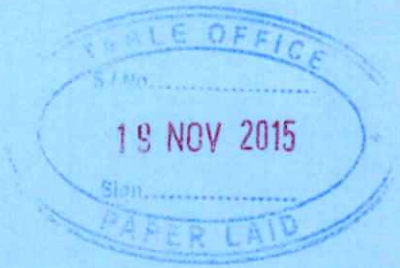


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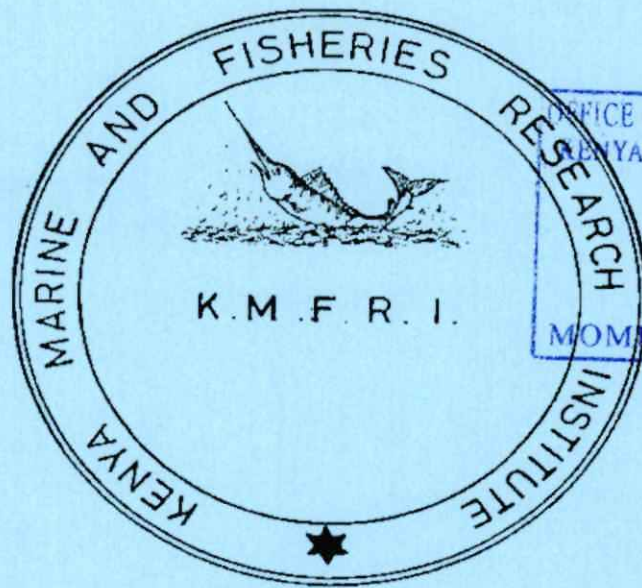
**KENYA NATIONAL AUDIT OFFICE**

*Paper laid  
By Hon. A.O. Mbiti (Majority Party Whip)  
on Thurs. 19.11.2015 (PM)  
M.M.W*



**REPORT  
OF  
THE AUDITOR-GENERAL  
ON  
THE FINANCIAL STATEMENTS OF  
KENYA MARINE AND FISHERIES  
RESEARCH INSTITUTE  
FOR THE YEAR ENDED  
30 JUNE 2014**

