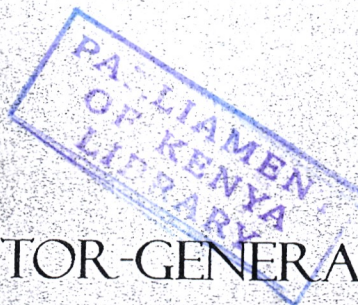


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

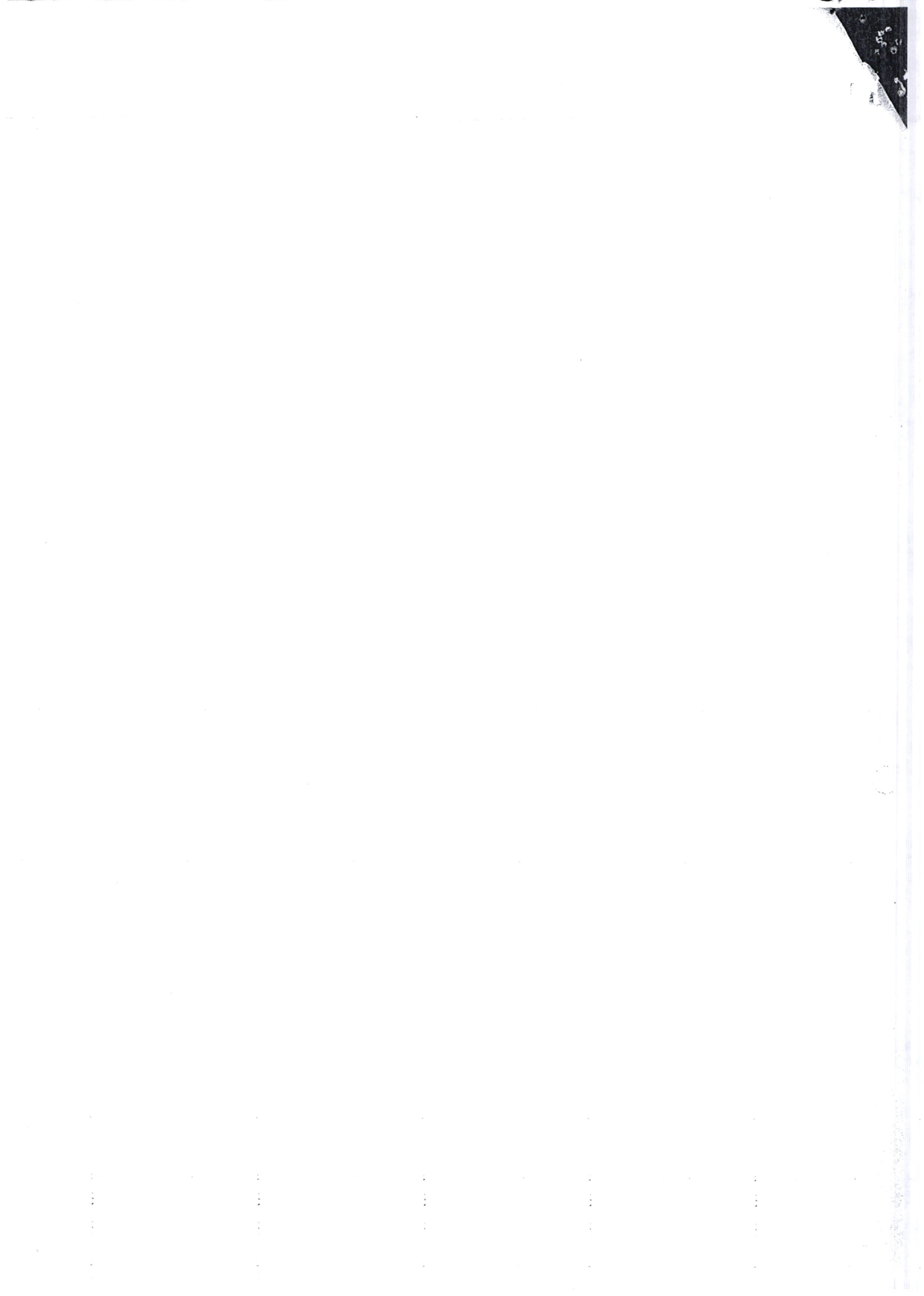
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA MARINE AND FISHERIES  
RESEARCH INSTITUTE

FOR THE YEAR  
ENDED 30 JUNE 2015





OFFICE OF THE AUDITOR GENERAL  
KENYA NATIONAL AUDIT OFFICE

RECEIVED  
MOMBASA SUB TEAM II

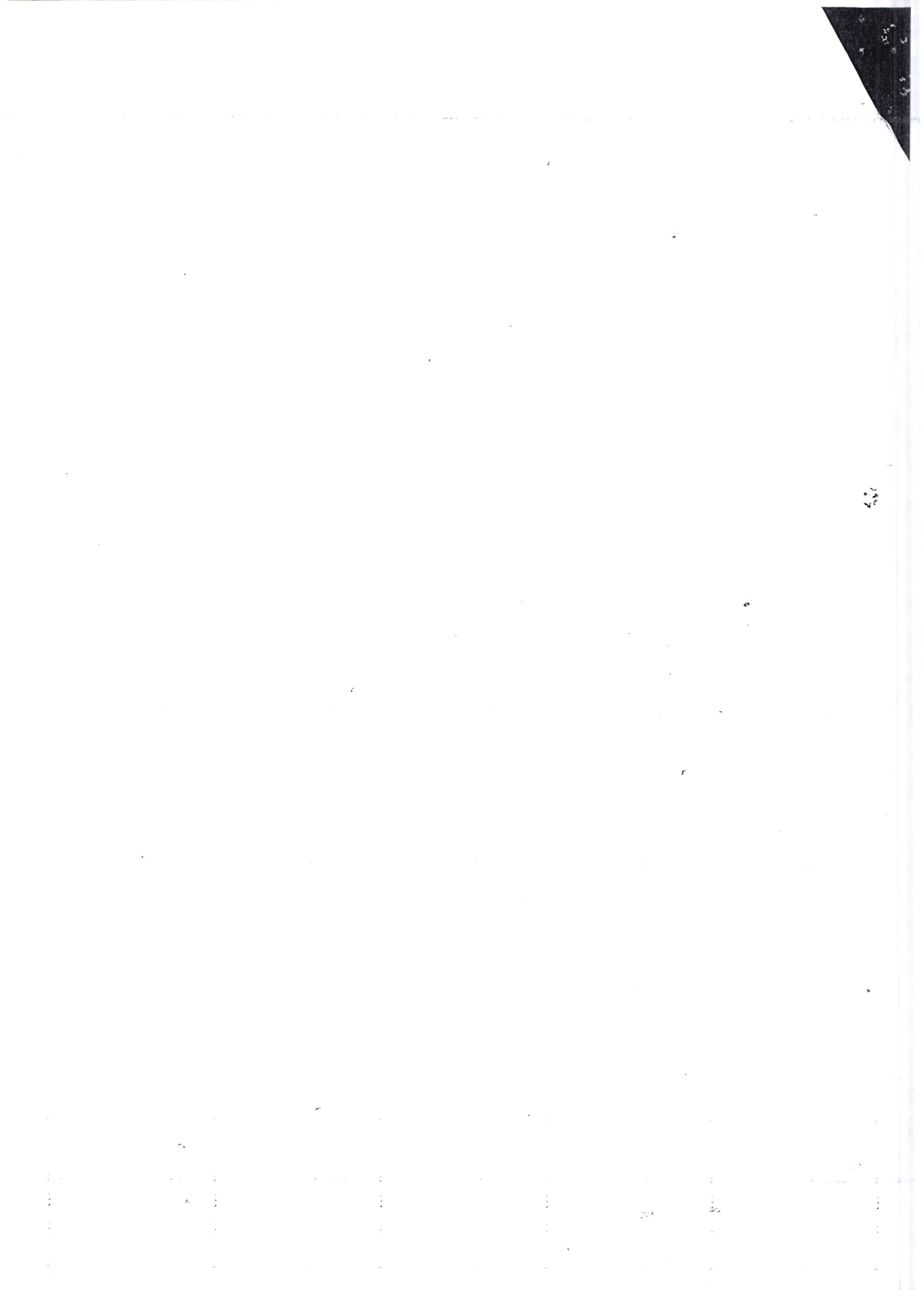
# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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



P.O. Box 81651-80100  
MOMBASA  
Tel. 254-(0)20-8021560/1  
(0)20-235 3901/2/3/4/5  
(0)20-235 3894/5/6/7  
Fax.254-(0)20-235 3226  
E-mail: [director@kmfri.co.ke](mailto:director@kmfri.co.ke)





