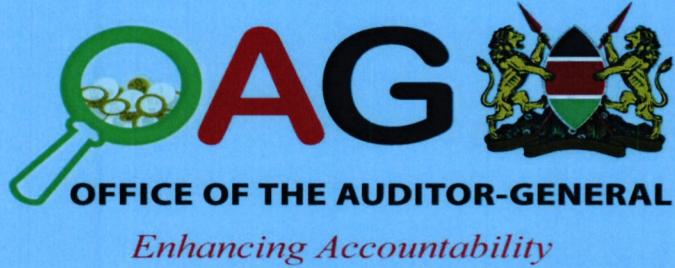



REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	DATE: 23 SEP 2021
	DAY: Thursday
TABLED BY:	L.O'M
CLERK-AT-THE-TABLE:	Mainah Wanjiku

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**KENYA MARINE AND FISHERIES
RESEARCH INSTITUTE**

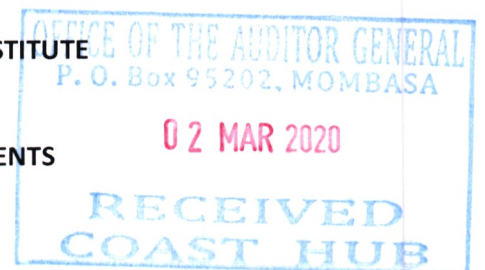
**FOR THE YEAR ENDED
30 JUNE, 2019**



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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



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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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 However, Cap 250 has since been repealed by the Science, Technology and Innovation Act, No.28 of 2013.

(b) Principal Activities

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

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

Vision

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

Mission

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

Strategic Objectives

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

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

(c) **Key Management**

During the period, KMFRI Board Members were as below:

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

(d) **Fiduciary Management**

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

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

(e) **Fiduciary Oversight Arrangements**

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

The Finance and Human Resource Committee

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

The Board Audit and Risk Management Committee

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

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD OF MANAGEMENT



Hon. John Safari Mumba
Chairman, Board of Management

Key Academic Qualifications

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

Date of Birth:



1946

Date of Appointment:

21st September, 2018

Work Experience:

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

 <p>Ms. Dorcas Mghoi Mlughu Chair, Board Audit and Risk Management Committee</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Degree in International Relations and Diplomacy, Kenya Methodist University, 2015 • Diploma in Mass Communication and Public Relations from Multimedia University College of Kenya • National Democratic Institute training on women in politics and leadership (NDI) in May 2017. • Attended Kenya Women Parliamentary Association workshop on women leadership and politics (KEWOPA). 	<p>Date of Birth 1986</p> <p>Date of Appointment 14th December 2018</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Political radio host at Royal Media Service’s Bahari FM. • A presenter, as well as the producer of famous Taita Radio programme - Kwasinda. • Sales Supervisor at Telkom (K) & Zain. • News anchor at Radio MMU.
 <p>Prof. Suhaila Omar Hashim;</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> ▪ PhD in Biotechnology, Lund Univ. Sweden. ▪ Msc in Biochemistry. ▪ Bsc in Biochemistry & n Biology 	<p>Date of Birth 1972</p> <p>Date of Appointment 3rd May 2019</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Senior Lecturer and Head of the Department – Chemistry and Biochemistry, Pwani University. • Acting Dean, School of Pure & Applied Sciences. • Teaching and Training at undergraduate and postgraduate levels. • Co-chairperson of steering committee of proposed Pwani University Health Research Institute.



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

Key Qualifications

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

Date of Birth

1958

Date of Appointment

14th December 2018

Work Experience

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



Mr. Valentine Mwisaka Mwakamba;

Key Qualifications

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

Date of Birth

6th Nov, 1958

Date of Appointment

3rd May 2019

Work Experience

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



Mr. Farid Ahmad Swaleh

Key Qualifications:

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

Date of Birth
1973

Date of Appointment
3rd May 2019

Work Experience

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



Ms. Nancy Kagau

Key Qualifications:

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

Date of Birth
1960

Date of Appointment:
9th June 2017

Work Experience

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



Dr. Indeje Wanyama, PhD

Key Qualifications:

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

Date of Birth

1969

Date of Appointment

16th April 2018

Work Experience

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



Ms Rachel Nyambura Mbugua

Key Qualifications:

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

Date of Birth: 1981

Date of Appointment: 6th June 2017

Work Experience

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



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

Key Qualifications:



