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.

(b) 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.

(c) Foreign Currency

(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.

(d) 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

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

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%



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

(e) 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 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 intangible assets is assessed as either finite or indefinite.

(f) Useful lives and residual values of assets

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 KMFRI;
- ❖ 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; and
- ❖ Changes in the market in relation to the asset.

(g) 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.



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

(h) 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.

(i) Comparative figures

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

(j) Retirement Benefits Policy

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.

(k) 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:

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

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.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

3. GOVERNMENT GRANTS

(A) RECURRENT GRANTS

MONTH	2016/2017	2015/2016
	Kshs	Kshs
July	-	54,375,000
October	233,875,000	271,875,000
November	233,875,000	-
February	233,875,000	-
March	-	163,125,000
June	233,875,000	163,125,000
(A) SUB--TOTAL	935,500,000	652,500,000

(B) R.V MTAFITI RECURRENT GRANTS

GOK R.V MTAFITI GRANTS		
	Kshs.	Kshs.
Month	2016/2017	2015/2016
October	85,000,000	-
November	85,000,000	-
February	85,000,000	-
April	-	110,000,000
June	85,000,000	122,905,000
(B) SUB-TOTAL	340,000,000	232,905,000
TOTAL (A) & (B)	1,275,500,000	885,405,000

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

4. DONOR GRANTS

NAME OF PROJECT	2016/2017	2015/2016
Kenya Coastal Development Project- IDA	353,400,000	995,459,685
Kenya Coastal Development Project-GEF	595,000,000	135,988,666
Western Indian Ocean Marine Scientist Association (Wiomsa)	13,745,410	9,516,362
National Council For Science & Technology Project (Ncst)	-	2,254,050
Icoast- Sighnthil Campus	4,095,290	1,252,762
Odin Africa Project	2,443,651	847,500
Secure Fish Project-Uni. Of Surrey	-	2,594,934
Stockholms University	-	2,401,646
Vruje University	1,587,040	-
Blue Forest- Elsen Grid Arendal	6,077,250	1,110,776
Food Agricultural Organization (FAO)	380,681	512,602
Dongfung Electric	1,091,196	-
Radiosotopes - IAEA	536,160	-
IFS Fish Connectivity	269,314	2,343,430
Artemia Project – Gent Uni. & VLIZ	-	2,278,100
University of Brussel	1,962,060	-
Centre For Intern. Forestry	2,212,852	-
CSIRO Private	683,240	-
Other Small Projects- IOC,AORA,ICIPE,WWLF	3,517,472	3,396,049
TOTAL KSHS	987,001,616	1,159,956,562

5. FINANCE INCOME

	2016/2017	2015/2016
	Kshs.	Kshs.
Interest income on fixed deposit account	1,204,251	1,541,505
Foreign Exchange Gain in the Year	<u>8,719</u>	<u>-</u>
Total Finance Income	<u>1,212,970</u>	<u>1,541,505</u>

The above amounts represent bank interest earnings and foreign exchange gain in the financial year. The Institute has a fixed deposit account with National Bank of Kenya, Nyali Branch.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

6. OTHER INCOME

	2016/2017	<u>2015/2016</u>
	Kshs.	Kshs.
Sale of Tender Documents	175,000	117,500
Other Incomes:		
Sale of boarded stores	321,000	-
Fees for services/Consultancies	215,132	-
Sale of fish and fish fingerlings	1,381,590	1,154,731
Student visits & attachment	492,370	298,400
Miscellaneous Income	184,774	551,296
Sale of fish feeds	4,222,760	1,569,823
Hire of research vessels	56,600	-
Hire of Conference Facilities	307,650	186,000
Exchange gain	-	35,630
Sale of brooders	<u>148,500</u>	<u>-</u>
Total	<u>7,505,376</u>	<u>3,913,380</u>

7. EMPLOYEE COSTS

	2016/2017	<u>2015/2016</u>
	Kshs.	Kshs.
Basic salaries	294,777,626	290,971,974
Personal Allowances	204,245,748	164,897,257
Service Gratuity	1,141,054	469,838
Personal Allowances-Reimbursements	4,926,082	6,708,045
Pension Contribution by employer	40,930,070	40,235,440
In-service Death Gratuity	8,953,080	-
Total	<u>554,973,660</u>	<u>503,282,554</u>