**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**Financial Statements for the year ended 30 June 2015**

**Table of Contents**

	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii-iv
II. THE BOARD OF MANAGEMENT	v - viii
III. KEY MANAGEMENT TEAM	ix – x
IV. STATEMENT OF MANAGEMENT’S RESPONSIBILITY	xi
V. CHAIRMAN’S STATEMENT	xii
VI. REPORT OF THE CHIEF EXECUTIVE OFFICER	xiii - xiv
VII. CORPORATE GOVERNANCE STATEMENT	xv - xvi
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xvii - xviii
IX. REPORT OF THE INDEPENDENT AUDITOR ON KMFRI	xix - xx
VII. STATEMENT OF FINANCIAL PERFORMANCE	1
VIII. STATEMENT OF FINANCIAL POSITION	2
IX. STATEMENT OF CHANGES IN NET ASSETS	3
X. STATEMENT OF CASH FLOWS	4
XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5-12
XII. NOTES TO THE FINANCIAL STATEMENTS	13-31
XIII. PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS	32



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## Financial Statements for the year ended 30 June 2015

### 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 2015

### 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 2015**

**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 2015**

**II. BOARD OF MANAGEMENT:-**



Prof. P. Aloo Obudho	Chairman
Dr. Suhaila Omar Hashim	Member
Mr. Otieno Okello	Member
Dr. Mary C. Mwiandi	Member
Mr. Kiprof Bundotich	Member
Mr. Adhan Nuri Berhe	Member
Mr. Joram Mwenda Guantai	Member
Mr. Johnson Wambugu	Representative PS - State Department of Fisheries.
Mr. Andrew Opiyo	Representative PS - National Treasury
Mr. Said Hussein	Representative Secretary, NACOSTI
Ms. Susan Imende	Director of Fisheries
Dr. Renison Ruwa	Ag. Director/KMFRI

**BOARD OF MANagements MEMBERS**

Photo	Date of Birth	Date of Appointment	Key Qualifications	Work Experience
 Prof. P. Aloo Obudho	1960	17 <sup>TH</sup> APRIL 2015	Ph.D	<ul style="list-style-type: none"> <li>▪ Chairman, University Committee on Gender Based Violence and Sexual Harassment, Kenyatta University.</li> <li>▪ University Dept Representative to Fisheries Department, Ministry of Agriculture, Livestock and Fisheries Development</li> <li>▪ Editor in Chief, Samaki</li> </ul>




KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
Financial Statements for the year ended 30 June 2015

				News.
 Dr. Suhaila Omar Hashim	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>▪ Teaching and Training at undergraduate and postgraduate levels.</li></ul>
 Otieno Okello	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>▪ Managing Director, Pioneer Fish Farms Ltd.</li><li>▪ Chairman, Commercial Aquaculture Society of Kenya</li></ul>




KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
Financial Statements for the year ended 30 June 2015

 <p>Dr. Mary C. Mwiandi</p>	1957	1 <sup>ST</sup> FEBRUARY 2015	Ph.D	<ul style="list-style-type: none"><li>▪ Senior Lecturer in History &amp; Armed Conflict &amp; Peace Studies – University of Nairobi.</li><li>▪ Senior Researcher with NORAD/NO RHED</li><li>▪ Supervision of PhD and MA Thesis and Dissertations</li></ul>
Mr. Kiprop Bundotich	1973	1 <sup>ST</sup> FEBRUARY 2015	<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>



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
Financial Statements for the year ended 30 June 2015

Joram Mwenda Guantai	1969	1 <sup>st</sup> FEBRUARY 2015	LLB	<ul style="list-style-type: none"><li>▪ Committee Member – Law Society of Kenya</li><li>▪ Senior Partner – Muriungi &amp; Company Advocates</li><li>▪ Chief Legal Officer – Kenyatta National Hospital</li></ul>
  Mr. Adhan Nuri Berhe	1972	1 <sup>st</sup> FEBRUARY 2015	<ul style="list-style-type: none"><li>▪ Ph.D</li></ul>	<ul style="list-style-type: none"><li>▪ Elections Coordinator</li><li>▪ Secretary, County Government of Tana River</li><li>▪ Rhino Liaison Warden – Maintaining performance standards and ensuring that staff competence in the rhino units in the country are enhanced and standardized.</li></ul>



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE


## Financial Statements for the year ended 30 June 2015

### KEY MANAGEMENT ORGANS

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

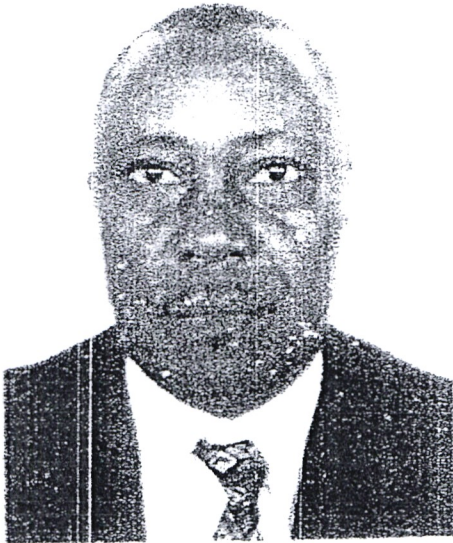

- Principal Secretary, State Department of Fisheries;
- The Board of Management;
- Director/KMFRI;
- Deputy Director (Oceans & Coastal Systems);
- Deputy Director (Freshwater systems); and
- Deputy Director (Finance & Administration).

### III. MANAGEMENT TEAM

Name	Date of birth	Qualifications	Area of responsibility
 Dr. Renison Ruwa	1956	Ph.D MBS	<ul style="list-style-type: none"><li>▪ Ag.Chief Executive Officer.</li><li>▪ Chief Accounting Officer of the Institute</li><li>▪ Secretary to the 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 2015

 <p>Dr. Enock Wakwabi</p>	1955	Ph.D	<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 directorate.</li></ul>
 <p>Mr. Abraham Kagwima</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

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 18 of the Public Finance Management (PFM) Act, 2012 requires the Institute Management 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. Kenya Marine and Fisheries Research Institute (KMFRI) Management is also required to ensure that the Institute keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Institute. The Management is also responsible for safeguarding the assets of the Institute.

The Management is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs as at the end of the financial year. 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 Institute Management accepts responsibility for the 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. The Management is of the opinion that the financial statements give a true and fair view of the state of KMFRI's transactions during the financial year ended 30 June 2015, and of the financial position as at that date. The Institute Management further confirms the completeness of the accounting records maintained, 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 Management that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

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

Dr. Renison Ruwa, PhD MBS  
AG. DIRECTOR/KMFRI



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### 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 our areas of interest. The institute entered into new a 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 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 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 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.

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



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### 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 2015.

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. 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 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 2014/2015 financial year. The Institute received grants for recurrent expenditure amounting to KShs 651.2 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 110.1 million for RV Mtafiti research activities.

KMFRI received grants for development expenditure amounting to KShs.412.6 million. The receipts included Kshs 385 million in capital grants to government agencies for implementation of Kenya



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

Coastal Development Project (KCDP), Kshs 22.8 million in Government's counterpart funding for KCDP and Kshs 4.8 million in development grants for construction of non-residential buildings-KMFRI's Marine and Oceans Services Centre. In addition, KMFRI also received Ksh. 58.1 million generated through donor funded proposals for implementation of specific research programmes.

During 2014/2015 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.

A handwritten signature in black ink, appearing to read 'Dr. Renison Ruwa'.

Dr. Renison Ruwa, PhD MBS  
AG. DIRECTOR/KMFRI



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## Financial Statements for the year ended 30 June 2015

### VI. CORPORATE GOVERNANCE STATEMENT

KMFRI's statement of corporate governance provides the framework within which the Board of Management may conduct its business. The objective is to promote the highest standards of corporate governance by setting out a series of recommendations and principles to which all corporations can aspire.

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, the Principal Secretary - the National Treasury, the Inspector General-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 – is a member of the Board of Management.

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 for a maximum of two terms. 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



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE Financial Statements for the year ended 30 June 2015

Medium Term Plan. The committee is also responsible for approving proposed research funding and recommending manning of research functions.

### **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 recurrent 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 2015**

**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, 2015, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

**Environment**

A team of Institute employees formed a volunteer group known by the name KMFRI Marine Debris Volunteer Program. 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 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.

**Solar Dryers**

The Institute scientists, through their research initiatives, have developed innovative ways of reducing post-harvest fish losses over the years. It has been realized that one of the challenges facing the fisher communities is how to minimize fish post-harvest losses. Fish being a highly perishable commodity, the danger of the fishers incurring losses is ever-present.

