

REPUBLIC OF KENYA



Paper laid  
By the LHM, Hon.  
Aden Duale, MP on  
Wed 27<sup>th</sup> 9/2017  
SEP 2017  
Mwangi

OFFICE OF THE AUDITOR-GENERAL

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

**OF**

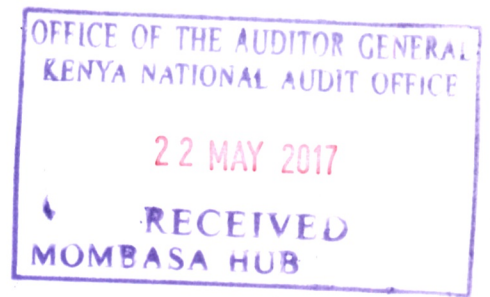
**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2016**





# **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**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 2016**

Table of Contents

	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii-iv
II. THE BOARD OF MANAGEMENT	v-x
III. KEY MANAGEMENT TEAM	xi - xiii
IV. CHAIRMAN'S STATEMENT	xiv
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	xv-xvi
VI. CORPORATE GOVERNANCE STATEMENT	xvii-xviii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xix-xxii
VIII. REPORT OF THE DIRECTORS	xxiii
IX. STATEMENT OF DIRECTOR'S RESPONSIBILITY	xxiv
X. REPORT OF THE INDEPENDENT AUDITOR ON KMFRI	xxv-xxvii
VII. STATEMENT OF FINANCIAL PERFORMANCE	1
VIII. STATEMENT OF FINANCIAL POSITION	2
XI. STATEMENT OF CHANGES IN NET ASSETS	3
XII. STATEMENT OF CASH FLOWS	4
XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5-8
XIV. NOTES TO THE FINANCIAL STATEMENTS	9-28
XV. PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS	29-30

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

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 However, Cap 250 has since been repealed and replaced by the Science, Technology and Innovation Act No.28 of 2013.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

# **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

## **Financial Statements for the year ended 30 June 2016**

### **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.

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**Parent Ministry:-**

- Ministry of Agriculture, Livestock and Fisheries.
- **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](mailto:director@kmfri.co.ke)

**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:-**

- 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**


**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**Financial Statements for the year ended 30 June 2016**



**II. BOARD OF MANAGEMENT:-**

Prof. P.Aloo Obudho	Chairman
Dr. Suhaila Omar Hashim	Member
Mr. Otieno Okello	Member
Dr. Mary C. Mwiandi	Member
Mr. Kiprop Bundotich	Member
Mr. Adhan Nuri Berhe	Member
Mr. Joram Mwenda Guantai	Member
Mr. Johnson Wambugu	Representative PS - State Dept. of Fisheries & Blue Economy
Mr. Andrew Opiyo	Representative PS - National Treasury
Mr. Said Hussein	Representative Secretary, NACOSTI
Ms. Susan Imende	Director of Fisheries
Prof. James M. Njiru	Director of KMFRI

**BOARD OF MANagements MEMBERS**


Photo	Date of Birth	Date of Appointment	Key Qualifications	Work Experience
 <p><b>Prof. P. Aloo Obudho, PhD</b></p>	1960	17 <sup>th</sup> April 2015	PhD	<ul style="list-style-type: none"> <li>▪ Deputy Vice Chancellor (Academic Affairs), Karatina University.</li> <li>▪ Chairman, University Committee on Gender Based Violence and Sexual Harassment, Kenyatta University.</li> <li>▪ University Department Representative to State Dept. of Fisheries Development &amp; Blue Economy.</li> <li>▪ Member of University Endowment Fund.</li> <li>▪ Editor in Chief, Samaki News.</li> </ul>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

 <p><b>Dr. Suhaila Omar Hashim, PhD</b></p>	1972	1 <sup>st</sup> February 2015	Ph.D	<ul style="list-style-type: none"> <li>▪ Senior Lecturer and Head of the Department – Chemistry and Biochemistry, Pwani University.</li> <li>▪ Acting Dean, School of Pure &amp; Applied Sciences.</li> <li>▪ Teaching and Training at undergraduate and postgraduate levels.</li> <li>▪ Co-chairperson of steering committee of proposed Pwani University Health Research Institute.</li> </ul>
 <p><b>Mr. Otieno Okello</b></p>	1967	1 <sup>st</sup> February 2015	B.Sc, CPA(K)	<ul style="list-style-type: none"> <li>▪ Executive Director &amp; Board Member, Diners Club International - South Africa.</li> <li>▪ Director, Aquaculture Technologies (K) Ltd &amp; Country Harvest Ltd.</li> <li>▪ Managing Director, Pioneer Fish Farms Ltd.</li> <li>▪ Chairman, Commercial Aquaculture Society of Kenya.</li> <li>▪ Member Aquaculture Association (SA) &amp; Association of (SA) Travel Agents</li> </ul>



**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**Financial Statements for the year ended 30 June 2016**

	<p>1957</p>	<p>1<sup>st</sup> February 2015</p>	<p>Ph.D</p>	<ul style="list-style-type: none"> <li>▪ Senior Lecturer in History &amp; Armed Conflict &amp; Peace Studies – University of Nairobi.</li> <li>▪ Chairman, Dept. of History &amp; Archaeology.</li> <li>▪ Coordinator, BA in Conflict &amp; Peace Studies.</li> <li>▪ Departmental Representative at the College of Arts Welfare Committee.</li> <li>▪ Examiner, Kenya National Examinations Council.</li> <li>▪ Lecturer, USIU-A in Research Methodology for MA &amp; PhD Students.</li> <li>▪ Senior Researcher with NORAD/NORHED</li> <li>▪ Supervision of PhD and MA Thesis and Dissertations.</li> </ul>
---	-------------	---	-------------	---


**Dr. Mary C. Mwiandi, PhD**

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**


 <p><b>Mr. Zedekiah Kiprop Bundotich</b></p>	<p>1973</p>	<p>1<sup>st</sup> February 2015</p>	<ul style="list-style-type: none"> <li>▪ Cambridge International College – Sales Management &amp; Marketing</li> <li>▪ Various Professional Courses in Leadership, Development &amp; Management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Group Executive Director &amp; Founder of Buzeki Group of Companies.</li> <li>▪ Board Member, Kenya Transporter Association, Kenya Chapter.</li> </ul>
 <p><b>Mr. Joram Mwenda Guantai</b></p>	<p>1969</p>	<p>1<sup>st</sup> February 2015</p>	<p>LLB Dip. in Law, Kenya School of Law</p>	<ul style="list-style-type: none"> <li>▪ Member, Chartered Institute of Arbitration.</li> <li>▪ Committee Member – Law Society of Kenya.</li> <li>▪ Senior Partner – Muringi &amp; Company Advocates.</li> <li>▪ Chief Legal Officer – Kenyatta National Hospital.</li> <li>▪ Advocate, Mathenge &amp; Muchemi Advocates.</li> <li>▪ Pupil in Chambers, Mwiti Murungi &amp; Co. Advocates</li> </ul>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**



**Financial Statements for the year ended 30 June 2016**

	<p>1972</p>	<p>1<sup>st</sup> February 2015</p>	<ul style="list-style-type: none"> <li>▪ MA (Project Planning)</li> <li>▪ Bsc (Wildlife Mgt.)</li> <li>▪ Dip. (Wildlife Mgt.)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Kenya Wildlife Warden.</li> <li>▪ Elections Coordinator (IEBC).</li> <li>▪ Chairman, County Public Service Board - Tana River.</li> </ul>
<p><b>Mr. Adhan Nuri Berhe</b></p>				

**ALTERNATE BOARD OF MANAGEMENT MEMBERS**

				<ul style="list-style-type: none"> <li>• Director of Fisheries &amp; Blue Economy.</li> <li>• Representative, PS State Dept. of Fisheries &amp; Blue Economy.</li> <li>• Master of Science (MSc)-Masinde Muliro University of Science and Technology.</li> <li>• Bachelor of Science (BSc)-University of Nairobi- (Zoology and Biochemistry)</li> </ul>
<p><b>Ms Susan Imende</b></p>				

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

				<ul style="list-style-type: none"><li>▪ Representative, PS The National Treasury</li></ul>
				<ul style="list-style-type: none"><li>▪ Representative, Secretary, National Commission for Science, Technology &amp; Innovation.</li></ul>

**Mr. Andrew Opiyo**

**Mr. Said S. Hussein**

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE


Financial Statements for the year ended 30 June 2016

## KEY MANAGEMENT TEAM


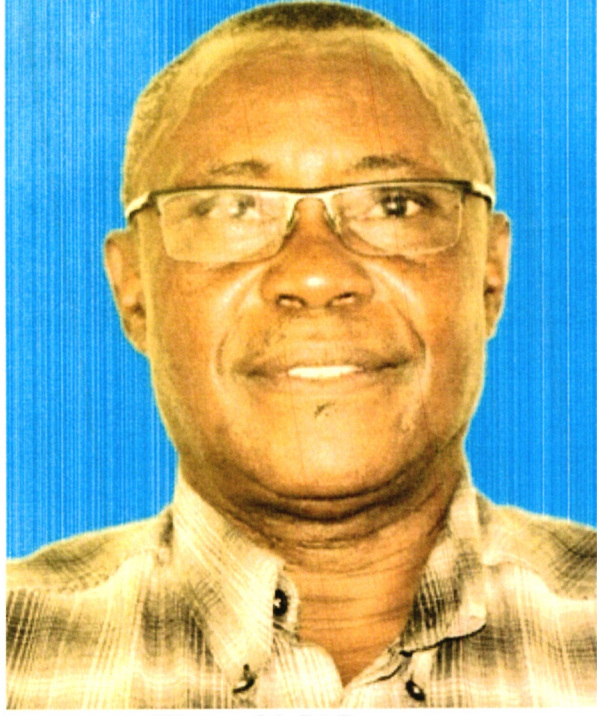
The Institute's day-to-day management is under the following key organs:-

- Principal Secretary, State Department of Fisheries;
- 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
 <b>Prof. James M. Njiru, PhD</b>	1965	PhD	<ul style="list-style-type: none"><li>▪ Chief Executive Officer of the Institute.</li><li>▪ Chief Accounting Officer of the Institute.</li><li>▪ Secretary to the KMFRI Board of Management.</li><li>▪ Formulation and implementation of Institute Policies.</li><li>▪ Scientific and Administrative Head of the Institute.</li></ul>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

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

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

			<ul style="list-style-type: none"> <li>▪ Oversee inter-institutional collaborations between KMFRI and other institutions.</li> <li>▪ Desk officer for East African Community &amp; National Commission for Sciences, Technology &amp; Innovation.</li> </ul>
 <p><b>Mr. Abraham Kagwima</b></p>	1969	MBA, CPA(K)	<ul style="list-style-type: none"> <li>▪ Deputy Director (Finance &amp; Administration).</li> <li>▪ Head of Finance and Administration Directorate.</li> <li>▪ Advisor to the Director on finance and administrative matters.</li> <li>▪ To assist the Director on routine administration of the Board of Management affairs.</li> </ul>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**IV. CHAIRMAN'S STATEMENT**

As a centre of excellence in aquatic research, KMFRI continued to play its central role in aquatic research in order to advise the government and other stake holders 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.