8. BOARD OF MANAGEMENT COSTS

	2016/2017	<u>2015/2016</u>
	Kshs.	Kshs.
Board Allowances	9,740,396	9,100,000
Travel Costs	5,564,096	3,214,334
Other Board related expenses	<u>1,724,766</u>	<u>1,613,961</u>
Total	<u>17,029,258</u>	<u>13,928,295</u>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

9. GENERAL EXPENSES

	2016/2017	2015/2016
	Kshs.	Kshs.
Communication, Supplies & Services	11,469,120	9,553,140
Travel & Subsistence	39,267,138	35,332,362
Printing, Advertising & Information	7,372,894	5,634,863
Rentals of Produced Assets	5,549,094	4,548,936
Training Expenses	6,555,626	1,633,471
ISO Certification Expenses	2,150,249	3,607,330
Hospitality Supplies & Services	5,920,396	5,421,263
Insurance Costs	34,020,143	2,283,528
Research Programs	1,063,250,881	1,010,175,995
Specialized Material & Supplies	7,154,760	2,878,175
Office & General Supplies	10,374,199	8,721,575
Fuels, Oil and Lubricants	3,652,968	2,609,411
Other Operating Expenses	26,825,926	21,527,654
Contracted Services – Provision for Audit Fee	<u>580,000</u>	<u>580,000</u>
Total	<u>1,224,143,394</u>	<u>1,114,507,703</u>

10. BULK PURCHASES OF WATER AND ELECTRICITY

	2016/2017	2015/2016
	Kshs.	Kshs.
Electricity Expenses	10,087,327	8,505,693
Water & Sewerage Charges	<u>1,257,576</u>	<u>1,590,449</u>
Total	<u>11,344,903</u>	<u>10,096,142</u>

11. REPAIRS AND MAINTENANCE

	2016/2017	2015/2016
	Kshs.	Kshs.
Maintenance of Motor Vehicle	8,498,933	4,451,549
Maintenance of Vessels	269,043	280,434
Maintenance of Buildings	<u>13,698,578</u>	<u>3,244,401</u>
Total	<u>22,466,554</u>	<u>7,976,384</u>



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

12. CASH & CASH EQUIVALENTS

	2016/2017	2015/2016
	Kshs.	Kshs.
Projects A/c's	219,570,643	144,566,196
Recurrent A/c's	565,521,957	185,900,101
Recurrent Cash A/c	230,395	252,121
Development A/c	88,656,227	91,411,801
Seed A/c's	2,374,475	673,893
Revenue A/c's	2,306,958	3,829,887
Revenue Cash A/c's	4,303,650	5,600
Seed Cash A/c's	<u>519</u>	<u>11,303</u>
Total	<u>882,964,824</u>	<u>426,650,902</u>

- i. A sum of Kshs. 18,138,632.25 is invested in the Fixed Deposit Account held at National Bank of Kenya, the Institute Bankers. The investment matured on 24th July 2017 and was reinvested for a further period of three months with effect from 26th July 2017 at an interest rate of 8.4% p.a.
- ii. Out of the total sum of cash reported as available at the end of the financial year, a sum of Kshs. 165,112 was reported as having been stolen from Baringo Station cash office. The incident was reported to the police and upon investigations, one KMFRI employee was suspected to have been responsible for the theft. The matter is in court.

13. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016/2017	2015/2016
	Kshs.	Kshs.
Medical Advance	11,451,282	9,095,130
Salary Advance	115,521	1,460,523
Temporary Imprest	6,139,455	1,542,077
Staff Debtors	366,458	-
Other Debtors	<u>58,531</u>	<u>58,531</u>
Sub-Total	<u>18,131,247</u>	<u>12,156,261</u>
KCDP - Counterpart A/c	-	20,520,000
Interest on deposits	-	386,064
GoK Recurrent Grants	-	<u>122,905,000</u>
Total Accounts Receivable	<u>18,131,247</u>	<u>155,967,325</u>

The amounts reflected against 'other debtors' constitutes amounts owed by KMFRI former employees who either retired or resigned from KMFRI service.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

14. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016/2017	2015/2016
	Kshs.	Kshs.
Motor Vehicle Insurance Cover (Prepayments)	656,726	663,999
Board of Management	-	52,082
Interest on fixed deposit a/c	261,988	-
Group Personal Accident Cover	-	-
Group Life Insurance Cover	-	799,452
Total	<u>918,714</u>	<u>1,515,533</u>

CONTINGENT ASSETS

The table below has information on contingent assets as explained.