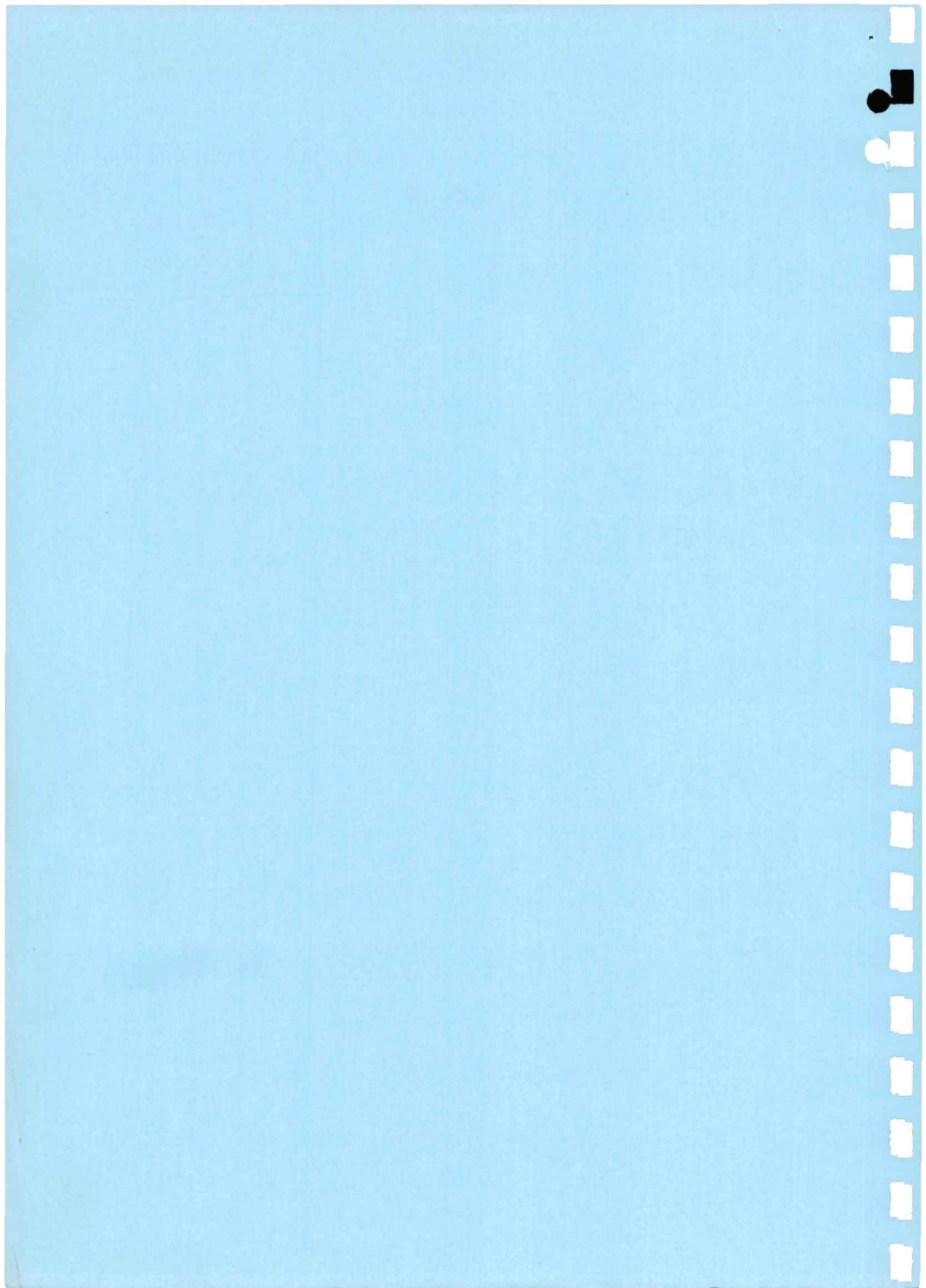
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OFFICE OF THE AUDITOR GENERAL  
KENYA NATIONAL AUDIT OFFICE  
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# **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**





## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

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

### **KEY ENTITY INFORMATION AND MANAGEMENT**

#### **Background information**

Kenya Marine and Fisheries Research Institute (KMFRI) was established by an Act of Parliament (**The Science and Technology Act, Cap 250 of the Laws of Kenya**) in 1979 after the collapse of the East African Community.

#### **Principal Activities**

KMFRI's main role is to undertake research in "marine and freshwater fisheries, aquaculture, environmental and ecological studies", in order to provide scientific data and information for sustainable exploitation, management and conservation of Kenya's fisheries resources and aquatic resources, and contribute to National strategies of food security, poverty alleviation, clean environment and creation of employment as provided for under Vision 2030. Elaborately, the roles of KMFRI include,

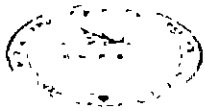
- (a) To conduct multidisciplinary and collaborative research of fish ecology, population dynamics, stock assessment and general aquatic ecology
- (b) To collect and disseminate scientific information on fisheries and other aquatic resources and related natural products.
- (c) To study and identify suitable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

#### **Vision**

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

#### **Mission**

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

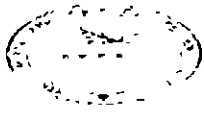


## **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

### **Strategic Objectives**

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

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



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

### **Parent Ministry:-**

- Ministry of Agriculture, Livestock & Fisheries.
- **Entity Headquarters/Contacts,**  
English Point – Mkomani,  
P.O. Box 81651 – 80100  
MOMBASA, KENYA  
Telephone Nos. 020-802160/1 Fax: 020-23533226 Email: [director@kmfri.co.ke](mailto:director@kmfri.co.ke)