The Institute continued with expansion of its local and international collaborative programs which have seen a number of KMFRI scientists get scholarships for further studies in areas of interest to KMFRI. The institute entered into a new collaboration programme with Nagasaki University, Japan where several KMFRI scientists are currently advancing their studies. Through its long standing collaboration with Flanders Marine Institute, the Republic of Belgium donated to Kenya an Oceanographic Research Vessel (RV Mtafiti) which was commissioned by His Excellency the President of the Republic of Kenya, Hon. Uhuru Kenyatta into KMFRI and shall be used for research within the unexploited Exclusive Economic Zone (EEZ).

KMFRI has been hosting several major development projects including currently, the Kenya Coastal Development Project (KCDP), a World Bank funded Project for the Coastal Region. 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 scheduled to commence during 2015/2016 financial year after endorsement by all the nine countries of South West Indian Ocean region. The implementation agreement was signed in June 2015. The institute's oceanographic research vessel RV Mtafiti shall be used by the nine countries on hire basis for implementation of SAPPHIRE.

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

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

**CHAIRMAN/KMFRI BOARD OF MANAGEMENT**

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**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 30<sup>th</sup> June 2016.

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 stake holders. 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.

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 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 in the preparation stages. Through the individual donor research programmes, the institute continued to implement various other projects including Sustainable Poverty Alleviation from Coastal Ecosystems Services (SPACES), and it's participating in piloting a Sustainable Integrated Sanitary Solid Waste disposal landfill to mitigate climate change.

The Institute also took the lead in national aquaculture and mariculture research by undertaking research on the impact of improved quality seeds and formulated fish feeds to support fish production from aquaculture farms within the country. KMFRI is involved in 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.

With regards to budgetary resources, the Government released exchequer grants to the institute as per the government printed estimates for 2015/2016 financial year. The Institute received grants for recurrent expenditure amounting to Kshs 652.5 million which enabled the institute to pay staff salaries and sustain its operations and maintenance expenditure for the financial year. The Institute also received Kshs 232.9 million for RV Mtafiti research activities.

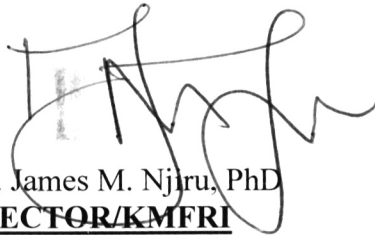
KMFRI received grants for development expenditure amounting to KShs. 1.1 billion million. The receipts included Kshs 1.1 billion in capital grants to government agencies for implementation of Kenya Coastal Development Project (KCDP), Kshs 41.04 million in Government's counterpart

## **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

### **Financial Statements for the year ended 30 June 2016**

funding for KCDP and Kshs 39.7 million in development grants for construction of non-residential buildings- KMFRI's Marine and Oceans Services Centre and the jetty. In addition, KMFRI also received Kshs. 27.2 million generated through donor funded proposals for implementation of specific research programmes.

During 2015/2016 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 in order to contribute to the food security and the national development agenda for alleviating poverty and raising living standards of the people of Kenya.



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

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**VI. CORPORATE GOVERNANCE STATEMENT**

KMFRI's statement of corporate governance provides the framework within which the Board of Management conducts its business. The objective is to promote the highest standards of corporate governance by setting out a series of recommendations and principles to which the corporation will aspire to follow.

The Board of Management establishes broad corporate policies which guides conduct of the Institute activities, sets the institute's strategic direction in accordance with generally accepted corporate practices and international principles of corporate governance. The KMFRI Board of Management as constituted by the Cabinet Secretary of the Parent Ministry is responsible for the governance of the State Corporation. The functions of the Board of Management are outlined in the Science and Technology Act, Cap 250 which has since been repealed and replaced by the Science, Technology and Innovation Act of 2013.

**Board of Management**

The Board of Management consists of seven appointed Board members inclusive of the Chairperson of the Board. In addition, the government is represented in the Board by the Principal Secretary-State Department of Fisheries and Blue Economy, the Principal Secretary - the National Treasury, the Inspector General- State Corporations, Secretary-National Commission for Science, Technology and Innovation and the Parent Ministry's Director of Fisheries and the Director/KMFRI who is the Chief Executive Officer of the Institute.

The Institute's Board of Management is chaired by an independent non-executive Board Member for a term of three years renewable upon favourable evaluation. The Board Members are appointed on the basis of their extensive research, financial knowledge and public sector management, which is brought to bear in the overall governance of the Institute.

The Board of Management meets at least four times in a financial year to monitor and evaluate the overall performance of the Institute as well as to formulate policies and strategies which guides the institute in achieving its core objectives. The Board of Management functions through the operation of Board committees with elected Chairpersons and reports to the full Board.

The following are the Board of Management Committees:-

**Scientific and Technical Committee of the Board**

The Scientific and Technical Committee is chaired by a non-executive Board Member and meets at least once every quarter. 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 Medium Term Plan. The committee is also responsible for approving proposed research funding and recommending manning of research functions.

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**Finance and Establishment Committee of the Board**

The Finance and Establishment Committee is chaired by a non-executive Board Member and meets at least once every quarter. 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 current and development annual budgets and ensures that 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 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.

**The Risk Management and Board Audit Committee**

The Risk Management and Board Audit committee is chaired by a non-executive Board Member and meets at least once every quarter. 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.

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statements for the year ended 30 June 2016

## 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<sup>th</sup> June, 2016, 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 GAZI SUB-STATION ACTIVITIES

KMFRI Gazi sub-station, headed by the renowned mangrove conservation scientist Dr. James Kairo, MBS, 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 initiative, the local carbon offset project. The sub-station undertook the following activities in the year:-

#### i. Infrastructure

Gazi primary school provides education for over 350 students in the Gazi bay area, and was previously limited in space for key administration activities. Additionally there was no clean supply of water for the students and the local community, which posed a risk to the health of the local community and their wellbeing in general. In 2009, KMFRI collaborated with Earthwatch institute to construct an administration block for Gazi primary school. The construction works were undertaken and completed and the office block was handed over to the school administration.

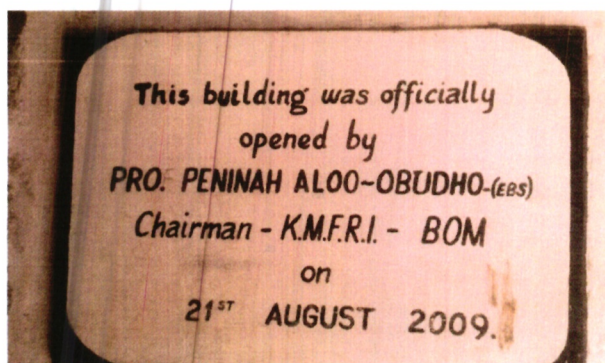


Figure1: Placard showing the official opening of the Gazi Primary administration block by Prof. P. Aloo-Obudho



Figure 2: Photo of the administration block constructed by KMFRI/Earthwatch project

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**ii. Provision of Clean Drinking Water**

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

**iii. Formation of the GOGONI GAZI Forest Management Plan**

Gogoni Gazi forest is valued locally for its mangrove forests and as a tourist attraction. For a community to engage in any activities in a gazetted forest, they must sign a management agreement with the Kenya Forest Service (KFS). KMFRI, through the initiative of Dr. James Kairo, has assisted the Gazi Bay community in preparation and launch of a participatory forest management agreement (PFMA) for the Gogoni Gazi forest, and in the formation of a community forest association (CFA). This CFA now has more than 10 user groups who carry out several sustainable activities in the mangrove ecotourism, aquaculture, and apiculture to carbon trading.

**iv. Community Development Projects**

KMFRI has collaborated with other institutions to help the Gazi Bay community to initiate several community projects. They have been involved in the formation and continued running of the Gazi Women Mangrove Boardwalk and the Mikoko Pamoja carbon project. The Women Boardwalk attracts tourists from all over the world, and allows visitors to walk through the mangroves whilst being guided by a community member. This activity provides jobs and generates revenue for the local community. KMFRI also promotes these ecotourism activities by requesting visitors who visit the KMFRI Gazi office to visit the women boardwalk as well.



**Figure 1: Gazi Women Mangrove Boardwalk**

Mikoko Pamoja is a carbon offset project based in Gazi Bay that aims at conserving mangroves. The project is run by local volunteers from Gazi and Makongeni villages. Through Mikoko Pamoja Project, the community is generating revenue that is used for initiating different community development activities. In the three years in which the project has been in operation, it has funded several projects such as education and water and in the restoration of mangroves in Gazi Bay. KMFRI has provided technical expertise to the project in issues pertaining to nursery establishment, biological monitoring of the project area, marketing and preparation of annual reports.