KMFRI scientists having researched on and developed technology in reducing post-harvest fish losses, they have gone a step further in constructing and donating fish solar driers to several fisher groups in various beaches along Lake Turkana. The users were trained on to use and maintain the solar driers.

**Attachments and Internships**

The Institute research programs and projects contain a component of transfer of skills to the youth through internship, attachments and apprenticeship. As far as is practicable the institute progressively engages youth in internship and industrial attachment/apprenticeship programs which target graduate



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE Financial Statements for the year ended 30 June 2015

students for skills transfer. To this end, the institute has signed Memorandum of Understanding with various local Universities to afford students attachment and internship opportunities at KMFRI.

### **Sanitation facilities and provision of water**

Through interaction with the coastal communities during field trips by KMFRI researchers, it was realized that sanitation facilities in some communities were inadequate. It was also realized that availability of water for domestic use was also inadequate. Sanitation and availability of water are indeed basic requirements in ensuring that members of the society are healthy and free from communicable diseases.

In the year under review, the Institute, through KCDP, built and donated a number of toilets in Kilifi County. Similarly, a number of boreholes were drilled and donated to the local community in the same County.



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2015

#### 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 32, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets and statement of cash flows, 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 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

#### **Responsibility of the Auditor-General**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 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 (ISSAIs). 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.

The 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 risk 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 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 not been valued nor included in the property, plant and equipment figure of Kshs.425,257,565 as at 30 June 2015. For the 2 parcels of land in Baringo, the Institute holds only allotment letters and for the 3 parcels of land in Sangoro measuring 1.8, the Institute did not avail any ownership document. In addition, for the land in Mtwapa, the ownership documents were also not availed for audit verification but management reported that this land was grabbed before the transfer from Kenya Agricultural Research Institute (KARI) was complete.

#### **1.2 Donated Vessel**

As reported in the year 2013/2014, 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.425,257,565 as at 30 June 2015. In addition, the donation has also 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 LR No. 6034/1/MN-Kongowea Mombasa, measuring approximately 1.998 hectares valued at Kshs. 22.8 million to a Kongowea Market Estate Limited at a selling price of Kshs.15,020,000 and the title transferred to the purchaser before the Institute received full amount of the sale price. In addition, the lawyer who received the money on behalf of the Institute on 26 March 2009 did not remit the same to the Institute until 2010/2011 financial year when he transmitted Kshs.13,444,923 leaving a balance of Kshs.1,575,077 and any interest accrued for the period the funds were held. Further, the selling price of Kshs.15,020,000 was below the market value of Kshs.22,800,000 resulting to a probable loss of Kshs.7,780,000. Also, the balance of Kshs.1,575,077 as at 30 June 2015 was yet to be remitted to the Institute. No explanation was provided for the transfer of the property before receiving consideration and also why the property was sold below the market value.

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

#### **1.4 Motor Vehicles**

Included in the property, plant and equipment balance of Kshs.425,257,565 as at 30 June 2015 is a balance of Kshs.44,145,696 in respect of motor vehicles. Included in motor vehicle balance of Kshs.44,145,696 is additions of Kshs.35,652,051 which represents seven (7) motor vehicles acquired during the period under review. 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. It was not clear the basis of procuring extra six (6) vehicles. 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 the property, plant and equipment balance of KShs.425,257,565 as at 30 June 2015 could not be ascertained.

#### **2.0 Receivables from Non Exchange Transactions**

##### **2.1 Long Outstanding Imprest**

As previously reported, receivables from non-exchange transaction balance of Kshs.64,188,295 as at 30 June 2015 include long outstanding staff imprest amounting to Kshs.831,471, (2013/2014 - Kshs.1,153,528) out of which, Kshs.221,215 (2013/2014 - Kshs.221,215) relate to former staff of the Institute. There is no documentary evidence to support the efforts to recover these amounts. Provision that would have been necessary in respect of this uncertainty has not been incorporated in these financial statements.

##### **2.2 Medical Advance**

Included in the receivables from non-exchange transactions balance of Kshs.64,188,295 as at 30 June 2015 is Kshs.6,461,769 in respect of medical advance. The medical advance balance of Kshs.6,461,769 include Kshs.2,753,692 owing from deceased staff. It is not clear how the Institute expects to recover the debt. Provision that would have been necessary in respect of this uncertainty has not been incorporated in the financial statements.

Consequently, the accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs.64,188,295 as at 30 June, 2015 could not be confirmed.

#### **3.0 Trade and Other Payables**

As reported in the previous years, the trade and other payables from exchange transactions balance of Kshs.8,300,966 (2013/2014: Kshs.14,054,343) include balances of Kshs. 143,630 and Kshs. 1,151,880 but whose confirmed balances are Kshs.70,333 and Kshs.987,240 respectively. The difference of Kshs. 73,297 and Kshs.164,640 respectively have not been reconciled or explained.

Consequently, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.8,300,966 as at 30 June 2015 could not be ascertained.

#### **4.0 Government Grants**

##### **4.1 Accounting for the Funds**

The statement of financial performance reflect a balance of Kshs.761,307,681 for the year ended 30 June 2015 in respect of Government grants. The Government grants balance of Kshs.761,307,681 for the year ended 30 June 2015 excludes counterpart funding received from the Government of Kenya in respect of Kenya Coastal Development Project amounting to Kshs.22,800,000. The amount of Kshs.22,800,000 (cumulatively Kshs.124,400,000 since the inception of the project) 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 Treasury for this reallocation of votes was not availed for audit verification. This is in contravention of the Public Finance Management Act, 2012 which prohibits commingling of development and recurrent funds without express approval of the National Treasury. In the circumstance, the Institute was in breach of the law.

##### **4.2 Expenditure of Funds**

According to the Kenya Coastal Development Project records, during the period under audit, total of Kshs.33,247,298 was transferred from the project's counterpart bank account to the Institute's recurrent and development bank accounts. Audit review of the expenditure revealed that the Institute spent Kshs.28,357,049 on purchase of six (6) motor vehicles which were distributed to Kisumu, Sagana, Kegati and Sangoro stations where the project is not undertaken.

Consequently, the propriety and validity of expenditure of Kshs.28,357,049 for the year ended 30 June 2015 for Government of Kenya – counterpart funding could not be ascertained.

#### **5.0 Employee Costs**

Employee costs balance of Kshs.511,509,788 for the year ended 30 June 2015 include Kshs.168,059,701.60 in respect of personal allowances. However, audit verification revealed that the balance of Kshs.168,059,701.60 excluded various allowances amounting to Kshs.5,651,231.25 paid to the staff during the period under review. It was not clear how the allowances were accounted, for in these financial statements.

In the circumstances, the accuracy and completeness of employee costs balance of Kshs.511,509,788 for the year ended 30 June 2015 could not be ascertained.

#### **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 2015, and of its financial performance and of its cash flows for the year

then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science and Technology Act, Cap 250 of the Laws of Kenya.

## Other Matter

### Budgetary Control and Performance

According to the statement of comparison of budget and actual amounts, the Institute had an approved budget estimates of Kshs.1,321,011,803 for the financial year 2014/2015. Budget analysis revealed the following over expenditure:

Item	Budget	Actual	Over-expenditure	%
Special duty allowance	1,063,809	3,907,058	2,843,249	267
Internet connection	3,548,332	7,699,987	4,151,655	117
Catering services	2,298,536	4,670,984	2,372,448	103
Conference, seminar & workshops	-	2,624,226	2,624,226	
<b>Total</b>	<b>6,910,677</b>	<b>18,902,255</b>	<b>11,991,578</b>	<b>174</b>

The analysis revealed that the Institute over-spent overall by Kshs.11,991,578 or 174% on; special duty allowance by 267%, internet connection by 117%, and catering by 103% above the approved budget estimates. 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 Corporations Act, 1986.

In the circumstances, the Institute was in breach of the law. My opinion is not qualified in respect of this matter.