### **Bankers:-**

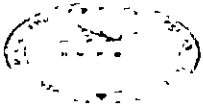
- National Bank of Kenya,  
Nkrumah Road Branch,  
P.O. Box 90363 – 80100,  
MOMBASA, Kenya
- Kenya Commercial Bank,  
P.O. Box 150 – 30500,  
LODWAR, Kenya
- Kenya Commercial Bank,  
P.O. Box 130 – 20117,  
NAIVASHA, Kenya
- Standard Chartered Bank,  
Treasury Square,  
P.O. Box 90170 – 80100,  
MOMBASA, Kenya

### **Independent Auditors:-**

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

### **Principal Legal Advisor:-**

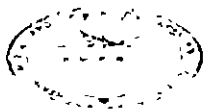
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### Board of Management:-

Prof. Peninah Aloo Obudho	Chairman	(Term Expired 30.5.2014)
Prof. James H.P. Kahindi	Member	”
Prof. Evans Aosa	Member	”
Prof. John M. Onyari	Member	”
Dr. Ahmed Yassin	Member	”
Dr. Mary Ciambaka Mwiandi	Member	”
Mr. Bernard Mubinja Wamalwa	Member	”
Mr. Sephone Ombachi	PS Rep. - State Department of Fisheries.	
Prof. Shaukat A. Abdulrazak	Secretary, National Council for Science & Tech.	
Mr. Okumu Makogolla	Director of Fisheries	
Dr. Johnson Kazungu	Director/ KMFRI	(Term Expired 30.6.2014)
Dr. Renison Ruwa	Ag. Director/KMFRI	(In office w.e.f 1.7.2014)



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

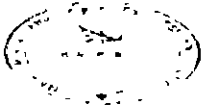
### Key Management Organs

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

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

### MANAGEMENT TEAM

Name	Date of birth	Qualifications	Area of responsibility
Dr. Renison Ruwa	1956	Ph.D	Ag. Director/KMFRI
Dr. Enock Wakwabi	1955	Ph.D	Deputy Director/Research
Mr. Abraham Kagwima	1969	MBA, CPA(K)	Deputy Director/Finance & Administration



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

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 18 of the Public Finance Management Act, 2012 (PFM) and Section 18 of the Science and Technology Act of 1980 (revised) requires the Institute Management to prepare financial statements which give a true and fair view of the state of affairs at the end of the financial year and the operating results thereof. Kenya Marine and Fisheries Research Institute (KMFRI) Management is also required to ensure that the Institute keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Institute. The Institute Management is also responsible for safeguarding the assets in her ownership.

The Institute Management is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs as at the end of the financial year. This responsibility includes:

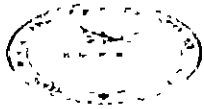
- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- iii. Designing, implementing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

The Institute Management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Science and Technology Act. The Institute Management is of the opinion that the financial statements give a true and fair view of the state of KMFRI's transactions during the financial year ended 30 June 2014, and of the financial position as at that date. The Institute Management further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal control.

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

Prof. Micheni Japhel Ntiba, CBS

**PRINCIPAL SECRETARY/STATE DEPARTMENT OF FISHERIES**



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

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

I have the pleasure to present the Annual report and financial statements for the Kenya Marine and Fisheries Research Institute (KMFRI) as at 30<sup>th</sup> June 2014 covering the 2013/2014 financial year.

The Institute achieved various milestones and remained on course with its Strategic Plan 2010/2015. KMFRI continued to undertake research activities within its mandate under the Agriculture, Rural and Urban Development (ARUD) sector in order contribute to the management and sustainable exploitation of aquatic resources aimed at alleviating poverty, enhancing food security while creating employment through multidisciplinary and collaborative research in marine and fresh water aquatic systems.