## **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

### **Financial Statements for the year ended 30 June 2016**

#### **v. Community Education**

Over the years, KMFRI has engaged her staff, volunteers and interns in promoting awareness on the importance of the coastal ecosystems to the local communities. This has been through educational programs in schools, exhibitions and village barazas. Additionally, KMFRI Gazi has also been conducting a school visitation program with the aim of motivating students in and around Gazi Bay for purposes of promoting and improving educational standards. The community has also benefited from numerous bursaries given by donors who have carried out projects in collaboration with KMFRI.

#### **vi. Community Engagement**

KMFRI staff and students are often involved in engaging the local community to participate in important events. Recently, during celebrations of the World Oceans Day 2016, the local school children and community members participated in a beach cleanup of the Gazi bay fish landing site, and competed for an artwork and essay competition. KMFRI also organized events for the local community to celebrate 'International day for the conservation of the mangrove ecosystem' and Earth Day, which involves village and beach clean ups. These previous and ongoing engagement activities allow the local community to become more educated about the ecosystems that they heavily rely on for their sustenance.

#### **vii. Tree Planting**

Gazi sub-station spearheaded initiatives in reforestation efforts by donating and planting trees at Mikindani, Jomvu Kuu and Bamburi. Trees were donated to community forest associations in these areas. Before the replanting of the trees, members of the community associations are educated on the importance of conserving the forests to mitigate the effects of climate change and for use at family level. Further, members are taught on how to manage the trees to maturity.

A total number of about 20,000 trees were donated. The planting exercise was undertaken by volunteers from KMFRI, KMFRI internees and the local community members.

#### **KMFRI Marine Debris Group**

The KMFRI Marine Debris Volunteer Group, led by Dr. Eric Okuku, a KMFRI Scientist, continued its activities of collecting marine debris in the year under review. The group is composed of Institute employees and internees. The group's mission is to identify and resolve problems resulting from marine debris through research, prevention and reduction initiatives in order to conserve and protect our ocean waters and the coastal economy from the impacts of marine debris.

The group undertook the cleaning of the ocean in Marina and Nyali Beaches in the year. The participants in the cleaning exercises were drawn from KMFRI and volunteers from the local communities. The collected debris was sorted into reusable and non-reusable materials. The non-reusable materials were collected by the Municipal Council for safe disposal.

In the year under review, the group expanded its activities to tree planting in protecting the environment. The Group assisted in replanting mangrove trees along the coastal areas. The Group intends to expand its volunteer work into new horizons in the foreseeable future.

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**KCDP FREEZER DONATIONS**

Through the initiative of two KMFRI Scientists, Dr. Oersted Mirera and Dr. James Mwaluma, KCDP donated two deep freezers and ten cool boxes to Makongeni and Kibokoni fisher communities. This was done after realizing that the fishers were incurring massive losses through fish spoilage for lack of fish preservation facilities. It then occurred to the two scientists that the losses will be mitigated greatly by donating freezers and cool boxes to the fisher communities.

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**VIII. REPORT OF THE DIRECTORS**

The Directors submit their Report together with Financial Statements for the year ended June, 30 2016 which shows the state of the Institute affairs.

**Results**

The results of the Institute for the year ended June, 30 2016 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 Science, Technology and Innovation Act No. 28 of 2013

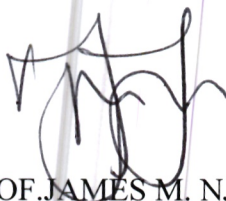
**Financial statements**

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**  
**Mombasa**  
**23 AUGUST, 2016**

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2016**

**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 2016 .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 2016, 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...23/8...2016 and signed on its behalf by:

Prof. P. Aloo-Obudho, PhD, EBS  
**CHAIRMAN/KMFRI BOARD OF MANAGEMENT**

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

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2016

---

#### REPORT ON THE FINANCIAL STATEMENT

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute set out on pages 1 to 30, which comprise the statement of financial position as at 30 June 2016, 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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 of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

---

*Report of the Auditor-General on the Financial Statements of Kenya Marine and Fisheries Research Institute for the year ended 30 June 2016*

on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for Qualified Opinion**

### **1.0 Property Plant and Equipment**

#### **1.1 Ownership Documents and Valuation**

As previously reported, the Institute owns unsurveyed land located in Baringo, Sangoro and Mtwapa which have neither been valued nor included in the property, plant and equipment figure of Kshs.453,844,032 as at 30 June 2016. For the two (2) parcels of land in Baringo, the Institute holds only allotment letters and for the three (3) parcels of land in Sangoro measuring 1.8 hectares, the Institute did not avail ownership documents. In addition, for the land in Mtwapa, the ownership documents were also not availed for audit verifications but the management reported that the land was grabbed before its transfer from Kenya Agricultural Research Institute (KARI) to the Institute was completed.

#### **1.2 Donated Vessel**

As previously reported, the Institute received a donation in form of a research vessel (RV Mtafiti) from the Government of Belgium. However, no value has been attached to this vessel in the accounting records and therefore, it is excluded from the balance of property, plant and equipment figure of Kshs.453,844,032 as at 30 June 2016. In addition, the donation has not been included in the statement of financial performance.

#### **1.3 Sale of the Kongowea Land**

As reported previously, the Institute on 26 January 2007 sold the Kongowea parcel of land at Kongowea, Mombasa County (LR No.6034/1/MN-Kongowea), measuring approximately 1.998 hectares valued at Kshs. 22.8 million to Kongowea Market Estate Limited at a price of Kshs.15,020,000 and the title was transferred to the purchaser before the Institute received full amount of the sale price. In addition, the lawyer who received the money on behalf of the Institute on 26 March 2009 did not remit the funds 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 he held the funds. 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 yet been remitted to the Institute as at 30 June 2016. 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 probable loss to the Institute in excess of Kshs.9,355,077.

#### **1.4 Motor Vehicles**

As reported in the year 2014/2015, included in the property, plant and equipment balance of Kshs.453,844,032 as at 30 June 2016 is a balance of Kshs.19,843,776 in respect of motor vehicles. The motor vehicle balance of Kshs. 19,843,776 in turn includes 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. 453,844,032 as at 30 June 2016 cannot be confirmed.

#### **2.0 Cash and Cash Equivalents**

The statement of financial position as at 30 June 2016 reflects cash and cash equivalents balance of Kshs.426,650,902. Included in the bank balance of Kshs.426,650,902 is a balance of Kshs.29,559,972 in respect of Kenya Coastal Development Programme (KCDP) – Project Coordinating Unit. However, audit verification of the cash book revealed a closing balance of Kshs.29,744,997 as at 30 June 2016 resulting to unreconciled and unexplained variance of Kshs.185,025. In addition, review of bank reconciliation statements as at 30 June 2016 for nine bank accounts reflected bank charges amounting to Kshs.7,425 shown as a reconciling figure. However, the bank charges are excluded from these financial statements.

Further, audit review of the Kenya Coastal Development Project – Project Coordinating Unit bank account reconciliation statement as at 30 June 2016 revealed stale cheques totaling Kshs.90,225 which had not been reversed in the cash book as at 30 June 2016.

Consequently, the cash and cash equivalent balance of Kshs.426,650,902 is overstated by unrecorded bank charges and understated by amount of stale cheques while the surplus of the year is also overstated by the same amount.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.426,650,902 as at 30 June 2016 could not be confirmed.

#### **3.0 Receivables from Non-exchange Transactions**

The statement of financial position as at 30 June 2016 reflects receivables from non-exchange transactions balance of Kshs.155,967,325. Included in the balance is Kshs.9,095,130 in respect of medical advance. The medical advance balance in turn includes Kshs.1,244,348 owing from three former staff of the Institute. The accounting provision that would have not been necessary in respect of this uncertainty has been

made in the financial statements and as a result, it is not clear how the Institute expects to recover the debt from its former employees.

Consequently, the accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs.1,244,348 as at 30 June, 2016 could not be confirmed.

#### 4.0 Accounting for Government Grants

The statement of financial performance reflects an amount of Kshs.885,405,000 for the year ended 30 June 2016 in respect of Government grants. The Government grants balance of Kshs.885,405,000 for the year ended 30 June 2016 excludes counterpart funding received from the Government of Kenya in respect of Kenya Coastal Development Project amounting to Kshs.41,040,000. The amount of Kshs.41,040,000 (cumulatively Kshs.165,440,000 since the inception of the project in the year 2011/2012) has, however, been accounted for as capital reserves even though it was utilized in the normal operations of the Institute. Evidence of approval from the parent Ministry and the National Treasury for this reallocation of votes was not availed for audit verification. This is in contravention of the Section 43 of Public Finance Management Act, 2012 which limits the powers of the accounting officer to reallocate appropriated funds. In the circumstance, the Institute has breached the law on reallocation of voted funds.

#### Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Marine and Fisheries Research Institute as at 30 June 2016, 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 of the Laws of Kenya.