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

Nairobi

06 June 2016





KENYA MARINE AND FISHERIES RESEARCH  
INSTITUTE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR  
ENDED 30 JUNE 2015

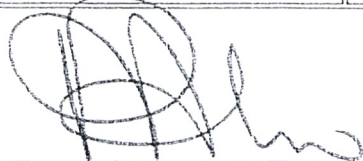
PARTICULARS	NOTE	2014/2015	2013/2014
<b>Revenue from non-exchange transactions:-</b>			
Government Grants	[ 12 ]	761,307,681	654,600,000
Donor Grants	[ 13 ]	491,546,960	554,275,427
<b>Revenue from exchange transactions:-</b>			
Surcharge fees	[ 14 ]	-	350
Sale of tender documents	[ 14 ]	109,000	150,000
Consultancy fees for service	[ 14 ]	605,360	212,450
Sale of fish & fingerlings	[ 14 ]	762,590	620,411
Student visits & attachment	[ 14 ]	389,010	347,145
Miscellaneous income	[ 14 ]	303,436	843,367
Sale of fish feed	[ 14 ]	639,695	41,840
Finance Income-(external investments)	[ 15 ]	664,712	466,960
Foreign exchange gain	[ 15 ]	175,812	39,375
<b>Total Revenue</b>		<b>1,256,504,257</b>	<b>1,211,597,326</b>
<b>Expenses:-</b>			
Employee costs	[ 16 ]	511,509,788	527,680,333
Board of Management Costs	[ 17 ]	1,361,810	3,419,412
General expenses	[ 18 ]	655,835,992	597,307,589
Bulk Purchase of water & electricity	[ 19 ]	7,880,425	8,581,456
Repairs and Maintenance	[ 20 ]	8,489,749	4,890,418
Depreciation & amortization expenses		55,548,212	25,186,092
<b>Total Expenses</b>		<b>1,240,625,976</b>	<b>1,167,065,299</b>
<b>Surplus/(Deficit) for the year</b>		<b>15,878,281</b>	<b>44,532,026</b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

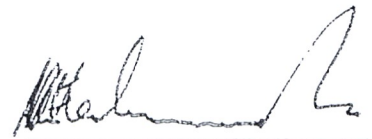
	Note	2014/2015		2013/2014	
<b>ASSETS</b>					
<b>Current Assets:-</b>					
Cash & Cash Equivalents	[ 3 ]	240,485,241		187,620,748	
Receivables from non-exchange transactions	[ 4 ]	64,188,295		81,521,571	
Receivables from exchange transactions - (Prepayments)	[ 4 ]	1,203,996	305,877,532	3,995,380	273,137,699
<b>Non-current Assets:-</b>					
Property, Plant & Equipment	[ 5 ]	425,257,565		421,672,768	
Work-in-progress	[ 5 ]	355,922			
Intangible Assets	[ 5 ]	734,756		2,939,024	
			426,348,243		424,611,792
<b>Total Assets</b>			<b>732,225,776</b>		<b>697,749,491</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:-</b>					
Trade & other payables from exchange transactions	[ 6 ]	8,300,966		4,054,343	
Trade & other payables from non exchange transactions	[ 6 ]	32,607,034		35,076,002	
			40,908,001		49,130,345
<b>Non-current Liabilities:-</b>					
Retirement Benefits Obligation	[ 7 ]	55,226,666	55,226,666	55,226,666	55,226,666
<b>Total Liabilities</b>			<b>96,134,666</b>		<b>104,357,010</b>
<b>TOTAL NET ASSETS</b>			<b>636,091,109</b>		<b>593,392,480</b>
<b>RESERVES:-</b>					
Capital Reserve	[ 8 ]		548,728,041	522,203,623	
Donations Reserve	[ 9 ]		108,008,355	107,712,426	
Revaluations Reserve	[ 10 ]		112,490,535	112,490,535	
Accumulated Deficit	[ 11 ]		(133,135,822)	(149,014,103)	
<b>TOTAL NET ASSETS &amp; RESERVES</b>			<b>636,091,109</b>		<b>593,392,480</b>

Signed:



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

Signed:



Dr. Renison Ruwa, PhD MBS  
AG. DIRECTOR/KMFRI

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

Note	Capital Reserve Kshs	Donations Reserve Kshs	Reval. Reserve Kshs	Accum. Deficit Kshs	TOTAL Kshs
Balance as at 1 July 2013	426,684,431	128,275,246	112,890,535	(193,546,129)	474,304,083
Development Grants/Donations	10,800,000	220,252	-	-	11,020,252
GOK Counterpart Funding	76,800,000	-	-	-	76,800,000
Value of Ksm Land	8,000,000	-	-	-	8,000,000
Revaluations in the year	-	-	-	-	-
Amortization	(80,808)	(20,783,072)	(400,000)	-	(21,263,880)
Surplus for the period	-	-	-	44,532,026	44,532,026
Balance as at 30 June 2014	522,203,623	107,712,426	112,490,535	(149,014,103)	593,392,481

**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
Balance as at 1 July 2014	522,203,623	107,712,426	112,490,535	(149,014,103)	593,392,481
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)
Revaluations in the year	-	-	-	-	-
Amortization	-	-	-	-	-
Surplus for the period	-	-	-	15,878,281	15,878,281
Balance as at 30 June 2015	548,728,041	108,008,356	112,490,535	(133,135,822)	636,091,109

NOTE: Capital Reserves constitute the cumulative amounts disbursed to KMFRI over the years by the Government for capital expenditure. Donations constitutes cumulative amounts of deficits as realized in KMFRI's statements of financial performance over the years. Revaluation Reserve constitutes the cumulative values of revalued assets over the years. Accumulated Deficit constitutes the cumulative amounts of 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 2015**

	Note	2014/2015	2013/2014
<b>Cash flow from Operating Activities</b>			
Surplus	12	15,878,228	44,531,026
Add:			
Depreciation Amortization Charge for the Year		55,548,212	25,187,092
<b>Working Capital Changes</b>		71,426,493	69,718,118
Increase from Non-Exchange Transactions	4	17,333,276	(75,372,472)
Increase Decrease in Receivables from Exchange Transactions	5	2,791,384	(3,502,715)
Decrease in Trade & Other Payables Non-Exchange Transactions	9	(5,753,377)	(36,737,339)
Increase Decrease in Other Payables from Exchange Transactions	10	(2,468,968)	12,976,504
Increase Decrease in Retirement Benefits Obligation	11	-	25,074,994
<b>Net Cash flows from operating activities</b>		<b>83,328,808</b>	<b>(8,098,909)</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net Cash flows from Investing Activities</b>			
Increase in W.I.P	7	(355,922)	-
Purchase of Fixed Assets	6	(57,768,393)	(59,411,110)
<b>Net Cash flows from Investing Activities</b>		<b>(58,124,315)</b>	<b>(59,411,110)</b>
<b>Cash Flows from Financing Activities</b>			
Development Grants	12	27,660,000	87,600,000
<b>Net cash flows from Financing Activities</b>			
<b>Net Increase in Cash and Cash Equivalents</b>		<b>52,864,493</b>	<b>20,089,981</b>
Cash and Cash Equivalents at the start		187,620,748	167,530,767
<b>Cash and Cash Equivalents at end of period</b>	3	<b>240,485,241</b>	<b>187,620,748</b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

GRANTS AND APPROPRIATION IN AID	BUDGET	ACTUAL	VARIANCE
	KShs	KShs	KShs
1300000 - GRANTS			
1300100 · GRANTS FROM INTER-ORGAN-(IDA/GEF-WB - KMFRI	480,872,052	433,396,605	-47,475,447
1300100 · GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDP-OTH	-		-
1300100 · GRANTS FROM OTHER INDIVIDUAL DONORS	72,898,131	58,150,355	-14,747,776
1300201 · GRANT FROM GOK -RECURRENT	651,520,000	651,186,061	-333,939
1300202 · GRANT FROM GOK - DEV.-CONSTRUCTION OF BUILDING	-	-	-
1300202 · GRANT FROM GOK - DEV.-CONSTRUCTION OF BUILDING	-	-	-
1300203 · GRANT FROM GOK - DEV.-PURCHASE OF VESSELS	110,121,620	110,121,620	-
1300204 · GRANT FROM GOK - DEV.-COUNTER PART FUNDING-KC	-		-
TOTAL GRANTS FROM GOK /DEV PARTNERS	1,315,411,803	1,252,854,641	-62,557,162
1300300 - APPROPRIATION -IN-AID			
1300306 · EDUCATIONAL VISITS AND ATTACHMENT FEES	150,300	389,010	238,710
1300301 · SURCHARGE FEES	-		-
1300302 · SALE OF TENDER DOCUMENTS	84,000	109,000	25,000
1300303 · DISPOSAL OF EQUIPMENT	500,000		-500,000
1300304 · CONSULTANCY FEE FOR SERVICES	-	605,360	605,360
1300305 · SALES AND FEES FOR SERVICES	2,639,673	762,590	-1,877,083
1300307 · MISCELLANEOUS INCOME	313,480	53,436	-260,044
1300308 · RENTAL INCOME	-	250,000	250,000
1300319 · SALE OF FISH FEED	-	639,695	639,695
TOTAL APPROPRIATION IN AID	3,687,453	2,809,091	-878,362
1300400 - INTEREST INCOME			
1300401 · INTEREST INCOME	1,912,547	664,712	-1,247,835
TOTAL INTEREST INCOME	1,912,547	664,712	-1,247,835
1300600 -EXCHANGE GAIN			
1300601 · EXCHANGE GAIN	-	175,812	175,812.00
TOTAL EXCHANGE GAIN	-	175,812	175,812.00
TOTAL REVENUE	1,321,011,803	1,256,504,256	-64,507,547