KMFRI was awarded the centre of excellence status during the East African Summit of Heads of States held on 30<sup>th</sup> November 2013 in Kampala Uganda. In the same period 2013-2014, KMFRI memoranda of understanding (MoUs) with the Flanders Institute of Marine Sciences, VLIZ; resulted in donation of an oceanographic vessel by the Belgium government to Kenya. The Oceanographic Vessel named R.V. Mtafiti was commissioned into KMFRI by His Excellency the President of the Republic of Kenya Honorable Uhuru Kenyatta - C.G.H on 27<sup>th</sup> January 2014.

During the period under review, the institute realigned its research activities through restructuring of the research division to focus on specific thematic areas of research namely oceans and coastal systems, fresh water systems and aquaculture research. It's noted that over the years, KMFRI scientists have been active in collecting and disseminating scientific information on aquatic resources and related natural products. During the period, KMFRI scientists developed and released scientific publications and recorded increased percentage in the number of funded research proposals.

KMFRI continued with implementation of the Kenya Coastal Development Project (KCDP), a World Bank funded project aimed at transforming and uplifting the living standards of communities living at the coast region. This project which is implemented in collaboration with six other government agencies focuses on the whole ecosystem of the coastal region with a view to improving the livelihood of communities living around the oceans and hinterland within the coast region through capacity building and food security activities besides business enterprises based on the coastal natural resources. The institute also continued with implementation of other individual donor funded projects including Artemia, Association for Strengthening Agricultural Research in Eastern Africa and Central Africa (ASARECA), Kenya Productivity and Agribusiness Project (KAPAP) and Lake Victoria Environmental Management Project II (LVEMP II).

With regards to funding of institute activities, the Government released all exchequer grants to the institute as per the government printed estimates for 2013/2014 financial year. It's noted that through supplementary budget estimates for 2013/2014 financial year, KMFRI's recurrent expenditure budget was increased from KShs 450.9 million under the initial printed estimates to KShs 651.9 million which enabled the institute to harmonize the staff salaries and commuter allowances with those of civil service and improved staff welfare including staff promotions, and sustained its operations and maintenance within the budget provided by the Government for the financial year.



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

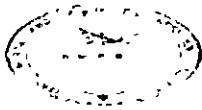
During the year 2013-2014, the institute complied with the set budgetary levels for the year. The Government through supplementary budget estimates for 2013/2014 financial year also allocated KMFRI grants for development expenditure amounting to KShs.981.2 including capital grants for implementation of donor funded projects.

KMFRI requisitioned and received exchequer grants amounting to KShs.651.9 million allocated for recurrent expenditure and Kshs. 490.0 million allocated for GoK Development Expenditure. During the year, only Ksh.478.3 million was released to KMFRI as capital grants for implementation of Donor Funded - Kenya Coastal Development Project (KCDP). KMFRI also received Ksh. 76.8 million allocated for the GoK for counterpart funding for the Kenya Coastal development Project. All the funds released by the Government to the Institute were expended towards the intended and approved core activities during the financial year. 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 contributing to the national development agenda by implementing its core mandate focused on raising standards of living and alleviating poverty in the country.

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

Dr. Renison Ruwa, PhD MBS

**Ag. DIRECTOR/KMFRI**



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

### **CORPORATE GOVERNANCE STATEMENT**

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

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

#### **Board of Management**

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

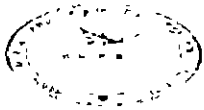
The Institute's Board of Management is chaired by an independent non-executive Board member for a term of three years renewable for a maximum of two terms. The Board Members are appointed on the basis of their extensive research, financial knowledge and public sector management, which is brought to bear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

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

The following are the Board of Management Committees:-

#### **Scientific and Technical Committee of the Board**

The Scientific and Technical Committee is chaired by a non-executive Board member and meets at least once every quarter. The committee is charged with the responsibility of reviewing, from a scientific and technical standpoint, the scope and relevance of research programs, the quality and effectiveness of the research undertaken by KMFRI Scientists. The Committee ensures that the Institute research activities are aligned towards the achievement of National Development Goals and Vision 2030.