#### Other Matter

##### 1.0 Budgetary Control and Performance

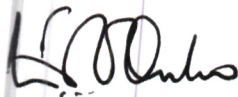
According to the statement of comparison of budget and actual amounts, the Institute had an approved budget of Kshs.2,318,268,738 for the financial year 2015/2016. However, the Institute incurred expenditure totalling Kshs.194,897,970 on thirteen (13) items against budgeted cost of Kshs.150,245,442 resulting to excess expenditure of Kshs.44,652,528 as detailed below

Item	Budget Kshs.	Actual Kshs.	Over Expenditure Kshs.	% Variance
Special duty allowance	659,489	3,394,134	2,734,645	415%
Electricity expenses	7,156,579	8,505,693	1,349,114	19%
Travel cost	8,707,987	11,654,286	2,946,299	34%
Advertising and publicity	2,250,000	2,922,406	672,406	30%
Daily Subsistence Allowance	16,410,370	19,649,615	3,239,245	20%

Catering services	3,298,817	4,172,573	873,756	26%
Board allowance	7,368,600	9,100,000	1,731,400	23%
Insurance of motor vehicle	1,344,611	1,678,577	333,966	25%
General office supplies	3,779,254	4,646,321	867,067	23%
Computer supplies accessories	2,851,285	3,579,583	728,298	26%
Donor fund expenses	81,527,965	107,821,793	26,293,828	32%
Contracted guards and clearing	11,540,485	13,321,440	1,780,955	15%
Maintenance of motor vehicles	3,350,000	4,451,549	1,101,549	33%
<b>Total</b>	<b>150,245,442</b>	<b>194,897,970</b>	<b>44,652,528</b>	<b>30%</b>

The analysis revealed that the Institute over-spent by Kshs.44,652,528 in aggregate. In addition, an expenditure of Kshs.2,624,226 on conferences and workshops was not budgeted for. There was no evidence that the adjustment and reallocation was approved in line with Section 12 of the State Corporations Act, Cap.446 which provides that no state corporation shall, without the prior approval in writing of the Minister and the Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved as appropriate.

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



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

**Nairobi**

**07 July 2017**

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE****STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

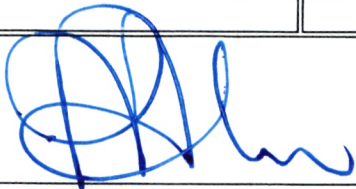
<b>PARTICULARS</b>	<b>NOTE</b>	<b>2015/2016</b>	<b>2014/2015</b>
<b>Revenue from Non-Exchange Transactions:-</b>			
Government Grants	16	885,405,000	761,307,681
Donor Grants	17	1,159,956,563	491,546,960
<b>Revenue from Exchange Transactions:-</b>			
Finance Income	18	1,541,505	664,712
Other Income	19	3,913,380	2,984,904
<b>Total Revenue</b>		<b>2,050,816,448</b>	<b>1,256,504,257</b>
<b>Expenses:-</b>			
Employee Costs	20	503,282,554	511,509,788
Board of Management Costs	21	13,928,295	1,361,810
General Expenses	22	1,114,507,703	655,835,992
Bulk Purchase of Water & Electricity	23	10,096,142	7,880,425
Repairs and Maintenance	24	7,976,384	8,489,749
Depreciation & Amortization Expenses		57,842,714	55,548,212
<b>Total Expenses</b>		<b>1,707,633,792</b>	<b>1,240,625,976</b>
<b>Surplus for the Year</b>		<b>343,182,656</b>	<b>15,878,281</b>



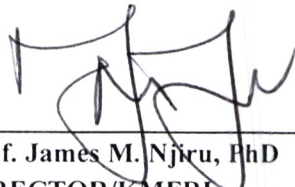
**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	2015/2016	2014/2015
<b>ASSETS</b>			
<b>Current Assets:-</b>			
Cash & Cash Equivalents	3	426,650,902	240,485,241
Receivables from Non-Exchange Transactions	4	155,967,325	64,188,295
Receivables from Exchange Transactions	5	1,515,533	1,203,996
<b>Total Current Assets</b>		<b>584,133,760</b>	<b>305,877,532</b>
<b>Non-current Assets:-</b>			
Property, Plant & Equipment	6	453,844,032	425,257,565
Work-in-progress	7	146,272,850	355,922
Intangible Assets	8	116,200	734,756
<b>Total Non-Current Assets</b>		<b>600,233,082</b>	<b>426,348,243</b>
<b>Total Assets</b>		<b>1,184,366,842</b>	<b>732,225,776</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:-</b>			
Trade & Other Payables from Exchange Transactions	9	11,604,386	8,300,966
Trade & Other Payables from Non Exchange Transactions	10	41,922,661	32,607,034
<b>Total Current Liabilities</b>		<b>53,527,047</b>	<b>40,908,001</b>
<b>Non-Current Liabilities:-</b>			
Retirement Benefits Obligation	11	55,226,666	55,226,666
<b>Total Non-Current Liabilities</b>		<b>55,226,666</b>	<b>55,226,666</b>
<b>Total Liabilities</b>		<b>108,753,713</b>	<b>96,134,666</b>
<b>TOTAL NET ASSETS</b>		<b>1,075,613,129</b>	<b>636,091,109</b>
<b>RESERVES:-</b>			
Capital Reserve	12	629,544,041	548,728,041
Donations Reserve	13	123,684,570	108,008,355
Revaluations Reserve	14	112,340,535	112,490,535
Accumulated Surplus/Deficit	15	210,043,983	(133,135,822)
		<b>1,075,613,129</b>	<b>636,091,109</b>

Signed:

  
Prof. P. Aloo-Obudho, PhD EBS  
CHAIRMAN/KMFRI BOM

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 2015**

Note	Capital Reserve Kshs	Donations Reserve Kshs	Reval. Reserve Kshs	Accum. Deficit Kshs	TOTAL Kshs
<b>Balance as at 1 July 2014</b>	<b>522,203,623</b>	<b>107,712,426</b>	<b>112,490,535</b>	<b>(149,014,103)</b>	<b>593,392,481</b>
Development Grants/Donations	4,860,000	295,930	-	-	5,155,930
GOK Counterpart Funding	22,800,000	-	-	-	22,800,000
Adj. Buildings Cost	(1,135,582)	-	-	-	(1,135,582)
Surplus for the period	-	-	-	15,878,281	15,878,281
<b>Balance as at 30 June 2015</b>	<b>548,728,041</b>	<b>108,008,356</b>	<b>112,490,535</b>	<b>(133,135,822)</b>	<b>636,091,109</b>



**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/Surplus Kshs	TOTAL Kshs
<b>Balance as at 1 July 2015</b>	<b>548,728,041</b>	<b>108,008,356</b>	<b>112,490,535</b>	<b>(133,135,822)</b>	<b>636,091,109</b>
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)
Accum. Adj.	-	-	-	(2,851)	(2,851)
Surplus for the period	-	-	-	343,182,656	343,182,656
<b>Balance as at 30 June 2016</b>	<b>629,544,041</b>	<b>123,684,570</b>	<b>112,340,535</b>	<b>210,043,983</b>	<b>1,075,613,129</b>

**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 2016**

	NOTES	2015/2016	2014/2015
<b>Cash flows from Operating Activities</b>			
Surplus		343,182,656	15,878,281
Add:-			
Depreciation/Amortization Charge for the Year		57,842,714	55,548,212
		401,025,370	71,426,493
<b>Working Capital Changes:-</b>			
Decrease/Increase in Receivables from Non-Exchange Transactions	4	(91,779,031)	17,333,276
Decrease/Increase in Receivables from Exchange Transactions	5	(311,538)	2,791,384
Increase/Decrease in Trade & Other Payables from Exchange Transactions	9	3,303,421	(5,753,377)
Increase/Decrease in Other Payables from Non-Exchange Transactions	10	9,315,627	(2,468,968)
<b>Net Cash flows from Operating Activities</b>		<b>321,553,849</b>	<b>83,328,808</b>
<b>Cash flows from Investing Activities</b>			
Work-in-Progress	7	(145,916,928)	(355,922)
Purchase of Assets	6	(70,287,260)	(57,768,393)
<b>Net Cash flows from Investing Activities</b>		<b>(216,204,188)</b>	<b>(58,124,315)</b>
<b>Cash Flows from Financing Activities</b>			
Development Grants	12	80,816,000	27,660,000
<b>Net cash flows from Financing Activities</b>		<b>80,816,000</b>	<b>27,660,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>186,165,661</b>	<b>52,864,493</b>
Cash and Cash Equivalents at the Start of the Period		240,485,241	187,620,748
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>3</b>	<b>426,650,902</b>	<b>240,485,241</b>