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

EXPENDITURE			
2211100 - BASIC SALARIES-PERMANENT EMPLOYEES.			
2211101 - BASIC SALARIES -KMFRI	303,308,405	293,075,501	10,232,904
2211102 - CASUAL LABOUR	563,100	442,330	120,770
TOTAL BASIC SALARIES	303,871,505	293,517,331	10,353,674
2211200 - PERSONAL ALLOWANCES - SALARY			
2211201 - HOUSE ALLOWANCE	88,157,790	88,038,207	119,573

NYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

2211202 · ACTING ALLOWANCE	1,200,365	1,208,671	-8,306
2211203 · HARDSHIP ALLOWANCE	5,793,900	5,757,500	36,400
2211204 · MEDICAL ALLOWANCE	9,851,030	9,846,328	4,703
2211205 · SPECIAL DUTY ALLOWANCE	1,063,809	3,907,058	-2,843,249
2211206 · TOP-UP ALLOWANCE	-	-	-
2211207 · TRANSFER ALLOWANCE	1,335,845	578,552	757,293
2211208 · RESPONSIBILITY ALLOWANCE	8,596,455	5,582,422	3,014,033
2211209 · ENTERTAINMENT ALLOWANCE	597,000	621,000	-24,000
2211210 · TRANSPORT (COMMUTER ) ALLOWANCE	47,636,980	47,597,384	39,596
2211211 · EXTRANEIOUS DUTY ALLOWANCE	1,348,337	614,333	734,004
2211212 · SANITATION ALLOWANCE	-	82,000	-82,000
2211213 · LEAVE ALLOWANCE	4,890,000	4,769,288	120,712
2211214 · BICYCLE ALLOWANCE	-	-	-
2211215 · RISK ALLOWANCE	81,000	-	81,000
<b>TOTAL PERSONAL ALLOWANCES</b>	<b>170,552,501</b>	<b>168,602,742</b>	<b>1,949,759</b>
<b>2211300 · PERSONAL ALLOWANCES - REIMBURSEMENT</b>			
2211301 · MEDICAL -IN PATIENT	9,495,421	10,554,400	-1,058,979
2211302 · TELEPHONE ALLOWANCE	-	-	-
<b>TOTAL PERSONAL ALLOWANCES REIMBURSEMENT</b>	<b>9,495,421</b>	<b>10,554,400</b>	<b>-1,058,979</b>
<b>2211400 · EMPLOYERS PENSION CONTRIBUTION</b>			
2211401 · NSSF -KMFRI CONTRIBUTION	1,416,100	1,933,300	-517,200
2211402 · PENSION -KMFRI CONTRIBUTION	27,639,065	36,838,250	-9,199,185
2211402 · PENSION -KMFRI CONVERSION COSTS DB-DC	1,500,000	-	1,500,000
2211403 · SERVICE GRATUITY	131,755	63,266	68,489
2211403 · SERVICE GRATUITY-VER PACKAGE	1,978,491	-	1,978,491

NYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

TOTAL EMPLOYERS PENSION CONTRIBUTION	32,665,411	38,834,819	-6,169,405
2211500 · UTILITIES SUPPLIES & SERVICES			
2211501 · ELECTRICITY EXPENSES	5,590,826	6,015,751	-424,935
2211502 · WATER AND SEWERAGE CHARGES	2,188,008	1,821,630	366,328
2211503 · GAS EXPENSES	38,937	42,935	-3,998
TOTAL UTILITIES SUPPLIES & SERVICES	7,817,821	7,880,425	-62,604
2211600 · COMMUNICATION, SUPPLIES & SERVICES			
2211601 · TELEPHONE, FAX, E-MAIL	4,414,127	4,242,828	171,304
2211602 · INTERNET CONNECTIONS	3,548,332	7,699,387	-4,151,655
2211603 · COURIER AND POSTAL SERVICES	503,132	623,370	-120,238
2211604 · LICENCING FEES FOR COMMUNICATION	5,400	5,400	-
TOTAL COMMUNICATIONS, SUPPLIES & SERVICES	8,470,991	12,571,585	-4,100,589
2211700 · DOMESTIC TRAVEL & SUBSISTENCE			
2211701 · TRAVEL COSTS	5,094,276	4,801,944	292,332
2211702 · ACCOMMODATION COSTS	-	117,500	-117,500
2211703 · DAILY SUBSISTENCE ALLOWANCE	10,093,700	21,834,544	-11,740,844
2211704 · SUNDRY ITEMS	29,750	-	29,750
2211705 · FIELD ALLOWANCE	-	12,250	-12,250
2211706 · RETREAT EXPENSES	785,600	-	785,600
TOTAL DOMESTIC TRAVEL & SUBSISTENCE	16,003,326	26,766,238	-10,762,912
2211800 · FOREIGN TRAVEL & SUBSISTENCE			
2211802 · TRAVEL COSTS	330,000	138,220	191,780
2211803 · ACCOMMODATION	-	-	-
2211804 · DAILY SUBSISTENCE ALLOWANCE	1,500,000	2,650,716	-1,150,716
2211805 · SUNDRY ITEMS	37,289	-	37,289
TOTAL FOREIGN TRAVEL & SUBSISTENCE	1,867,289	2,788,936	-921,647
2211900 · PRINTING, ADVERTISING & INFORMATION SUPPLIES & SERVICES			
2211901 · PUBLISHING AND PRINTING	2,251,723	1,169,457	1,082,256
2211902 · SUBSCRIPTION TO NEWSPAPERS, PERIODICALS & MAGAZINES	884,890	670,555	214,335

NYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

2211903 · ADVERTISING, AWARENESS AND PUBLICITY CAMPAIGNS	2,018,880	3,907,371	(1,888,491)
2211904 · TRADE, SHOWS & EXHIBITIONS	1,753,055	1,447,535	305,520
TOTAL PRINTING, ADVERTIZING, INFORMATION SUPPLIES & SERVICE	6,908,548	7,194,928	(286,380)
2212002 · RENTALS OF PRODUCED ASSETS			
2212002 · RENT AND RATES - NON RESIDENTIAL	793,494	810,225	(16,731)
2212003 · HIRE OF TRANSPORT	3,300,856	3,410,982	(110,126)
2212004 · HIRE OF EQUIPMENT, PLANT, MACHINERY	-	-	-
TOTAL RENTALS OF PRODUCED ASSETS	4,094,350	4,221,207	(126,857)
2212101 · TRAINING EXPENSES			
2212102 · TRAVEL ALLOWANCE	-	65,000	(65,000)
2212102 · REMUNERATION OF INSTRUCTORS	-	-	-
2212103 · PRODUCTION OF TRAINING MATERIAL	100,000	-	100,000
2212104 · HIRE OF TRAINING FACILITIES	-	344,148	(344,148)
2212105 · TRAINER ALLOWANCE	210,000	-	210,000
2212107 · ACCOMMODATION ALLOWANCE TRAINERS	36,000	-	36,000
2212108 · TRAINING EXPENSES - TUITION FEES	2,375,700	3,776,385	(1,400,685)
2212109 · TRAINING ALLOWANCE	-	-	-
2212110 · ISO CERTIFICATION & OTHER EXPENSES	4,306,728	4,463,201	(156,473)
2212111 · SUNDRY TRAINING EXPENSES	-	42,678	(42,678)
2212112 · ERP TRAINING	400,000	-	400,000
TOTAL TRAINING EXPENSES	7,428,428	8,691,412	(1,262,984)
2212200 · HOSPITALITY SUPPLIES & SERVICES			
2212201 · CATERING SERVICES	2,298,536	4,670,984	(2,372,448)
2212202 · BOARD AND COMMITTEES EXPENSES	-	-	-
2212203 · FUNERAL EXPENSES	-	179,250	(179,250)