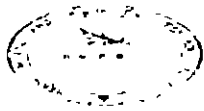
## **KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

### **Finance and Establishment Committee of the Board**

The Finance and Establishment Committee is chaired by a non-executive Board member and meets at least once every quarter. The Committee reviews the State Corporations Annual budget, administers the Recurrent and Development annual Budget prepared in accordance with the government printed estimates and reviews of annual reports and financial statements for the institute. The Committee is also responsible for establishment of the Terms and Conditions of service, scheme of service, making regulations governing the appointments, remuneration, conduct and discipline of institute's employees. The committee regularly reviews and evaluates the effectiveness of the Institute personnel policies. The committee reviews and deliberates on staff matters and provides guidelines in the implementation of the personnel policies.

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

The Risk Management and Board Audit committee is chaired by a non-executive Board member and meets at least once every quarter. The Committee acts as the oversight board committee and is responsible for evaluating the effectiveness of the internal control procedures and risk management procedures. The Board Audit committee is also responsible for reviewing financial information as well as monitoring the effectiveness of management information systems and reporting thereof. The committee reviews all significant findings of the internal and external auditors and provides policy direction.



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

### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

In the financial year ended 30<sup>th</sup> June, 2014, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

#### **Environment**

KMFRI participated in the World Environment Day activities in the year. Besides educating members of the society about the importance of managing the environment sustainably, the institute participated actively in the cleaning of the Pirates Beach situated along the Indian Ocean Coastline.

Documentaries produced by KMFRI researchers were aired through the electronic and print media educating members of the society about the importance of conservation of the eco-systems and keeping the environment clean. Communities living at the coast were also educated on the need of conserving the mangrove forests because of their utility to society, especially as they serve as breeding grounds for fish and are a source of construction materials.

#### **Grants to Community Based Organizations (CBOS)**

During the period, the Institute through the donor-funded Kenya Coastal Development Project (KCDP), advanced grants to Community Based Organizations (CBOs) in the six coastal counties. The grants to the CBOs for the year amounted to Kshs. 47.6 million for the approved projects. The Institute approved grants which focused on natural resources management, conservation and community service. The grants are intended to assist CBOs in extending social services that are of a priority to local residents.

#### **Attachments and Internships**

The Institute research programs and projects contain a component of transfer of skills to the youth through internship, attachments and apprenticeship. As far as is practicable the institute progressively engages youth in internship and industrial attachment/apprenticeship programs which target graduate students for skills transfer. To this end, the institute has signed Memorandum of Understanding with various local Universities to afford students attachment and internship opportunities at KMFRI.

# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENT

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

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

**1.1** As previously reported, the Institute owns four (4) parcels of unsurveyed land located in Turkana, Baringo, Sangoro and Mtwapa which have not been valued nor included in the property, plant and equipment figure of Kshs.421,672,768 as at 30 June 2014. In addition, ownership documents for the Institute's Sangoro and Shimoni land measuring 1.8 and 6.0 hectares respectively were not availed for audit verification.

### **1.2 Donated Vessel**

During the year, the Institute received a donation in form of a research vessel (RV Mtafiti) from the Government of Belgium. However, no value has been attached to this vessel in the accounting records and, therefore, it is excluded from the balance of property, plant and equipment figure of Kshs.421,672,768 as at 30 June 2014. In addition, the donation has also not been included in the statement of financial performance.

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

As reported previously, the Institute on 26 January 2007 sold the Kongowea parcel of land LR No. 6034/1/MN-Kongowea Mombasa, measuring approximately 1.998 hectares valued at Kshs.22.8 million to a Kongowea Market Estate Limited at a selling price of Kshs.15,020,000 and the title transferred to the purchaser before the Institute received full amount of the sale price. In addition, the lawyer who received the money on behalf of the Institute on 26 March 2009 did not remit the same to the Institute until 2010/2011 financial year when 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 value of Kshs.22,800,000 resulting to a probable loss of Kshs.7,780,000. Also, the balance of Kshs.1,575,077 as at 30 June 2014 was yet to be remitted to the Institute. No explanation was provided for the transfer of the property before receiving consideration and also why the property was sold below the market value.