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2015/2016

GRANTS AND APPROPRIATION	Budget	Actual	variance
<b>130000 GRANTS</b>			
1300100 . GRANT FROM INTER.ORGAN(IDA/GEF.WB	1,343,824,643	1,131,448,351	212,376,292
1300100. GRANTS FROM OTHER DONORS	82,559,965	28,508,212	54,051,753
1300201 . GRANTS FROM GOK-RECURRENT	652,500,000	652,500,000	-
1300202 .GRANTS FROM GOK- DEV.-CONSTRUCTIO	-	-	-
1300203 .GRANTS FROM GOK-DEV.- PURCHASE OF	233,384,130	232,905,000	479,130
1300204 . GRANTS FROM GOK- COUNTERFUNDING-	-	-	-
<b>TOTAL GRANTS FROM GOK/DEV PARTNERS</b>	<b>2,312,268,738</b>	<b>2,045,361,563</b>	<b>266,907,175</b>
<b>1300300-APPROPRIATION IN AID</b>			
1300302 . SALE OF TENDER DOCUMENT	120,000	117,500	2,500
1300303. DISPOSAL OF EQUIPMENT	-	-	-
1300304 . CONSULTANCY FEES FOR SERVICES	-	-	-
1300305 . SALE OF FISH AND FINGERLINGS	1,530,000	1,154,731	375,269
1300306 . EDUCATION VISIT AND ATTACHMENT FE	200,000	298,400	98,400
1300307 . MISCELLANEOUS INCOME	550,000	231,570	318,430
1300308 . RENTAL INCOME	500,000	319,726	180,274
1300319 . SALE OF FISH FEED	1,500,000	1,569,823	69,823
1300321.HIRE OF CONFERENCE FACILITIES	-	186,000	186,000
<b>TOTAL APPROPRIATION IN AID</b>	<b>4,400,000</b>	<b>3,877,750</b>	<b>522,250</b>
<b>1300400. INTEREST INCOME</b>			
1300401 . INTEREST INCOME	1,600,000	1,541,505	58,495
<b>TOTAL INTEREST INCOME</b>	<b>1,600,000</b>	<b>1,541,505</b>	<b>58,495</b>
<b>1300600. EXCHANGE GAIN</b>			
1300601 . EXCHANGE GAIN	-	35,630	35,630
<b>TOTAL EXCHANGE GAIN</b>	<b>-</b>	<b>35,630</b>	<b>35,630</b>
<b>TOTAL REVENUE</b>	<b>2,318,268,738</b>	<b>2,050,816,448</b>	<b>267,452,290</b>
<b>EXPENDITURE</b>			
<b>2211100. BASIC SALARIES-PERMANENT EMPLOY</b>			
2211100. BASIC SALARIES-KMFRI	290,445,269	290,329,225	116,044
2211102 . CASUAL LABOUR	799,100	642,749	156,351
<b>TOTAL BASIC SALARIES</b>	<b>291,244,369</b>	<b>290,971,974</b>	<b>272,395</b>
<b>2211200. PERSONAL ALLOWANCES</b>			
2211201 . HOUSE ALLOWANCE	88,106,533	87,656,833	449,700
2211202 . ACTING ALLOWANCE	1,453,535	1,451,217	2,318
2211203 . HARDSHIP ALLOWANCE	6,196,525	6,147,900	48,625
2211204 . MEDICAL ALLOWANCE	9,565,796	9,547,414	18,382
2211205 . SPECIAL DUTY ALLOWANCE	659,489	3,394,134	2,734,645
2211207 . TRANSFER ALLOWANCE	160,742	40,742	120,000
2211208 . RESPONSIBILITY ALLOWANCE	6,595,350	5,951,017	644,333
2211209 . ENTERTAINMENT ALLOWANCE	639,000	642,000	3,000
2211210 . TRANSPORT(COMMUTER) ALLOWANCE	46,237,901	46,095,101	142,800
2211211 . EXTRANEIOUS DUTY ALLOWANCE	469,000	469,000	-
2211212 . SANITATION ALLOWANCE	90,000	84,000	6,000
2211213 . LEAVE ALLOWANCE	4,022,000	3,417,900	604,100
<b>TOTAL PERSONAL ALLOWANCES</b>	<b>164,195,871</b>	<b>164,897,257</b>	<b>701,386</b>
<b>2211300. PERSONAL ALOWANCES-REIMBURSEMENT</b>			
2211301 . MEDICAL IN.PATIENT	9,000,000	6,708,045	2,291,955
2211302 . TELEPHONE ALLOWANCE	-	-	-
<b>TOTAL PERSONAL ALOWANCES-REIMBURSEMI</b>	<b>9,000,000</b>	<b>6,708,045</b>	<b>2,291,955</b>
<b>2211400. EMPLOYERS PENSION CONTRIBUTION</b>			
2211401 . NSSF KMFRI CONTRIBUTION	1,845,000	2,010,700	165,700
2211402 . PENSION KMFRI CONTRIBUTION	35,210,481	38,224,740	3,014,259
2211402.KMFRI CONVERSION COSTS DB-DC	-	-	-
2211403 . SERVICE GRATUITY	456,635	469,838	13,203



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2015/2016

	Budget	Actual	Variance
2211403 . SERVICE GRATUITY-ACTUARIAL DEFICIT	1,500,000	-	1,500,000
<b>TOTAL EMPLOYERS PENSION CONTRIBUTION</b>	<b>39,012,116</b>	<b>40,705,278</b>	<b>- 1,693,162</b>
<b>2211500. UTILITIES SUPPLIES &amp; SERVICES</b>			
2211501 . ELECTRICITY EXPENSES	7,156,579	8,505,693	- 1,349,114
2211502 . WATER & SEWERAGE CHARGES	1,850,000	1,590,450	259,550
2211503 . GAS EXPENSES	42,000	38,498	3,502
<b>TOTAL UTILITIES SUPPLIES &amp; SERVICES</b>	<b>9,048,579</b>	<b>10,134,640</b>	<b>- 1,086,061</b>
<b>2211600. COMMUNICATION, SUPPLIES &amp; SERVICES</b>			
2211601 . TELEPHONE , FAX, E.MAIL	3,210,543	3,510,569	- 300,026
2211602 . INTERNET CONNECTION	4,307,438	4,432,253	- 124,815
2211603 . COURIER & POSTAL SERVICES	1,106,867	1,590,269	- 483,402
2211604 . LICENSING FEE FOR COMMUNICATIO	12,900	20,050	- 7,150
<b>TOTAL COMMUNICATION, SUPPLIES &amp; SERVICE</b>	<b>8,637,748</b>	<b>9,553,140</b>	<b>- 915,392</b>
<b>2211700. DOMESTIC TRAVEL AND SUBSISTENCE</b>			
2211701 . TRAVEL COST	8,707,987	11,654,286	- 2,946,299
2211702 . ACCOMODATION COSTS	-	55,750	- 55,750
2211703 . DAILY SUB. ALLOWANCE	16,410,370	19,649,615	- 3,239,245
2211704 . SUNDRY ITEMS	98,260	-	98,260
2211705 . FIELD ALLOWANCES	-	-	-
2211706 . RETREAT EXPENSES	1,596,660	1,774,460	- 177,800
<b>TOTAL DOMESTIC TRAVEL AND SUBSISTENCE</b>	<b>26,813,277</b>	<b>33,134,111</b>	<b>- 6,320,834</b>
<b>2211800. FOREIGN TRAVEL AND SUBSISTENCE</b>			
2211801 . RETREAT EXPENSES	-	-	-
2211802 . TRAVEL COST	1,115,605	965,605	150,000
2211803 . ACCOMMODATION	-	-	-
2211804 . DAILY SUB. ALLOWANCE	1,147,198	1,216,296	- 69,098
2211805 . SUNDRY ITEMS	25,000	16,350	8,650
<b>TOTAL FOREIGN TRAVEL AND SUBSISTENCE</b>	<b>2,287,803</b>	<b>2,198,251</b>	<b>89,552</b>
<b>2211900 - PRINTING &amp; PUBLISHING INFORMATION</b>			
2211901 . PRINTING & PUBLISHING	715,366	445,139	270,227
2211902 . NEWSPAPERS, PERIODICALS & MGZ	740,380	691,300	49,080
2211903 . ADVERTISING & PUBLICITY	2,250,000	2,922,406	- 672,406
2211904 . TRADE SHOWS & EXHIBITIONS	1,500,000	1,576,018	- 76,018
<b>TOTAL PRINTING &amp; PUBLISHING INFORMATION</b>	<b>5,205,746</b>	<b>5,634,863</b>	<b>- 429,117</b>
<b>2212000 - RENTAL OF PRODUCED ASSETS</b>			
2212002 . RENT & RATES . NON RESIDENTIAL	674,960	583,717	91,243
2212003 . HIRE OF TRANSPORT	3,947,642	3,945,719	1,923
2212004 . HIRE OF EQUIPMENT PLANT AND MA	-	19,500	- 19,500
2212005 . RENT & RATES . RESIDENTIAL	-	-	-
<b>TOTAL RENTAL OF PRODUCED ASSETS</b>	<b>4,622,602</b>	<b>4,548,936</b>	<b>73,666</b>
<b>2212100 - TRAINING EXPENSES</b>			
2212105 . TRAINER ALLOWANCE	-	-	-
2212107 . TRAINING ACCOMODATION ALLOWAN	-	-	-
2212108 . TRAINING EXPENSES	1,964,482	1,633,471	331,011
2212109 . TRAINING LEVY EXPENSES	-	-	-
2212110 . ISO CERTIFICATION & REL. EXPEN	3,676,930	3,607,330	69,600
2212111 . SUNDRY TRAINING EXPENSES	-	-	-
2212112 . ERP TRAINING COSTS	250,000	-	250,000
<b>TOTAL TRAINING EXPENSES</b>	<b>5,891,412</b>	<b>5,240,801</b>	<b>650,611</b>
<b>2212200 - HOSPITALITY SUPPLIES \$ SERVICE</b>			