No.	Parties Involved	Case Details	Total Amount Kshs.
1.	KMFRI Vs Jane Ndungu	Breach of bonding contract	3,961,613
2.	KMFRI Vs Robinson Mugo	Breach of bonding contract	1,248,572
3.	KMFRI Vs Tabitha Gathoni Muriuki	Breach of bonding contract	2,112,300
4.	KMFRI Vs Bernard Fulanda	Breach of bonding contract	2,270,646
5.	KMFRI Vs L.N. Momanyi Advocates	Breach of bonding contract	4,500,000
	Total		14,093,131

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

15. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M. Vehicles	Res. Vessels	Fur. & Off. Equip.	Lib. Books	Computers & Printers	Total
Cost 1 July 2016	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Purchased b/fwd.	3,292,000	39,650,424	329,857,888	33,118,477	94,783,649	132,949,663	22,827,776	17,403,197	29,728,966	703,612,040
Donations B/Fwd	-	-	-	-	-	-	-	7,200	-	7,200
Revaluations B/Fwd	3,100,000	7,757,576	7,750,000	-	17,826,022	6,630,688	-	-	-	43,064,286
(A) Totals for Opening Balances	6,392,000	47,408,000	337,607,888	33,118,477	112,609,671	139,580,351	22,827,776	17,410,397	29,728,966	746,683,526
Additions during 2016/2017:										
Purchases	-	-	12,493,895	1,985,124	10,463,300	52,544,764	5,614,370	-	8,713,680	91,815,133
Donations	-	-	-	-	-	253,187,165	-	308,356	-	253,495,521
Revaluations	10,608,000	272,092,000	311,671,942	-	-	-	-	-	-	594,371,942
(B) Sub-total for additions	10,608,000	272,092,000	324,165,837	1,985,124	10,463,300	305,731,929	5,614,370	308,356	8,713,680	939,682,596
(C) 30 June 2017 (A + B)	17,000,000	319,500,000	661,773,725	35,103,601	123,072,971	445,312,280	28,442,146	17,718,753	38,442,646	1,686,366,122
Accumulated Depreciation:										
1 July 2016:-	-	3,808,161	50,952,787	11,873,600	23,907,777	10,461,217	15,572,062	1,800	24,870,670	141,448,074
For additions b/fwd	-	242,424	-	-	68,858,118	65,739,350	-	16,301,528	-	151,141,420
For Rev. b/fwd	-	-	250,000	-	-	-	-	-	-	250,000
Charge for the year:	-	-	4,013,581	3,749,965	4,633,579	21,465,901	2,614,068	1,800	5,416,980	41,895,874



Financial Statement for the year ended 30 June, 2017
Notes to the Financial Statements (Cont.)

17. INTAGIBLE ASSETS

Cost 1 July 2016	7,513,560
Additions in the year	1,113,600
30 June 2016	8,627,160
Accumulated Depreciation B/Fwd	7,397,360
Depreciation Charge for the year	383,880
Accumulated Depreciation as at 30 June 2017	7,731,240
Net Book Value as at 1 July 2016	116,200
Net Book Value as at 30 June 2017	845,920



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2016/2017 Kshs.	2015/2016 Kshs
Trade Payables	29,945,757	11,024,386
Other Payables (Provision for audit fees)	-	<u>580,000</u>
Total Trade and Other payables	<u>29,945,757</u>	<u>11,604,386</u>

CONTINGENT LIABILITIES

The table below presents information in respect of contingent liabilities.