In the circumstances, it has not been possible to confirm that the parcel of land was sold in the best interest of the public and that the Institute got value for money in the sale transaction.

### **1.4 Land at Mtwapa**

Information and records available indicate that the Institute owns land measuring 13.42 acres in Mtwapa ceded to it by Kenya Agricultural Research Institute that is not surveyed and does not have a title. Information available also indicates that the land has been

encroached by a private developer who has subdivided it unlawfully. There was no documentary evidence to show that there has been adequate follow-ups to evict the private developer from the land.

### **1.5 Land at Baringo**

The Institute's records indicate that it owns 2.35 hectares of land in Baringo (plot number PDP R/B/355/97/4). Although the Institute holds the allotment letter from the Commissioner of Lands, the Institute does not hold title to the land. Information available indicate that a private developer who claims to have title to the land has taken over the land. No documentary evidence was provided to show that there has been adequate follow up by the management to acquire ownership documents from the Ministry of Lands.

### **1.6 Land at Kisumu**

Information and records availed for audit indicate that the Institute owns land L.R. 25762 measuring 3.45 acres in Kanyakwar area of Kisumu County valued at Kshs.8,000,000 on 5 July 2013 by the Government District Valuer, Kisumu. However, the valuation report indicates that the land has permanent residential houses, developed by unknown persons without the authority of the Institute. Although the Institute has the title deed to the property, there is no evidence that the Institute has made efforts to obtain vacant possession for the property.

In the circumstances, it has not been possible to ascertain the valuation, accuracy and ownership status of the Institute's property, plant and equipment balance of Kshs.421,672,768 and that the balance is fairly stated as at 30 June 2014.

## **2.0 Trade and Other Payables**

### **2.1 Unreconciled Suppliers Balances**

As reported in the previous year, the trade and other payables balance of Kshs.14,054,343 (2013: Kshs.50,791,682) include balances of Kshs.143,630 and Kshs.1,151,880 but whose confirmed balances are Kshs.70,333 and Kshs.987,240 respectively. The difference of Kshs.73,297 and Kshs.164,640 respectively have not been reconciled or explained.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs.14,054,343 as at 30 June 2014 could not be ascertained.

### **2.2 Unexplained Adjustments to Other Liabilities**

As previously reported, trade & other payables from non-exchange transactions balance of Kshs.35,076,002 (2013 - Kshs.22,159,502) as at 30 June 2014 include adjustments amounting to Kshs.1,385,285 to the statutory deductions which have not been supported with any documentary evidence.

Consequently, the accuracy of trade and other payables balance of Kshs.35,076,002 as at 30 June 2014 could not be ascertained.

### **3.0 Cash and Cash Equivalents**

The financial statements reflect cash and cash equivalents balance of Kshs.187,620,748 as at 30 June 2014. However, audit review of bank reconciliations indicate that direct bankings amounting to Kshs.31,798,648 and bank charges totalling Kshs.214,535 which dates back to February 2014 had not been processed in the cash book and no satisfactory explanations were provided for this anomaly. Additionally, there were bank reconciliation errors totaling Kshs.5,059,263 and stale cheques amounting to Kshs.560,177 which were included in the bank reconciliation statements for various bank accounts that had not been written back to the cash books.

Consequently, the accuracy, validity and completeness of the cash and cash equivalent balance of Kshs.187,620,748 as at 30 June 2014 could not be confirmed.

### **4.0 Government Grants**

The Government grants balance of Kshs.654,600,000 for the year ended 30 June 2014 excludes counterpart funding received from the Government of Kenya in respect of Kenya Coastal Development Project amounting to Kshs.76,800,000. The amount of Kshs.76,800,000 has, however, been accounted for as capital reserves even though it was utilized in the normal operations of the Institute. Evidence of approval from the parent Ministry and the Treasury for this reallocation of votes was not availed for audit verification. This is in contravention of the Public Finance Management Act, 2012 which prohibits commingling of development and recurrent funds without express approval of the National Treasury. In the circumstances, the Institute was in breach of the law.