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2015/2016

	Budget	Actual	Variance
2212201 . CATERING SERVICES	3,298,817	4,172,573	- 873,756
2212202 . BOARD, COMMITTEE & CONFERENCE	-	-	-
2212204 . BOARD ALLOWANCES	7,368,600	9,100,000	- 1,731,400
2212205 . CONFERENCE, SEMINAR & WORKSHOP	1,500,000	1,248,690	251,310
2212206 . CHAIRMAN'S HONORARIA	-	-	-
2212207 . BOARD TRAVEL EXPENSES	3,183,634	3,214,334	- 30,700
2212208 . BOARD OF MANAGEMENT&RELATED EX	2,771,080	1,613,961	1,157,119
<b>TOTAL HOSPITALITY SUPPLIES \$ SERVICE</b>	<b>18,122,131</b>	<b>19,349,559</b>	<b>- 1,227,428</b>
<b>2212300 - INSURANCE COSTS</b>			
2212301 . GROUP LIFE INSURANCE	1,475,909	72,677	1,403,232
2212302 . BUILDING INSURANCE	400,000	-	400,000
2212303 . INSURANCE OF MOTORVEHICLES	1,344,611	1,678,577	- 333,966
2212304 . INSURANCE OF AIRCRAFT,BOATS	1,300,000	-	1,300,000
2212305 . INSURANCE OF BOARD MEMBERS	56,817	4,735	52,082
2212306 . OTHER INSURANCE COSTS	-	60,017	- 60,017
2212307 . GROUP PERSONAL ACCIDENT INSURA	872,129	467,522	404,607
2212308 . MEDICAL INSURANCE COVER	80,000	-	80,000
<b>TOTAL INSURANCE COSTS</b>	<b>5,529,466</b>	<b>2,283,528</b>	<b>3,245,938</b>
<b>2212400 . RESEARCH PROGRAMMES</b>			
2212401 . DONOR FUND EXPENSES (OTHERS)	81,527,965	107,821,793	- 26,293,828
2212402 . SEED EXPENSES	18,000,000	13,516,532	4,483,468
2212409 . BUSINESS WING EXPENSES	3,000,000	-	3,000,000
1300101 . GRANTS FROM IDA/GEF/WORL BANK	1,252,121,072	856,707,513	395,413,559
2212405 . RV MTAFIGI EXPENSES	169,860,034	13,914,860	155,945,174
2212406 . RV MTAFIGI MAINTANANCE	120,000,000	11,889,977	108,110,023
2212407 . RV MTAFIGI DRY DOCKING SERVICE	40,000,000	-	40,000,000
2212408 . RV MTAFIGI FUEL EXPENSES	-	6,325,320	- 6,325,320
<b>TOTAL RESEARCH PROGRAMMES</b>	<b>1,684,509,071</b>	<b>1,010,175,995</b>	<b>674,333,076</b>
<b>2212500 - SPECIALISED MATERIALS &amp; SUPPLIES</b>			
2212501 . LABORATORY MATERIALS	934,069	744,223	189,846
2212502 . EDUCATION AND LIBRARY SUPPLIES	50,000	-	50,000
2212503 . FOOD AND RATIOS	-	-	-
2212504 . PURCHASE OF UNIFORMS AND CLOTH	79,000	76,995	2,005
2212505 . PURCHASE OF SPECIMEN	150,000	101,920	48,080
2212506 . DRUGS, INSECTICIDES & SPRAYS	1,500	1,700	- 200
2212507 . PURCHASE OF FISH FEEDS	1,996,436	1,943,837	52,599
2212508 . PURCHASE OF FISH TAGS	1,000	-	1,000
2212509 . FARM INPUTS	15,000	9,500	5,500
2212510 . OTHER MATERIALS AND SUPPLIES	-	-	-
<b>TOTAL SPECIALISED MATERIALS &amp; SUPPLIES</b>	<b>3,227,005</b>	<b>2,878,175</b>	<b>348,830</b>
<b>2212600 - GENERAL OFFICE SUPPLIERS</b>			
2212601 . GENERAL OFFICE SUPPLIES	3,779,254	4,646,321	- 867,067
2212602 . COMPUTER SUPPLIES & ACCESSORIE	2,851,285	3,579,583	- 728,298
2212603 . SANITARY & CLEANING MATERIALS	550,701	495,671	55,030
<b>TOTAL GENERAL OFFICE SUPPLIERS</b>	<b>7,181,240</b>	<b>8,721,575</b>	<b>- 1,540,335</b>
<b>2212700 - FUEL , OIL AND LUBRICANTS</b>			
2212701 . FUEL.OIL & LUB . MOTOR VEHICLE	2,550,000	2,570,913	- 20,913
2212702 . OTHER FUELS . WOOD & CHARCOAL	5,710	-	5,710
<b>TOTAL FUEL , OIL AND LUBRICANTS</b>	<b>2,555,710</b>	<b>2,570,913</b>	<b>- 15,203</b>
<b>2212800 - OTHER OPERATING EXPENSES</b>			
2212801 . BANK CHARGES	485,462	614,582	- 129,120

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2015/2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
2212802 . MEDICAL EXPENSES	27,845	23,395	4,450
2212803 . CONTRACTED GUARDS & CLEANING	11,540,485	13,321,440	- 1,780,955
2212804 . SUBSCRIPTION TO PROFESSIONAL B	522,440	651,200	- 128,760
2212805 . LEGAL, ARBITRATION & COMPENSATI	1,500,000	2,013,806	- 513,806
2212806 . CONTRACTED PROFESSIONAL SERVIC	2,000,000	638,000	1,362,000
2212807 . CONTRACTED TECHNICAL SERVICES	608,799	-	608,799
2212809 . PARKING CHARGES	34,200	35,990	- 1,790
2212810 . DEPRECIATION OF FIXED ASSETS	-	57,842,714	- 57,842,714
2212811 . EXCHANGE LOSS	-	138,315	- 138,315
2212812 . DONATIONS	-	-	-
2212813 . PURCHASE PRICE VARIANCE	-	-	-
2212815 . WITHHOLDING TAX ON INT. INCOME	-	231,157	- 231,157
2212816 . SUNDRY EXPENSES	7,200	7,200	-
2212817 . LICENCING FEE . DRIVERS	8,150	9,600	- 1,450
2212819 . CONTRACTED PROF. SERVICE AUDIT	580,000	1,160,000	- 580,000
2212821 . BUSINESS WING EXPENSES	3,000,000	2,704,785	295,215
2212822 . STAFF DEBTORS W/OFF	-	162,684	- 162,684
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>20,314,581</b>	<b>79,554,868</b>	<b>- 59,240,287</b>
<b>2212900 - ROUTINE MAINTENANCE- VEHICLE &amp;</b>			
2212901 . MAINTENANCE OF MOTOR VEHICLE	3,350,000	4,451,549	- 1,101,549
2212902 . MAIN. BOATS, FERRY, MARINE EQUIP	350,000	280,434	69,566
2212903 . MAINTANANCE OF RESEARCH VESSEL	3,500,000	-	3,500,000
<b>TOTAL ROUTINE MAINTENANCE- VEHICLE &amp;</b>	<b>7,200,000</b>	<b>4,731,983</b>	<b>2,468,017</b>
<b>2213000 - ROUTINE MAINTENANCE- OTHER ASS</b>			
2213001 . MAINTENANCE OF PLANT & EQUIPME	559,011	596,018	- 37,007
2213002 . MAINTENANCE OF FURNITURE	500,000	251,726	248,274
2213003 . MAINTENANCE OF BUILDING NON.RE	2,300,000	2,132,247	167,753
2213004 . MAINTENANCE OF CIVIL WORKS	100,000	57,650	42,350
2213005 . MAINTENANCE OF COMPUTER & SOFT	200,000	199,760	240
2213006 . MAINTENANCE OF WATER SUPPLY &	11,000	7,000	4,000
2213008 . MAINTANAN. OF OFFICE EQUIPMENT	-	-	-
<b>TOTAL ROUTINE MAINTENANCE- OTHER ASS</b>	<b>3,670,011</b>	<b>3,244,401</b>	<b>425,610</b>
2213101 . PURCHASE OF COFFINS/REL. EXPEN	350,000	395,500	- 45,500
<b>TOTAL EXPENSES</b>	<b>2,318,268,738</b>	<b>1,707,633,793</b>	<b>610,634,945</b>



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2016

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 28<sup>th</sup> 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 1<sup>st</sup> 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.



**Financial Statement for the year ended 30 June, 2016**  
**Notes to the Financial Statements (Cont.)**

**ii. Consolidation Principle**

The financial statements consolidate the revenues and expenses of the Institute and her satellite centres/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, 2016

#### 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%



**Financial Statement for the year ended 30 June, 2016**  
**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, 2016**

**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:



**Financial Statement for the year ended 30 June, 2016**

**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, 2016**

**Notes to the Financial Statements (Cont.)**

**3. CASH & CASH EQUIVALENTS**

	<b>2015/2016</b>	<b><u>2014/2015</u></b>
	Kshs.	Kshs.
Projects A/c's	144,566,196	65,600,792
Recurrent A/c's	185,900,101	133,813,712
Recurrent Cash A/c	252,121	34,092
Development A/c	91,411,801	37,666,797
Seed A/c's	673,893	334,853
Revenue A/c's	3,829,887	3,034,272
Revenue Cash	5,600	-
Seed Cash A/c's	<u>11,303</u>	<u>723</u>
<b>Total</b>	<b><u>426,650,902</u></b>	<b><u>240,485,241</u></b>

- i. A sum of Kshs. 17,533,667.70 is invested in the Fixed Deposit Account held at National Bank of Kenya, Institute Bankers. The investment matured on 30<sup>th</sup> June 2016 and was reinvested for a further period of three months with effect from 1<sup>st</sup> July 2016.
- ii. Out of the 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 for hearing and judgement as necessary.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>2015/2016</b>	<b>2014/2015</b>
	Kshs.	Kshs.
Medical Advance	9,095,130	6,461,769
Salary Advance	1,460,523	2,315,324
Temporary Imprest	1,542,077	2,057,083
Staff Debtors	-	1,628,234
Other Debtors	<u>58,531</u>	<u>221,215</u>
<b>Sub-Total</b>	<b><u>12,156,261</u></b>	<b><u>12,683,625</u></b>
KCDP - Counterpart A/c	20,520,000	-
Interest on deposits	386,064	-
GoK Recurrent Grants	<u>122,905,000</u>	<u>54,293,333</u>
<b>Total Accounts Receivable</b>	<b><u>155,967,325</u></b>	<b><u>66,976,958</u></b>

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



## Financial Statement for the year ended 30 June, 2016 Notes to the Financial Statements (Cont.)

### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2105/2016	2014/2015
	Kshs.	Kshs.
Motor Vehicle Insurance Cover	663,999	736,474
Board of Management	52,082	-
Group Personal Accident Cover	-	467,522
Group Life Insurance Cover	<u>799,452</u>	<u>-</u>
<b>Total</b>	<b><u>1,515,533</u></b>	<b><u>1,203,996</u></b>

### CONTIGENT ASSETS

A sum of Sh. 4,500,000 is due from a former contracted KMFRI legal firm, Ms Momanyi & Co. Advocates. The amount was meant for the payment of outstanding land rate arrears to the then Mombasa Municipal Council, something which the law firm never did. The Institute has filed a civil case against the lawyer for the recovery of the money owed and the court is yet to give its verdict. For that reason, the debt has not been recognized in the financial statements as the Institute waits for the court's ruling on the matter.



Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

**6. PROPERTY, PLANT AND EQUIPMENT**

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab Equip.	M.Vehicles	Res. Vessels	Fur. & Off. Equip.	Lib. Books	Computers & Printers	TOTAL FOR PP&E
Cost 1 July 2015	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Purchased B/Fwd.	3,292,000	39,408,000	340,607,888	17,366,428	25,955,531	3,020,598	22,012,291	9,000	24,982,906	476,654,642
Donations B/Fwd	-	-	-	-	86,654,140	72,370,038	-	17,107,232	-	176,131,410
Revaluations B/Fwd	-	8,000,000	-	-	-	-	-	-	-	8,000,000
<b>(A) Totals for opening balances</b>	<b>3,292,000</b>	<b>47,408,000</b>	<b>340,607,888</b>	<b>17,366,428</b>	<b>112,609,671</b>	<b>75,390,636</b>	<b>22,012,291</b>	<b>17,116,232</b>	<b>24,982,906</b>	<b>660,786,052</b>
<b>Additions during 2015/16:</b>										
Purchases	-	-	-	370,000	-	64,189,715	815,485	-	4,746,060	70,121,260
Donations	-	-	-	15,382,049	-	-	-	294,165	-	15,676,214
Revaluations	3,100,000	-	(3,000,000)	-	-	-	-	-	-	100,000
<b>(B) Sub-total for additions</b>	<b>3,100,000</b>		<b>(3,000,000)</b>	<b>15,752,049</b>	<b>-</b>	<b>64,189,715</b>	<b>815,485</b>	<b>294,165</b>	<b>4,746,060</b>	<b>85,897,474</b>
Disposals during 2015/16	-	-	-	-	-	-	-	-	-	-
<b>(C) 30 June 2016 (A + B)</b>	<b>6,392,000</b>	<b>47,408,000</b>	<b>337,607,888</b>	<b>33,118,477</b>	<b>112,609,671</b>	<b>139,580,351</b>	<b>22,827,776</b>	<b>17,410,397</b>	<b>29,728,966</b>	<b>746,683,526</b>
<b>Accumulated Depreciation:</b>										
1 July 2015:- For additions B/Fwd	-	3,516,811	44,912,591	9,904,594	20,911,146	2,194,099	13,463,651	7,200	20,251,655	115,161,747
For Donations B/Fwd	-	-	-	-	47,552,828	56,911,399	-	15,905,361	-	120,369,588

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**



**Financial Statement for the year ended 30 June, 2016**

**Notes to the Financial Statements (Cont.)**

For Rev. -	-	-	-	-	-	-	-	-	-	-
B/Fwd	-	-	-	-	-	-	-	-	-	-
Charge for the year:	-	452,966	8,240,196	1,969,006	3,026,631	8,267,118	2,108,411	1,800	4,619,015	28,685,143
Purchased Assets	-	-	-	-	-	-	-	-	-	-
Donated Assets	-	-	-	-	21,275,290	8,827,951	-	388,967	-	30,492,208
Revalued Assets	-	80,808	250,000	-	-	-	-	-	-	330,808
Depreciation write-off on disposals	-	-	(2,200,000)	-	-	-	-	-	-	(2,200,000)
<b>Accum. Depreciation as at 30 June 2016</b>	-	<b>4,050,585</b>	<b>51,202,787</b>	<b>11,873,600</b>	<b>92,765,895</b>	<b>76,200,567</b>	<b>15,572,062</b>	<b>16,303,328</b>	<b>24,870,670</b>	<b>292,839,494</b>
<b>Net Book Value</b>										
Total balance b/fwd 1 July 2015	3,292,000	43,891,189	295,695,297	7,461,834	44,145,696	16,285,138	8,548,640	1,203,671	4,731,251	425,254,716
<b>Grand Total of Net Book Values as at 30 June 2016</b>	<b>6,392,000</b>	<b>43,357,415</b>	<b>286,405,101</b>	<b>21,244,877</b>	<b>19,843,776</b>	<b>63,379,784</b>	<b>7,255,714</b>	<b>1,107,069</b>	<b>4,858,296</b>	<b>453,844,032</b>



**Financial Statement for the year ended 30 June, 2016**  
**Notes to the Financial Statements (Cont.)**

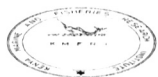
**7. WORK-IN-PROGRESS**

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Balance B/fwd	355,922	-
Additions	<u>145,916,928</u>	<u>355,922</u>
Total	146,272,850	355,922
Less: Transfers	-	-
<b>Work-in-progress– Balance C/Fwd</b>	<b><u>146,272,850</u></b>	<b><u>355,922</u></b>

The above amounts are in respect of the on-going construction works of the Marine and Ocean Services Centre.

**8. INTAGIBLE ASSETS**

Cost 1 July 2015	7,347,560
Additions in the year	166,000
<b>30 June 2016</b>	<b>7,513,560</b>
Accumulated Depreciation B/Fwd	6,612,804
Depreciation Charge for the year	784,556
<b>Accumulated Depreciation as at 30 June 2016</b>	<b>7,397,360</b>
<b>Net Book Value as at 1 July 2015</b>	<b>734,756</b>
<b>Net Book Value as at 30 June 2016</b>	<b>116,200</b>



## Financial Statement for the year ended 30 June, 2016

## Notes to the Financial Statements (Cont.)

**9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

	2015/2016 Kshs.	2014/2015 Kshs
Trade Payables	11,024,386	8,300,966
Other Payables (Provision for audit fees)	<u>580,000</u>	<u>-</u>
<b>Total Trade and Other payables</b>	<b><u>11,604,386</u></b>	<b><u>8,300,966</u></b>

**10. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

	2015/2016 Kshs.	2014/2015 Kshs.
Breakdown of other liabilities is as below:		
Payroll Liabilities- Net salary payable etc.	-	4,389,067
Payroll Bank Loan Deductions	3,738,211	3,509,085
Statutory Deductions	7,334,464	6,283,004
Co-operative Loan Deductions	10,450,669	6,743,628
Insurance Deductions	303,081	643,884
Hire purchase Deductions	52,258	50,756
Staff Welfare Deductions	334,064	276,720
Staff Union Deductions	307,222	275,722
Pension Contribution	6,559,289	6,553,417
Other general liabilities	12,205,243	2,883,019
House Rent Deductions	638,160	642,810
Retention Fee Payable	<u>-</u>	<u>355,922</u>
<b>Total</b>	<b><u>41,922,661</u></b>	<b><u>32,607,034</u></b>

**CONTINGENT LIABILITY**

The Industrial court in its sitting of July 2016, ruled that the institute compensates the former director (Dr.Ezekiel Okemwa) a sum of kshs.53,455,592.the former director had filed a case in the industrial court seeking compensation of salary arrears and other compensatory damages. The institute management filed an appeal against the court's judgement and the case is on-going.



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

## 11. RETIREMENT BENEFITS OBLIGATION

	2015/2016 Kshs.	2014/2015 Kshs.
Retirement Benefits Obligation b/fwd	55,226,666	55,226,666
Add: accrued amount	-	-
Total	55,226,666	55,226,666
Less: payment	-	-
<b>Retirement Benefits Obligation C/fwd</b>	<b><u>55,226,666</u></b>	<b><u>55,226,666</u></b>

The Institute owes the staff pension fund a sum of Kshs. 55,226,665 in total. This amount arose from an actuarial valuation of the fund that was done in 2009.

## 12. CAPITAL RESERVE

	2015/2016 Kshs.	2014/2015 Kshs.
Balance B/Fwd	548,728,041	522,203,623
Additions:		
Development A/c	39,776,000	4,860,000
Counterpart A/c	41,040,000	22,800,000
Amortization/Adj.	-	( 1,135,582)
<b>Capital Reserve Bal. C/Fwd</b>	<b><u>629,544,041</u></b>	<b><u>548,728,041</u></b>

Capital Reserves constitutes the cumulative amounts disbursed to KMFRI over the years for development expenditure.

## 13. DONATIONS RESERVE

	2015/2016 Kshs.	2014/2015 Kshs.
Balance b/fwd	108,008,356	107,712,426
Additions	15,676,214	295,930
Total	123,684,570	108,008,356
Less: Depreciation	-	-
<b>Donations – Balance C/Fwd</b>	<b><u>123,684,570</u></b>	<b><u>108,008,356</u></b>



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### Financial Statement for the year ended 30 June, 2016

#### Notes to the Financial Statements (Cont.)

Donations Reserve constitutes the cumulative values of donated assets to KMFRI by various donors over the years. The breakdown of donations of Kshs.15,676,214 for Financial year 2015/2016 is as follows:

Asset Class	Asset Description	Qty.	Donor	Cost (Ksh.)
Plant & Equipment	PCR machines	2	KCDP	15,382,049.00
Library books	Journals	6	WIOMSA, FAO, NISC, National Museums Of Kenya	292,180.00
Library books	Books	1	Dr. C. Odoli	1,984.00
<b>TOTAL DONATIONS</b>				<b>15,676,214.00</b>

#### 14. REVALUATIONS RESERVE

	2015/2016 Kshs.	2014/2015 Kshs.
Balance b/fwd	112,490,535	112,490,535
Additional	-	-
	<u>112,490,535</u>	<u>112,490,535</u>
Less: Depreciation	<u>(150,000)</u>	<u>-</u>
<b>Revaluation Reserve</b>	<b><u>112,340,535</u></b>	<b><u>112,490,535</u></b>

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

#### 15. ACCUMULATED SURPLUS/DEFICIT

	2015/2016 Kshs.	2014/2015 Kshs.
Accumulated Deficit B/Fwd	(133,135,822)	(149,014,103)
Less: Adj.	(2,851)	-
Additional Surplus	<u>343,182,656</u>	<u>15,878,281</u>
<b>Accumulated Surplus/Deficit</b>	<b><u>210,043,983</u></b>	<b><u>(133,135,822)</u></b>