NIYA MARINE AND FISHERIES RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

2211204 · BOARD ALLOWANCES	400,000	539,583	-139,583
2211205 · CONFERENCE, SEMINAR & WORKSHOP	-	2,624,726	-2,624,726
2211207 · BOARD TRAVEL EXPENSES	300,000	377,813	-77,813
2211208 · BOARD OF MANAGEMENT & RELATED EXPENSES	450,000	444,314	5,686
TOTAL · HOSPITALITY SUPPLIES & SERVICES	3,448,536	8,836,270	-5,387,734
2212200 · PURCHASE OF COFFINS			
2212203 · PURCHASE OF COFFINS	151,350	179,250	-27,900
TOTAL · PURCHASE OF COFFINS	151,350	179,250	-27,900
2212300 · INSURANCE COSTS			
2212301 · GROUP PERSONAL INSURANCE	4,435,525	3,435,525	1,000,000
2212302 · BUILDINGS INSURANCE	400,000	-	400,000
2212303 · INSURANCE OF MOTOR VEHICLES	2,590,533	2,124,727	465,806
2212304 · AIRCRAFTS, BOATS & OTHERS	1,300,000	-	1,300,000
2212305 · INSURANCE FOR BOARD MEMBERS	550,000	-	550,000
2212306 · MEDICAL INSURANCE	8,000	16,000	-8,000
2212307 · GROUP PERSONAL ACCIDENT COVER	850,000	334,454	515,536
TOTAL · INSURANCE COSTS	10,134,058	5,910,716	4,223,342
2212400 · RESEARCH PROGRAMMES			
2212401 · DONOR FUND EXPENSES	551,887,730	517,772,772	34,114,958
2212402 · SEED EXPENSES-Research	15,064,930	10,562,053	4,102,937
2212405 · RV MTA FITI	110,121,620	12,370,280	97,751,340
TOTAL · RESEARCH PROGRAMMES	677,074,340	541,105,105	135,969,235
2212500 · SPECIALISED MATERIAL & SUPPLIES			
2212501 · LABORATORY MATERIALS	2,362,564	2,034,243	328,321
2212502 · EDUCATION AND LIBRARY SUPPLIES	-	-	-
2212503 · FOOD AND RATIONS	-	-	-
2212504 · UNIFORMS AND CLOTHING	231,890	2,593	229,297
2212505 · PURCHASE OF SPECIMEN	113,359	99,130	19,229
2212506 · DRUGS, INSECTICIDES, SPRAYS	1,300	1,150	150
2212507 · FISH FEEDS	762,505	982,657	-220,062
2212508 · PURCHASE OF FISH TAGS	-	250	-250
2212509 · FARM INPUTS	25,100	21,000	4,010
TOTAL · SPECIALIZED MATERIAL & SUPPLIES	3,501,318	3,141,123	360,195
2212600 · OFFICE & GENERAL SUPPLIES			
2212601 · GENERAL OFFICE SUPPLIES	5,251,349	4,579,148	672,201
2212602 · COMPUTER SUPPLIES & ACCESSORIES	2,870,862	2,727,252	143,610
2212603 · SANITARY & CLEANING MATERIALS	2,209,220	806,581	1,402,639
TOTAL · OFFICE & GENERAL SUPPLIES	10,331,431	8,112,981	2,218,450
2212700 · FUEL OIL AND LUBRICANTS			
2212701 · REFINED FUELS & LUBS FOR TRANSPORT	2,240,420	2,677,590	-437,170
2212702 · OTHER FUELS (WOOD, CHARCOAL etc)	30,000	-	30,000
TOTAL · FUELS OILS & LUBRICANTS	2,270,420	2,677,590	-407,170
2212800 · OTHER OPERATING EXPENSES			
2212801 · BANK CHARGES	269,562	924,698	-655,136
2212802 · MEDICAL EXPENSES-FIRST AID KITS	-	911,873	-911,873
2212803 · CONTRACTED GUARDS & CLEANING SERVICES	11,015,640	15,996,534	-4,980,894
2212804 · SUBSCRIPTIONS TO PROF. BODIES	155,154	1,003,154	-848,000
2212805 · LEGAL, ARBITRATION, COMPENSATION	242,000	242,000	-
2212805 · CONTRACTED PROFESSIONAL SERVICE-CONSULTANC ES	4,800,000	2,361,899	2,438,101
2212807 · CONTRACTED TECHNICAL SERVICES-SERVICE CONTRAC	656,566	453,500	203,066
2212807 · CONTRACTED TECHNICAL SERVICES-SERVICE CONTRAC	-	-	-

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

2212807 · CONTRACTED TECHNICAL SERVICES-SERVICE CONTRACT	-	-	-
2212808 · WITNESS EXPENSES	-	-	-
2212809 · PARKING CHARGES	25,933	23,620	2,313
2212810 · DEPRECIATION OF FIXED ASSETS	-	55,548,212	-55,548,212
2212811 · EXCHANGE LOSS	-	59,186	-59,186
2212812 · DONATIONS	-	24,863	-24,863
2212816 · SUNDRY EXPENSES	-	18,850	-18,850
2212817 · LICENCE FEE DRIVERS	-	3,550	-3,550
2212819 · CONTRACTED PROFESSIONAL SERVICE-AUDIT	580,000	580,000	-
<b>TOTAL · OTHER OPERATING EXPENSES</b>	<b>17,744,855</b>	<b>80,548,677</b>	<b>-60,407,084</b>
2212900 · ROUTINE MAINTENANCE -VEHICLES & VESSELS			
2212901 · MAINTENANCE OF MOTOR VEHICLES	3,063,715	3,700,556	-636,841
2212902 · MAINTENANCE OF BOATS, FERRYS, MARINE EQUIPMENT	0	287,573	-287,573
2212903 · MAINTENANCE OF RESEARCH VESSELS	2,279,495	1,342,622	936,873
<b>TOTAL · ROUTINE MAINTENANCE OF VEHICLES</b>	<b>5,343,210</b>	<b>5,330,752</b>	<b>12,458</b>
2213000 · ROUTINE MAINTENANCE-OTHER ASSET			
2213001 · MAINTENANCE OF PLANTS/EQUIPMENTS	204,610	222,236	-17,626
2213002 · MAINTENANCE OF OFFICE FURNITURE	80,310	75,130	5,180
2213003 · MAINTENANCE OF BUILDINGS -NON RESIDENTIAL	4,038,130	2,620,407	1,417,723
2213004 · MAINTENANCE OF CIVIL WORKS	-	300	-300
2213005 · MAINTENANCE OF COMPUTERS, SOFTWARE	151,449	195,024	-43,575
2213006 · MAINTENANCE OF WATER SUPPLIES & BOREHOLES	75,900	45,900	30,000
<b>TOTAL · ROUTINE MAINTENANCE-OTHER ASSETS</b>	<b>4,550,399</b>	<b>3,158,997</b>	<b>1,391,402</b>
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>1,303,726,008</b>	<b>1,240,625,976</b>	

1300202. GRANTS FROM GOK-DEVELOPMENT	9,720,000	15,153,774	5,433,774
1300202. GRANTS FROM GOK-DEVELOPMENT b/fwd	46,914,317	-	46,914,317
1300203. GRANT FROM GOK - DEV.-PURCHASE OF VESSELS	-	-	-
1300204. GRANT FROM GOK - DEV.-COUNTER PART FUNDING-KCD	45,600,000	35,652,051	9,947,949
1300204. GRANT FROM GOK - DEV.-COUNTER PART FUNDING-KCD	72,462,026	-	72,462,026
1300100. GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDF-KMFR	404,935,160	-	404,935,160
1300100. GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDF-DISEU	366,663,849	-	366,663,849
1300100. GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDF-b/fwd	144,696,821	-	144,696,821
TOTAL DEVELOPMENT EXPENDITURE	1,090,992,173	50,805,825	1,040,186,348
GRAND TOTAL - EXPENDITURE	2,394,718,181	1,291,431,801	1,040,186,348

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2015

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.

**ii. Consolidation Principle**

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 flow 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 plant and equipment as a replacement if the recognition criteria are

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### 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 KMFR;
- ❖ 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.

## 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:

**Credit risk**

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

The Institute is exposed to credit risk which primarily arises from advances made to her staff members, for instance 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 annual or more frequent review.