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

Date of Birth: 1965

Area of Responsibility

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

MANAGEMENT TEAM

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

<div data-bbox="333 232 598 555" data-label="Image"> </div> <div data-bbox="327 555 638 589" data-label="Caption"> <p>Dr. Enock Wakwabi, PhD</p> </div> <div data-bbox="226 663 414 696" data-label="Section-Header"> <p>Qualifications:</p> </div> <div data-bbox="274 734 874 1025" data-label="List-Group"> <ul style="list-style-type: none"> • PhD in Marine Science from the University of Gent, Belgium • MSc. in Hydrobiology from the University of Nairobi • Bachelor of Education in Botany, Zoology & Education from the University of Nairobi • Post graduate Diploma (PGD) in Fisheries from the University of Bergen, Norway </div>	<div data-bbox="890 143 1251 174" data-label="Text"> <p>Date of Birth: 1955</p> </div> <div data-bbox="890 253 1169 286" data-label="Section-Header"> <p>Area of Responsibility</p> </div> <div data-bbox="938 291 1399 432" data-label="List-Group"> <ul style="list-style-type: none"> • Deputy Director (Freshwater Systems) • In-charge of freshwater systems research directorate. </div>
<div data-bbox="338 1178 609 1518" data-label="Image"> </div> <div data-bbox="327 1518 689 1585" data-label="Caption"> <p>CPA Abraham John Kagwima ICPAK REG. NO. 2954</p> </div> <div data-bbox="226 1626 414 1659" data-label="Section-Header"> <p>Qualifications:</p> </div> <div data-bbox="274 1697 865 1839" data-label="List-Group"> <ul style="list-style-type: none"> • Masters of Business Administration (Finance Option) • Certified Public Accountant (K) ICPAK REG. NO. 2954 </div>	<div data-bbox="890 1223 1251 1254" data-label="Text"> <p>Date of Birth: 1969</p> </div> <div data-bbox="890 1294 1169 1328" data-label="Section-Header"> <p>Area of Responsibility</p> </div> <div data-bbox="938 1332 1399 1473" data-label="List-Group"> <ul style="list-style-type: none"> • Deputy Director (Finance & Administration). • Head of Finance and Administration Directorate. </div>



Dr. Jonathan Munguti, PhD

Qualifications:

- PhD - University of Natural Resources and Applied Life sciences Vienna, Vienna, Austria
- MSc. environmental science and technology (Limnology & Wetland Ecosystems) IHE. Delft the Netherlands
- B. Ed Sc. Hons (Zoology/chemistry), Moi University, Eldoret, Kenya

Date of Birth: 1974

Area of Responsibility

- Acting Deputy Director (Aquaculture)
- In-charge of aquaculture & mariculture research directorate.

CHAIRMAN'S STATEMENT

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

ACHIEVEMENTS DURING THE FINANCIAL YEAR 2018/2019

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

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

ONGOING INITIATIVES

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

FUTURE PROSPECTS OF THE INSTITUTE

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

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



Hon. John Safari Mumba
CHAIRMAN, KMFRI BOARD OF MANAGEMENT

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

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

ACHIEVEMENTS DURING THE PERIOD

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

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

ONGOING PROJECTS

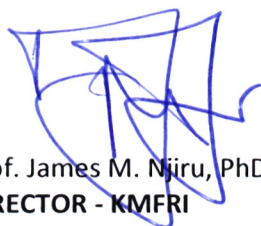
Through the individual donor research programmes, the Institute continued to implement various other projects including Tuna study supported by WIOMSA, Pathway to food security in Lake Victoria, Kenya -World Bank, Building a strategic framework for aquaculture education in Kenya-VLIROUS, Enhancing Climate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

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

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

COMPLIANCE WITH THE LAWS AND REGULATIONS

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



Prof. James M. Njiru, PhD
DIRECTOR - KMFRI

CORPORATE GOVERNANCE STATEMENT

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

Board of Management

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

Board work plan and meetings

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

Board Committees

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

During the year, the Board established the following committees:

The Board Audit and Risk Management Committee

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

Scientific and Technical Committee

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

Finance and Human Resource Committee

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

MANAGEMENT DISCUSSION AND ANALYSIS

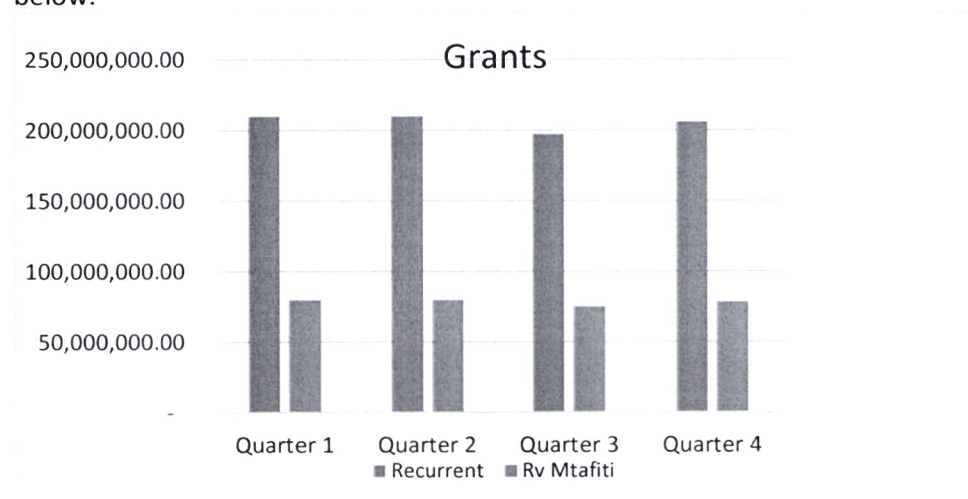
Operational performance

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

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

Financial performance

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



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

Expenditure Performance Overview

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

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

Entity's compliance with statutory requirements

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

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

Major risks facing the entity

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

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

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

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

- iii. Sub-optimal staff capacity

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

- iv. Cyber security threats

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

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

Shimoni Primary School – Classroom

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



Figure 1: Classroom in Shimoni Primary School, Kwale County

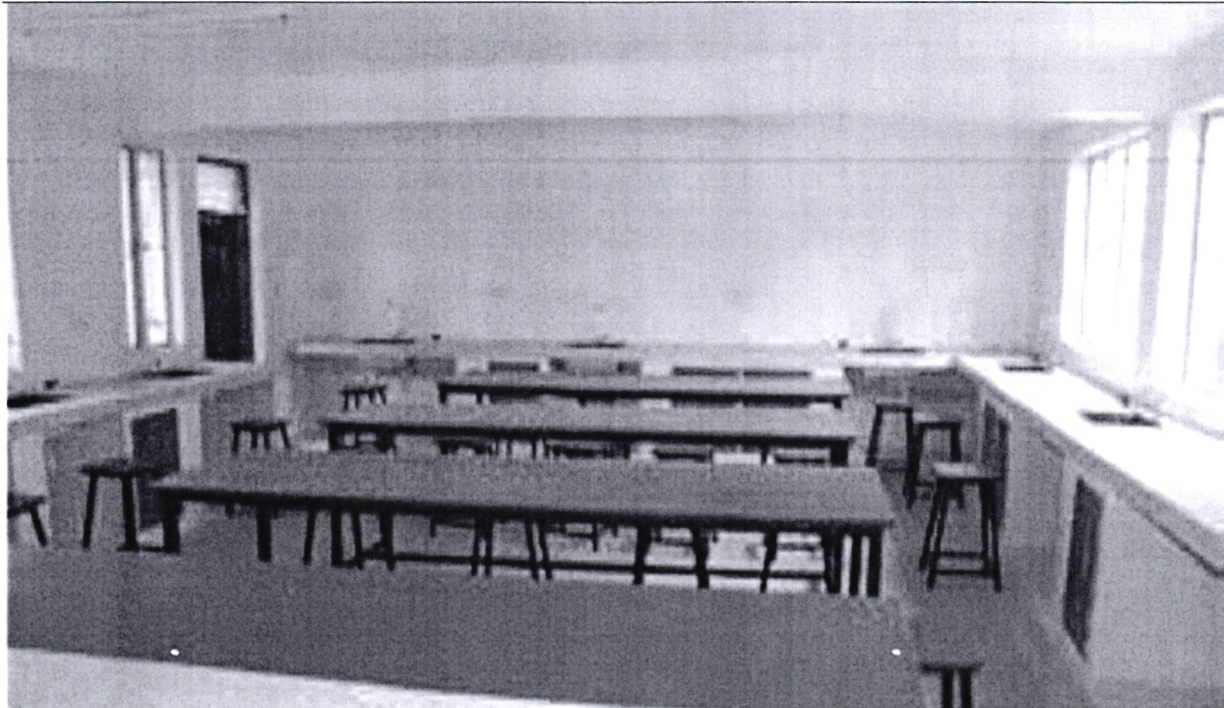


Figure 2: New Classroom constructed by KMFRI for Shimoni Primary School in 2018/2019 FY

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

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

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



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

KMFRI Marine Debris Group

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



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

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

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

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

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



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



ASK Shows

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



REPORT OF THE DIRECTORS

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

Principal activities

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

Results

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

Directors

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


Dividends/Surplus Remission

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

Auditors

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

By Order of the Board


Prof. James M. Njiru, PhD
DIRECTOR/SECRETARY - KMFRI Board of Management

Date: 27th FEB. 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Institutes financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on 30th June 2019. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the institute assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

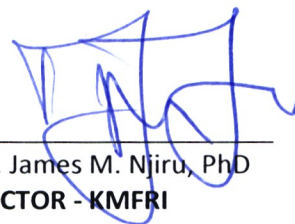
Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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