No.	Case No.	Est. cost to the Institute Kshs.	Total Kshs.
1.	ELRC No. 186 of 2013 Ezekiel Okemwa Vs KMFRI	33,455,592	
2.	Industrial Case No. 235 of 2013 Joseph Onderi Nyang'au Vs KMFRI	30,000,000	
3.	Industrial Case No. 4 of 2014 Joseph Tinga Janga Vs KMFRI	30,000,000	
4.	Civil Suit No. 483 of 2016 Mwanaisha Nassoro Suleiman, Athuman Tezi Vs KMFRI	1,910,407	
5.	Miscl. Application No. 621 of 2017 Republic Vs KMFRI	14,667,000	
6.	HCCC No. 24 Mini Mix Agencies Vs KMFRI	23,582,122	
	Total		133,615,121



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

19. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2016/2017	2015/2016
	Kshs.	Kshs.
Breakdown of other liabilities is as below:		
Payroll Bank Loan Deductions	218,089	3,738,211
Statutory Deductions		7,334,464
Co-operative Loan Deductions	-	10,450,669
Insurance Deductions	-	303,081
Hire purchase Deductions	-	52,258
Staff Welfare Deductions	89,564	334,064
Staff Union Deductions	100,272	307,222
Pension Contribution	58,500	6,559,289
Other general liabilities	10,961,620	12,205,243
House Rent Deductions	<u>626,960</u>	<u>638,160</u>
Total	<u>12,055,005</u>	<u>41,922,661</u>

20. RETIREMENT BENEFITS OBLIGATION

	2016/2017	2015/2016
	Kshs.	Kshs.
Retirement Benefits Obligation b/fwd	55,226,665	55,226,665
Add: accrued amount	-	-
Total	55,226,665	55,226,665
Less: payment	<u>20,000,000</u>	-
Retirement Benefits Obligation C/fwd	<u>35,226,665</u>	<u>55,226,665</u>

The Institute owes the staff pension fund a sum of Kshs. 35,226,665 in total. This amount arose from an actuarial valuation of the fund that was done in 2009.

21. CAPITAL RESERVE

	2016/2017	2015/2016
	Kshs.	Kshs.
Balance B/Fwd	629,544,041	548,728,041
Additions:		
Development A/c	-	39,776,000
Counterpart A/c	-	41,040,000
Capital Reserve Bal. C/Fwd	<u>629,544,041</u>	<u>629,544,041</u>

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

22. DONATIONS RESERVE

2016/2017	2014/2015
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KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

	Kshs.	Kshs.
Balance b/fwd	123,684,570	108,008,356
Additions	<u>253,495,521</u>	<u>15,676,214</u>
Total	377,180,091	123,684,570
Less: Depreciation	(32,476,411)	-
Depreciation adj. on revaluation	<u>(1,800)</u>	=
Donations – Balance C/Fwd	<u>344,701,880</u>	<u>123,684,570</u>

Additions in the year amount to Kshs. 253,495,521 including the value of RV Mtafiti Kshs. 253,187,165.

23. REVALUATIONS RESERVE

	2016/2017 Kshs.	2015/2016 Kshs.
Balance b/fwd	112,340,535	112,490,535
Additional	<u>594,371,942</u>	-
	706,712,477	112,490,535
Less: Depreciation	(25,761,430)	(150,000)
Depreciation adj. on revaluation	<u>(142,953,793)</u>	=
Revaluation Reserve	<u>537,997,254</u>	<u>112,340,535</u>

Revaluation Reserve constitutes the cumulative values of assets revalued over the years.

24. ACCUMULATED SURPLUS

	2016/2017 Kshs.	2015/2016 Kshs.
Accumulated Deficit B/Fwd	210,043,984	(133,135,822)
Less: Adj.	-	(2,851)
Additional Surplus	<u>399,129,217</u>	<u>343,182,656</u>
Accumulated Surplus	<u>609,173,201</u>	<u>210,043,983</u>

Accumulated Surplus constitutes the cumulative amounts of surpluses realized over the years.