**Liquidity risk**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 3. CASH &amp; CASH EQUIVALENTS

	2014/2015	2013/2014
	Kshs.	Kshs.
Recurrent A/c's	133,813,712	5,283,545
Development A/c	37,666,797	51,478,627
Revenue A/c's	3,034,272	1,300,235
Recurrent Cash A/c	34,092	-
Seed A/c's	334,903	3,134,558
Projects A/c's	65,627,690	114,860,320
Seed Cash A/c's	723	191,870
Cash in transit	-	(3,596,555)
Cash & Bank balances	240,512,188	172,652,600
Fixed Deposit A/c	-	14,968,149
<b>Total</b>	<b><u>240,485,241</u></b>	<b><u>187,620,749</u></b>

## 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014/2015	2013/2014
	Kshs.	Kshs.
Medical Advance	6,461,769	5,230,884
Salary Advance	2,315,324	945,308
Temporary Imprest	2,057,083	1,153,528
Staff Debtors	1,628,234	270,123
Other Debtors	221,215	221,215
<b>Sub-Total</b>	<b><u>12,683,625</u></b>	<b><u>7,821,058</u></b>
KCDP - Counterpart A/c	-	28,500,000
GOK Grants	54,293,333	43,126,065
KCDP PCU A/c	-	2,074,448
<b>Total Accounts Receivable</b>	<b><u>66,976,958</u></b>	<b><u>73,700,513</u></b>

## 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014/2015	2013/2014
	Kshs.	Kshs.
Motor Vehicle Insurance Cover	736,474	559,855
Group Personal Accident Cover	467,522	3,435,525
Research Vessels Insurance Cover	-	-
Staff Pension Arrears	-	-
Group Life Insurance Cover	-	-
<b>Total</b>	<b><u>1,203,996</u></b>	<b><u>3,995,380</u></b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

CONTIGENT ASSETS

A sum of Sh. 4,500,000 is due from a former contracted KMFRRI 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 STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**6. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

	Land Lease Hold	Land Free Hold	Buildings	Plant, Lab & Equipment	Research Vessels	Motor Vehicles	Furniture, fixtures & Office Equipment	Computers	Library Books	Computer Software	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Asset Cost as at 1 <sup>st</sup> July 2014	47,408,000	3,292,000	326,589,696	13,192,180	75,390,636	76,957,621	20,796,785	23,412,941	16,820,302	7,347,560	611,207,722
Additions	-	-	15,153,774	4,174,248	-	35,652,051	1,215,505	1,572,816	-	-	57,768,393
Error adjustment: Cost of Buildings	-	-	(1,135,582)	-	-	-	-	-	-	-	(1,135,582)
Additions	-	-	-	-	-	-	-	-	295,930	-	295,930
Revaluations B/Fwd	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-
Total Cost: 30 June 2015	47,408,000	3,292,000	340,607,888	17,366,428	75,390,636	112,609,671	22,012,291	24,985,757	17,116,232	7,347,560	668,136,463
Accumulated Depreciation:											
1 July 2014:-	2,983,037	-	36,397,394	8,292,073	4,578,768	15,004,927	10,712,115	16,759,749	5,400	4,408,536	99,141,999
For additions B/Fwd	-	-	-	-	-	26,612,858	-	-	15,513,427	-	87,453,929
For Rev. B/Fwd	-	-	-	-	-	-	-	-	-	-	-
Depreciation Grand Total B/Fwd	2,983,037	-	36,397,394	8,292,073	49,906,412	41,617,785	10,712,115	16,759,749	15,518,827	4,408,536	186,595,928
Asset	Land Lease Hold	Land Free Hold	Buildings	Plant, Lab & Equipment	Research Vessels	Motor Vehicles	Furniture, fixtures & Office Equipment	Computers	Library Books	Computer Software	Total

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**6. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Depreciation Charge for the year	533,774	-	8,515,197	1,612,521	465,331	12,190,608	2,751,536	3,491,906	1,800	2,201,268	31,766,941
Purchased Assets	-	-	-	-	-	-	-	-	-	-	-
Donated Assets	-	-	-	-	8,733,755	14,655,582	-	-	391,934	-	23,781,271
Depreciation write-off	-	-	-	-	-	-	-	-	-	-	-
Revalued Assets	-	-	-	-	-	-	-	-	-	-	-
Depreciation Charge for the year:	533,774	-	8,515,197	1,612,521	9,199,086	26,846,190	2,751,536	3,491,906	393,734	2,704,268	55,548,217
Depreciation Charge Grand Total as at 30 June 2015:											
Depreciation Total C/Fwd	3,516,811	-	44,912,591	9,904,594	59,105,498	68,463,975	13,463,651	20,251,655	15,912,561	6,612,804	242,144,140
Net Book Values B/Fwd											
Balwd 1 July 2014:	47,408,000	3,292,000	376,589,696	13,195,180	5,570,598	25,955,531	20,796,786	23,412,941	9,000	-	327,545,539
Purchased Assets	-	-	-	-	-	-	-	-	-	-	-
Donated Assets	-	-	-	-	69,870,038	51,002,090	-	-	16,811,301	-	137,683,429
Revalued Assets	-	-	-	-	-	-	-	-	-	-	-
Total B/Fwd	47,408,000	3,292,000	376,589,696	13,192,180	75,399,636	76,957,621	20,796,786	23,412,941	16,923,862	7,317,560	611,247,737
Asset	Land Lease Hold	Land Free Hold	Buildings	Plant, Lab & Equipment	Research Vessels	Motor Vehicles	Furniture, fixtures & Office Equipment	Computers	Library Books	Computer Software	Good



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE  
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)

6. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

8. INTANGIBLE ASSETS AS AT 30 JUNE 2015

Asset	Computer Software	Total
Cost 1 July 2014	7,347,560	7,347,560
Additions		
Total Cost: 30 June 2015	7,347,560	7,347,560
Accumulated Depreciation:		
1 July 2014:	4,408,536	4,408,536
For additions B4Fwd		
Change for the Year:	2,204,268	2,204,268
Accumulated depreciation: Total as at 30 June 2015	6,612,804	6,612,804
Net Book Values as at 30 June 2015	734,756	734,756

FULLY DEPRECIATED ASSETS

As at 30 June 2015, some assets which were still in use were fully depreciated and the notional depreciation charge for the same is as shown against their values as follows:- Plant and Office Equipment value Kshs. 4,466,260 and the notional depreciation charge is Kshs. 558,283, Research Vessels value Kshs. 1,797,948 and the notional depreciation charge is Kshs. 459,590 Motor Vehicles value Kshs. 5,224,430 and the notional depreciation charge is Kshs. 1,306,108. Computers value Kshs. 13,343,219 and the notional

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2014/2015	2013/2014
	Kshs.	Kshs.
Trade & Other Payables	8,300,966	14,054,343
Retirement Benefits Obligation	-	-
<b>Total</b>	<b><u>8,300,966</u></b>	<b><u>14,054,343</u></b>

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

	2014/2015	2013/2014
	Kshs.	Kshs.
Breakdown of other liabilities is as below:		
Payroll Liabilities- Net salary payable etc.	4,389,067	1,572,356
Payroll Bank Loan Deductions	3,509,085	7,193,047
Statutory Deductions	6,283,004	7,144,425
Co-operative Loan Deductions	6,743,628	8,820,935
Insurance Deductions	643,884	268,453
Hire purchase Deductions	50,756	43,530
Staff Welfare Deductions	276,720	295,566
Staff Union Deductions	275,722	273,172
Pension Contribution	6,553,417	-
Other general liabilities	2,883,019	-
House Rent Deductions	642,810	9,464,518
Retention Fee Payable	355,922	-
<b>Total</b>	<b><u>32,607,034</u></b>	<b><u>35,076,002</u></b>

## 11. RETIREMENT BENEFITS OBLIGATION

	2014/2015	2013/2014
	Kshs.	Kshs.
Retirement Benefits Obligation b/fwd	55,226,666	30,146,666
Less: Payments made in the year	-	-
Balance	-	30,146,666
Add/(Less): Accrued amount	-	<u>25,079,999</u>
<b>Total 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 pension fund which was done in 2009.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

12. CAPITAL RESERVE

	2014/2015 Kshs.	2013/2014 Kshs.
Balance B/Fwd	522,203,623	426,684,431
Additions:		
Development A/c	4,860,000	13,800,000
Counterpart A/c	22,800,000	76,800,000
Ksm Land	-	8,000,000
Amortization/Adj.	(4,135,582)	(80,303)
<b>Capital Reserve Bal. C/Fwd</b>	<b><u>548,728,041</u></b>	<b><u>522,203,623</u></b>

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

13. DONATIONS RESERVE

	2014/2015 Kshs.	2013/2014 Kshs.
Balance b/fwd	107,712,426	128,275,246
Additional	<u>295,930</u>	<u>220,252</u>
Total	108,008,356	128,495,498
Less: Depreciation	<u>-</u>	<u>(20,783,072)</u>
<b>Donations – Balance C/Fwd</b>	<b><u>108,008,356</u></b>	<b><u>107,712,426</u></b>

Donations Reserves constitutes the cumulative values of donated assets to KMFRI over the years.