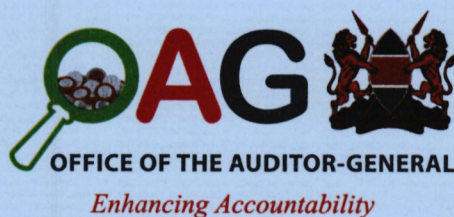
Hon. John Safari Mumba
CHAIRMAN - KMFRI BOARD OF MANAGEMENT



Prof. James M. Njiru, PhD
DIRECTOR - KMFRI

REPUBLIC OF KENYA

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute set out on pages 1 to 25 which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Marine and Fisheries Research Institute as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

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

1.1 Statement of Cash Flows

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

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

1.1 Statement of Financial Position – Accumulated Surplus

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

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

2. Property, Plant and Equipment

2.1 Un-surveyed Land

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

2.2 Sale of the Kongowea Land

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

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

2.3 Loss of Deep Sea Observatory Rover

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

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

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

3. Cash and Cash Equivalents - Stolen Cash in Hand

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

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

4. Doubtful Receivables from Former Staff

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

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Marine and Fisheries Research Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

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

2. Unresolved Prior Year Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. PV Doria Operationalization

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

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

2. Procurement of Research Vessels Equipment

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

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

2.1 Use of Wrong Tender Documents

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

2.2 Omission of Confidential Business Questionnaire Form

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

2.3 Excess Payments on Inland Transportation

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

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

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

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

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

It was not clear why the positions were not filled.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Charter

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

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

2. Lack of Board Charter

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

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease its operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

20 August, 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019


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

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


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

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


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


Name: Prof. James Njiru
Director-KMFRI


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

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

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

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

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

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

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation Principle

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

a) Revenue recognition

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

i) Revenue from non-exchange transactions

Government Grants and Donations

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. Translation of Foreign Currencies

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

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

ii. Functional and Presentation of Currencies

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

b) Budget information

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

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

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

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

c) Property, plant and equipment

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

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

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

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

d) Intangible assets

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

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

i) Provisions

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

Contingent liabilities

The Institute does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

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

j) Nature and purpose of reserves

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

Capital Reserve

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

Donations Reserve

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

Revaluation Reserve

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

Accumulated Surplus

This constitutes the cumulative amounts of surpluses realized over the years

k) Employee benefits

Retirement benefit plans

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

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

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

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

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

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

m) Comparative figures

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

n) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Estimates and Assumptions

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

Useful lives and residual values

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

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Financial Risk Management

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

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

Credit risk

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

Liquidity risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 GRANTS FROM NATIONAL GOVERNMENT

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

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

6 (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 GRANTS FROM INTERNATIONAL ORGANIZATIONS

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

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

REVENUE FROM EXCHANGE TRANSACTIONS

8 SALE OF GOODS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 RENDERING SERVICES

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

10 FINANCE INCOME

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

11 EMPLOYMENT COSTS

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

12 USE OF GOODS AND SERVICES

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

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

13 BOARD OF MANAGEMENT COSTS

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

14 DEPRECIATION AND AMORTIZATION EXPENSE

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

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

14A. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

15 REPAIRS AND MAINTENANCE

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

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16 GENERAL EXPENSES

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

17 CASH AND CASH EQUIVALENTS

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

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

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

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

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

18 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

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

19 RECEIVABLES FROM EXCHANGE TRANSACTIONS

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

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

CONTINGENT ASSETS

The table below has information on contingent assets as explained.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 WORK IN PROGRESS

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

22 INTANGIBLE ASSETS

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

23 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

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

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

24 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 EMPLOYEE BENEFIT OBLIGATIONS

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

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

26 CAPITAL RESERVE

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

27 DONATIONS RESERVE

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

28 REVALUATIONS RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 ACCUMULATED SURPLUS

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

30 CONTINGENT LIABILITIES

The Institute had the following Contingent Liabilities as at 30th June 2019

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

31 ULTIMATE AND HOLDING ENTITY

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

32 CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

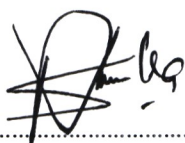
Reference No. on the External Audit Report	Issue/Observations from Auditor	Management Comments	Focal Point to resolve the issue (Name & Designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	Ownership documents and valuation for Baringo, Mtwapa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

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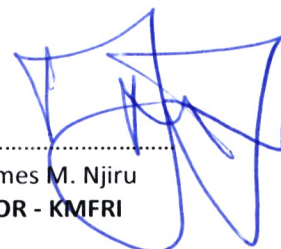
		proceeds were later invested on rolling basis by the Institute in a fixed deposit account with National Bank of Kenya.			
3.1	Cash Count Certificate for Mombasa and Baringo revenue offices	Cash of	Nyakundi Nyangoto - Chief Accountant	Not resolved.	The issue to be handled jointly with officers from the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

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



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



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

APPENDIX II: INTER-ENTITY TRANSFERS


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

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

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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

Sign.....

 Deputy Director Finance and Administration - KMFRI