25. RELATED PARTY TRANSACTIONS

	2016/2017 Kshs.	2015/2016 Kshs.
Contributions to KMFRI Pension Fund	38,978,070	38,224,740

KMFRI has in place a pension scheme in which the employer contributes 15% and the employees 7.5%. In the management of the fund, the employer nominates three members to the Board of Trustees and the employees elect three others as provided for in the Retirement Benefits Authority Act. The above amount is the employer's contribution to the Fund in the year.



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

26. EVENTS AFTER THE REPORTING PERIOD

There are no material non-adjusting events after the reporting date.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

PROGRESS ON FOLLOW-UP OF AUDITOR GENERAL'S RECOMMENDATIONS FOR THE FINANCIAL YEAR 2015/2016

The following is the summary of issues raised by the external auditor in the financial year 2014/2015 and the management's 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 Person to resolve the issue (Name & Designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	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. Kennedy Omala (Senior Administrative Officer)	Partially resolved. Valuation was undertaken 2016/2017FY. Ownership documents still being sought.	In one year.
1.2	Valuation of donated vessel	Valuation of the vessel to be undertaken.	Mr. Gabriel Kitonga (Maintenance Officer)	Resolved. Valuation of the vessel was done in the financial year 2016/2017	Already resolved.
1.3	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	Mr. Abraham Kagwima - Deputy Director (Finance & Administration)	Not resolved	At the discretion of PIC.



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

		<p>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 proceeds were later invested on rolling basis by the Institute in a fixed deposit account with National Bank of Kenya.</p>			
1.4	<p>Purchase of seven motor vehicles not included in the procurement plan.</p>	<p>The purchase of the seven motor vehicles were budgeted for and approved in the Institute's recurrent and development budget for the financial year 2014/2015. The vehicles were used for purposes of support and supervision of Kenya Coastal Development Project (KCDP) activities.</p>	<p>Mr. Abraham Kagwima (Deputy Director - Finance & Administration)</p>	<p>Not resolved.</p>	<p>The issue to be handled jointly with the office of the Auditor General.</p>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

2.0	Cash and cash equivalent	Included in the bank balance of Kshs. 426,650,902 are project funds of Kshs. 147,037,221 which includes Project Coordinating Unit funds (PCU). The resulting variance was reconciled and journalized. The journal vouchers were annexed (journal no. 14) to our response to the Auditor General's draft certificate.	Nyakundi Nyangoto Chief Accountant –	Not resolved.	The issue to be handled jointly with the office of the Auditor General.
3.0	Receivables from non-exchange transactions ...medical advance of Kshs. 1,244,348	The medical advance owing is from Ms Miriam Wainaina. The officer is still in service having resumed duty after completing her studies in Belgium. Recoveries of the amount owing are on-going.	Nyakundi Nyangoto Chief Accountant –	Not resolved.	The issue to be handled jointly with the office of the Auditor General.
4.0	Accounting for Government Grants of Kshs. 41,040,000 in respect of counterpart funds for Kenya Coastal	The funds were spent in support of KCDP activities such as computerization	Mr. Abraham Kagwima (Deputy Director Finance & Administration) –	Not resolved.	The issue to be handled jointly with the office of the Auditor General.



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Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

	Development Project (KCDP).	of the project activities, in building capacity, provision of vehicles for project management staff, provision of security, provision of working space for the Project at inception before later relocating to KMFRI offices etc.			
1.0	Other Matters – Budgetary Control and Performance	In the year under review, the Institute budget was prepared and approved by the BOM in its 82 nd sitting on 7 th July, 2016. The variances were occasioned by increased expenditure on salaries because of promotions of researchers in the year, on execution of performance contract targets, additional expenditure in advertising the position of the Director because the first advertisement did not attract	Mr. Abraham Kagwima (Deputy Director - Finance & Administration)	Not resolved.	The issue to be handled jointly with the office of the Auditor General.


KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2017

Notes to the Financial Statements (Cont.)

		<p>enough candidates, additional expenditure in preparation of the Institute's Strategic Plan etc.</p>			
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 Signed.....
 Prof. Hamadi I. Boga, PhD
PRINCIPAL SEC. /STATE DEPT. OF AGRI. RES.


 Signed.....
 Prof. James M. Njiru
DIRECTOR/KMFRI