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



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

## 16. GOVERNMENT GRANTS

### (A) RECURRENT GRANTS

MONTH	2015/2016	2014/2015
	Kshs	Kshs
July	54,375,000	43,126,065
August	-	43,460,000
September	-	43,460,000
October	271,875,000	43,460,000
November	-	43,460,000
December	-	43,460,000
January	-	43,460,000
February	-	54,293,333
February	-	75,833,331
March	163,125,000	54,293,333
April	-	54,293,333
May	-	54,293,333
May	-	54,293,333
June	163,125,000	-
<b>(A) SUB--TOTAL</b>	<b>652,500,000</b>	<b>651,186,061</b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

**(B) R.V MTAFITI RECURRENT GRANTS**

<b>GOK R.V MTAFITI GRANTS</b>		
	Kshs.	Kshs.
Month	2015/2016	2014/2015
December	-	55,060,810
March	-	55,060,810
April	110,000,000	
June 2016 – Grants Receivable from the Parent Ministry	122,905,000	
<b>(B) SUB-TOTAL</b>	<b>232,905,000</b>	<b>110,121,620</b>
<b>TOTAL (A) &amp; (B)</b>	<b>885,405,000</b>	<b>761,307,681</b>





**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**Financial Statement for the year ended 30 June, 2016  
Notes to the Financial Statements (Cont.)**

**17. DONOR GRANTS**

<b>NAME OF PROJECT</b>	<b>2015/2016</b>	<b>2014/2015</b>
Kenya Coastal Development Project- IDA	995,459,685	390,406,516
Kenya Coastal Development Project-GEF	135,988,666	42,990,089
Western Indian Ocean Marine Scientist Association (Wiomsa)	9,516,362	11,554,782
National Council For Science & Technology Project (Ncst)	2,254,050	2,148,950
Icoast	1,252,762	-
Odinafrica Project	847,500	385,704
Secure Fish Project	2,594,934	3,694,424
Stockholms University	2,401,646	7,014,752
Capacity Building For Mangrove Assessment Restoration And Valuation (Camarv)	-	4,021,456
Blue Forest	1,110,776	5,656,111
Food Agricultural Organization (FAO)	512,602	343,268
Kenya Agricultural Prod. & Agri-Business Project		17,468,00
Radiosotopes		700,000
IFS Fish Connectivity	2,343,430	-
Artemia Project	2,278,100	3,037,861
Other Small Projects	3,396,049	2,125,047
<b>TOTAL KSHS</b>	<b>1,159,956,562</b>	<b>491,546,960</b>

**18. FINANCE INCOME**

	<b>2015/2016</b>	<b>2014/2015</b>
	Kshs.	Kshs.
Fixed Deposit Interest 30/09/2015	323,587	-
Fixed Deposit Interest 31/12/2015	415,861	-
Fixed Deposit Interest 31/03/2016	415,536	-
Fixed Deposit Interest 30/06/2016	386,063	664,712
Bank Interest	458	-
<b>Total Finance Income</b>	<b><u>1,541,505</u></b>	<b><u>664,712</u></b>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**



**Financial Statement for the year ended 30 June, 2016**

**Notes to the Financial Statements (Cont.)**

**19. OTHER INCOME**

	<b>2015/2016</b>	<b><u>2014/2015</u></b>
	Kshs.	Kshs.
Sale of Tender Documents	117,500	109,000
Other Incomes:		
Fees for services/Consultancies	-	605,360
Sale of fish and fish fingerlings	1,154,731	762,590
Student visits & attachment	298,400	389,010
Miscellaneous Income	551,296	303,436
Sale of fish feeds	1,569,823	639,695
Hire of Conference Facilities	<u>186,000</u>	-
<b>Sub-Total</b>	<b>3,877,750</b>	<b>2,809,091</b>
Foreign Exchange Gain in the Year	<u>35,630</u>	<u>175,813</u>
<b>Total</b>	<b><u>3,913,380</u></b>	<b><u>2,984,904</u></b>

**20. EMPLOYEE COSTS**

	<b>2015/2016</b>	<b><u>2014/2015</u></b>
	Kshs.	Kshs.
Basic salaries	290,971,974	293,517,831
Personal Allowances	164,897,257	168,602,741
Service Gratuity	469,838	63,266
Personal Allowances-Reimbursements	6,708,045	13,308,363
Pension Contribution by employer	<u>40,235,440</u>	<u>38,771,550</u>
<b>Total</b>	<b><u>503,282,554</u></b>	<b><u>514,263,751</u></b>

**21. BOARD OF MANAGEMENT COSTS**

	<b>2015/2016</b>	<b><u>2014/2015</u></b>
	Kshs.	Kshs.
Board Allowances	9,100,000	539,683
Travel Costs	3,214,334	377,813
Other Board related expenses	<u>1,613,961</u>	<u>444,314</u>
<b>Total</b>	<b><u>13,928,295</u></b>	<b><u>1,361,810</u></b>



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Financial Statement for the year ended 30 June, 2016

Notes to the Financial Statements (Cont.)

## 22. GENERAL EXPENSES

	2015/2016 Kshs.	2014/2015 Kshs.
Communication, Supplies & Services	9,553,140	12,571,580
Travel & Subsistence	35,332,362	29,555,174
Printing, Advertising & Information	5,634,863	7,194,928
Rentals of Produced Assets	4,548,936	4,221,207
Training Expenses	1,633,471	4,228,211
ISO Certification Expenses	3,607,330	4,463,201
Hospitality Supplies & Services	5,421,263	7,474,460
Insurance Costs	2,283,528	5,910,716
Research Programs	1,010,175,995	543,101,095
Specialized Material & Supplies	2,878,175	3,141,123
Office & General Supplies	8,721,575	8,112,981
Fuels, Gas, Oil and Lubricants	2,609,411	2,677,590
Other Operating Expenses	21,527,654	22,603,726
Contracted Services – Provision for Audit Fee	<u>580,000</u>	<u>580,000</u>
<b>Total</b>	<b><u>1,114,507,703</u></b>	<b><u>655,835,992</u></b>

## 23. BULK PURCHASES OF WATER AND ELECTRICITY

	2015/2016 Kshs.	<u>2014/2015</u> Kshs.
Electricity Expenses	8,505,693	6,058,746
Water & Sewerage Charges	<u>1,590,449</u>	<u>1,821,680</u>
<b>Total</b>	<b><u>10,096,142</u></b>	<b><u>7,880,426</u></b>

## 24. REPAIRS AND MAINTENANCE

	2015/2016 Kshs.	<u>2014/2015</u> Kshs.
Maintenance of Motor Vehicle	4,451,549	3,063,715
Maintenance of Vessels	280,434	2,279,495
Maintenance of Buildings	<u>3,244,401</u>	<u>3,146,539</u>
<b>Total</b>	<b><u>7,976,384</u></b>	<b><u>8,489,749</u></b>

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



## Financial Statement for the year ended 30 June, 2016 Notes to the Financial Statements (Cont.)

### 25. RELATED PARTY TRANSACTIONS

	2015/2016	2014/2015
	Kshs.	Kshs.
<b>Contributions to KMFRI Pension Fund</b>	<b>38,224,740</b>	<b>36,838,250</b>

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, 2016

Notes to the Financial Statements (Cont.)

**PROGRESS ON FOLLOW-UP OF AUDITOR GENERAL'S RECOMMENDATIONS FOR THE FINANCIAL YEAR 2014/2015**

The Auditor General made a number of recommendations following the audit of the Institute's financial statements for the year 2014/2015. The Institute has consequently undertaken the following actions:-

**Acquisition of title deeds**

The Institute owns several pieces of land for which it has not fully acquired documents of ownership. It has pieces of land in Shimoni, Turkana and Baringo. The Institute is making efforts to acquire documents of ownership for all her pieces of land in her possession by involving the concerned area Government Administrators. Some progress is being made in some such as the Shimoni Plot and Turkana.

The Mtwapa land was allocated to KARI and partially ceded to KMFRI but was grabbed by private developers. The matter is in the hands of the Ethics and Anti-Corruption Authority and the National Land Commission for investigation and remedial action. It is expected that once the investigations are concluded the Institute will regain possession of the same.

**Donated Vessel**

In the financial year 2013/2014, the Government of Belgium donated a deep sea-going research vessel, R.V. Mtafiti, to the Government of Kenya. However, the Institute could not factor the value of the vessel in its assets register because it lacked documents of ownership. The Institute intends to revalue the vessel once it receives exchequer funding for the same purpose. Once the vessel is professionally revalued, its value shall then be factored in the assets register and included in the financial statements as necessary.

**Sale of Kongowea Plot**

The issue regarding the sale of Kongowea Plot arose during the Parliamentary Public Investments Committee (PIC) visit to the Institute in the year 2014. The issue was discussed and subsequently a report on the same was submitted to the Clerk of the National Assembly by the Institute Management.

At the same time, the Ethics and Anti-Corruption Authority requested for a report from the Institute on the sale of the Plot. The Institute compiled a report as requested and submitted it to the Authority.

**Medical Advance**

The medical advance of Kshs. 2,753,692 was in respect of medical bills settled by the Institute during hospitalization of the Late Dr. Michael Nguli, a Scientist. The Institute has in place a medical scheme in which the employee contributes 25% and the employer 75%. The 25%

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE



## Financial Statement for the year ended 30 June, 2016

### Notes to the Financial Statements (Cont.)

contribution of employees is recovered by check-off system. The Late Dr. Nguli passed away before the entire amount was fully recovered through the check-off system. Subsequently, the Institute Board of Management was informed of the matter whereupon it was resolved that the payment be treated as ex-gratia payment and hence be absorbed by the Institute. That was done.

### KCDP Government Counterpart Funds

Previously Government Counterpart Funds were managed by the Institute but following the recommendations of the Auditor General, the funds were transferred to KCDP Project Management Unit (PCU) for management as necessary. All books of accounts and records pertaining Counterpart Funds are maintained by KCDP PCU.