14. REVALUATIONS RESERVE

	2014/2015 Kshs.	2013/2014 Kshs.
Balance b/fwd	112,490,535	112,890,535
Additional	<u>-</u>	<u>-</u>
	112,490,535	112,890,535
Less: Depreciation	<u>-</u>	<u>400,000</u>
<b>Revaluation Reserve</b>	<b><u>112,490,535</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

	2014/2015 Kshs.	2013/2014 Kshs.
Accumulated Deficit B/Fwd	(149,014,103)	(193,546,129)
Additional Surplus	<u>15,878,281</u>	<u>44,532,026</u>
<b>Accumulated Fund</b>	<b><u>(133,135,822)</u></b>	<b><u>(149,014,103)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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

## 16. GOVERNMENT GRANTS

## (a) RECURRENT GRANTS

MONTH	2014/2015	2013/2014
	Kshs	Kshs
July	43,126,065	37,575,000
August	43,460,000	37,575,000
September	43,460,000	43,126,065
October	43,460,000	43,126,065
November	43,460,000	43,126,065
December	43,460,000	43,126,065
January	43,460,000	43,126,065
February	54,293,333	2,700,000
February	75,833,331	43,126,065
March	54,293,333	43,126,065
April	54,293,333	43,126,065
May	54,293,333	43,126,065
May	54,293,333	145,489,350
June		43,126,065
<b>(A) TOTAL</b>	<b>651,186,061</b>	<b>654,600,000</b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(b) R.V MTAFITI RECURRENT GRANTS

GOK R.V MTAFITI GRANTS		
Month	K.shs.	
	2014/2015	2013/2014
December	55,060,810	-
March	55,060,810	-
<b>(B) TOTAL</b>	<b>110,121,620</b>	<b>-</b>
<b>GRAND TOTAL (A+B)</b>	<b>761,307,681</b>	<b>654,600,000</b>

17. DONOR GRANTS

NAME OF PROJECT	2014/2015	2013/2014
Kenya Coastal Development Project- IDA	390,406,516.15	65,064,863.00
Kenya Coastal Development Project-GEF	42,990,089.25	32,925,984.00
Kenya Coastal Development Project-PCU	-	403,307,562.00
Western Indian Ocean Marine Scientist Association (Wiomsa)	11,554,782.88	-
National Council For Science & Technology Project (Ncst)	2,148,950.00	-
Icoast	-	3,852,533.00
Odinafrica Project	385,704	1,279,285.00
Ifs Fish Protection	-	277,272.00
Secure Fish Project	3,694,424.79	3,801,353.00
Stockholms University	7,014,751.15	2,010,830.00
Capacity Building For Mangrove Assessment Restoration And Valuation (Camarv)	4,021,456.00	3,165,381.00
Blue Forest	5,656,109.65	-
Food Agricultural Organization (FAO)	343,268.64	3,647,152.00
Kenya Agricultural Prod. & Agri-Business Project	17,468,000.00	19,030,000.00
Radiosotopes	700,000	300,000.00
Asareca Project	-	4,239,759.00
Ifs Fish Protection	-	277,272.00

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

It's Spear Fish	-	-
Oxfam Gb	-	1,841,675.00
Worldwide Nature	-	646,380.00
Lighthouse Foundation	-	-
Microenterprise Support Trust (Mespt)	-	-
International Oceans Institute -IOI	-	-
Alguhas & Somali Current Large Marine Ecosystems (Asclme)	-	-
Masma Mangrove	-	-
Artemia Project	3,037,861.25	-
Micro-Project	-	1,633,036.00
Other Small Projects	2,125,046.70	7,222,362.00
<b>TOTAL KSHS</b>	<b>491,546,960.46</b>	<b>554,275,427.00</b>

18. (a) FINANCE INCOME

	2014/2015 Kshs.	2013/2014 Kshs.
Fixed Deposit	<u>664,712</u>	<u>466,960</u>

(b) FOREIGN EXCHANGE GAIN

	2014/2015 Kshs.	2013/2014 Kshs.
Gain in the year	<u>175,812</u>	<u>39,375</u>

19. OTHER INCOME

	2014/2015 Kshs.	2013/2014 Kshs.
Surcharge Fees	-	350
Sale of Tender Documents	109,000	150,000
Other Incomes:		
Fees for services/Consultancies	605,360	212,450
Sale of fish and fish fingerlings	762,590	620,411
Student visits & attachment	389,010	347,145
Miscellaneous Income	303,436	924,582
Sale of fish feeds	<u>639,695</u>	<u>41,840</u>
<b>Total</b>	<b><u>2,809,091</u></b>	<b><u>2,254,938</u></b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

20. EMPLOYEE COSTS

	2014/2015 Kshs.	2013/2014 Kshs.
Basic salaries	293,517,331	310,394,311
Personal Allowances	168,602,741	156,547,477
Service Gratuity	63,266	4,514,701
Personal Allowances-Reimbursements	15,308,363	6,461,814
Pension Contribution by employer	38,771,550	45,962,037
<b>Total</b>	<b><u>514,263,751</u></b>	<b><u>527,680,331</u></b>

21. BOARD OF MANAGEMENT COSTS

	2014/2015 Kshs.	2013/2014 Kshs.
Board Allowances	539,683	1,909,636
Travel Costs	377,813	532,379
Other Board related expenses	444,314	973,377
<b>Total</b>	<b><u>1,361,810</u></b>	<b><u>3,415,412</u></b>

22. GENERAL EXPENSES

	2014/2015 Kshs.	2013/2014 Kshs.
Communication, Supplies & Services	12,571,580	3,431,089
Travel & Subsistence	29,555,174	16,987,311
Printing, Advertizing & Information	7,194,928	6,795,492
Rentals of Produced Assets	4,221,207	3,422,680
Training Expenses	4,228,211	2,185,283
ISO Certification expenses	4,463,201	1,167,480
Hospitality Supplies & Services	7,474,460	3,672,970
Insurance Costs	5,910,716	7,533,610
Research Programs	543,101,095	525,234,054
Specialized Material & Supplies	3,141,123	-
Office & General Supplies	8,112,981	6,070,806
Fuels, Oil and Lubricants	2,677,590	2,149,399
Other Operating Expenses	22,603,726	17,583,416
Contracted services – Audit Fee	580,000	580,000
<b>Total</b>	<b><u>655,835,992</u></b>	<b><u>597,307,589</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 23. BULK PURCHASES OF WATER AND ELECTRICITY

	2014/2015 Kshs.	<u>2013/2014</u> Kshs.
Electricity & Gas Expenses	6,058,746	
Water & Sewerage Charges	<u>1,821,680</u>	
Total	<u>7,880,426</u>	<u>8,581,456</u>

## 24. REPAIRS AND MAINTENANCE

	2014/2015 Kshs.	<u>2013/2014</u> Kshs.
Maintenance of Motor Vehicle	3,063,715	
Maintenance of Vessels	2,279,495	
Maintenance of Buildings	<u>3,146,539</u>	
Total	<u>8,489,749</u>	<u>4,890,417</u>

## 25. RELATED PARTY TRANSACTIONS

	2014/2015 Kshs.	2013/2014 Kshs.
Contributions to KMFR I Pension Fund	36,838,250	73,633,860

KMFR I has in place a pension scheme in which the employer contributes 22% and the employees 7.5%. In the management of the fund, the employer nominates three members to the Board of Trustees and the employees 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.

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (CONT.) PROGRESS ON FOLLOW-UP OF AUDITOR GENERAL'S RECOMMENDATIONS FOR THE FINANCIAL YEAR 2013/2014

In the year under review, the Institute endeavored to follow-up on the audit recommendations as explained here below.

#### **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. However, initiatives are in place in acquiring title deeds for the aforementioned pieces of land.

The Mtwapa land was allocated to KARI and partially ceded to KMFRI was grabbed by private developers and the matter is in the hands of the Ethics and Anti-Corruption Authority for investigation. It is expected that investigations will lead to the repossession of the land by the Government and reversion of the same to KMFRI.

The Institute constituted a task-force to follow-up the land matters to conclusion. Among the issues to be tackled by the task-force was to obtain first-hand information on the status of these pieces of land and pursue the acquisition of documents of ownership for the pieces of land mentioned above. In this respect, the task-force members visited Shimoni, Turkana, Sangooro and Baringo in obtaining information on these pieces of land. The work of the task-force is still in progress.

#### **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. The Institute could not factor the value of the vessel in its assets register for lack of documents of ownership. The Institute is making arrangements for the valuation of the vessel during the 2015-2016 financial year. Once the vessel is professionally valued, it shall be included in the financial statements as appropriate.

#### **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 Kongowea Plot. The Institute compiled a report as requested and submitted it to the Authority.