### **5.0 Receivables from Non Exchange Transactions**

#### **5.1 Long Outstanding Imprest**

As reported in 2012/2013, receivables from non-exchange transaction balance of Kshs.81,521,571 as at 30 June 2014 include long outstanding staff imprest amounting to Kshs.1,153,528, (2013 - Kshs.809,444) out of which, Kshs.221,215 relate to former staff of the Institute. There is no documentary evidence to support the efforts to recover these amounts. Provision that would have been necessary in respect of this uncertainty has not been incorporated in the financial statements.

Consequently, the accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs.81,521,571 as at 30 June, 2014 could not be confirmed.

#### **5.2 Accounts Receivables**

Included in the receivables from non-exchange transaction balance of Kshs.81,521,571 as at 30 June 2014 is an amount of Kshs.30,574,448 which comprise of Kenya Coastal Development Project Counterpart funding from Government of Kenya amounting to Kshs.28,500,000 and remittances from Kenya Coastal Development Project – PCU of

Kshs.2,074,448. However, a review of bank reconciliation statements revealed that funds were received on 30/12/2013 and 27/05/2014 respectively but had not been recorded in the Institute's books of accounts as at 30 June, 2014.

Consequently, the accuracy and completeness of receivables from non-exchange transaction of Kshs.81,521,571 as at 30 June, 2014 could not be ascertained.

### **Qualified Opinion**

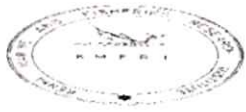
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Marine and Fisheries Research Institute as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science and Technology Act, Cap. 250, of the Laws of Kenya.



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

**Nairobi**

**21 September 2015**



**KENYA MARINE AND FISHERIES RESEARCH  
INSTITUTE**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR  
ENDED 30 JUNE 2014**

<b>PARTICULARS</b>	<b>NOTE</b>	<b>2013/2014</b>	<b>2012/2013</b>
<b>Revenue from non-exchange transactions:-</b>			
Government Grants	[ 13 ]	654,600,000	445,824,000
Donor Grants	[ 14 ]	554,275,427	114,372,358
<b>Revenue from exchange transactions:-</b>			
Surcharge fees	[ 15 ]	350	800
Sale of tender documents	[ 15 ]	150,000	508,136
Foreign exchange gain	[ 15 ]	39,375	-
Gain on sale of assets		-	479,600
Consultancy fees for services	[ 15 ]	212,450	1,643,402
Sale of fish & fingerlings	[ 15 ]	620,411	828,330
Student visits & attachment	[ 15 ]	347,145	154,050
Miscellaneous income	[ 15 ]	843,367	750,454
Sale of fish feed	[ 15 ]	41,840	-
Finance Income-external invest	[ 16 ]	466,960	503,098
<b>Total Revenue</b>		<b>1,211,597,326</b>	<b>565,064,227</b>
<b>Expenses:-</b>			
Bulk Purchase of water & electricity	[ 17 ]	8,581,456	8,061,277
Employee costs	[ 18 ]	527,680,333	369,271,856
Board of Management Costs	[ 19 ]	3,419,412	3,976,700
General expenses	[ 20 ]	597,307,589	161,003,308
Repairs and Maintenance	[ 21 ]	4,890,418	4,905,337
Depreciation & amortization expenses		25,186,092	21,257,065
<b>Total Expenses</b>		<b>1,167,065,299</b>	<b>568,475,543</b>
<b>Surplus/(Deficit) for the year</b>		<b>44,532,026</b>	<b>(3,411,316)</b>



**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	2013/2014		2012/2013	
<b>ASSETS</b>					
<b>Current Assets:-</b>					
Cash & Cash Equivalents	[ 3 ]	187,620,748		167,530,767	
Receivables from non-exchange transactions	[ 4 ]	81,521,571		6,149,099	
Receivables from exchange transactions - (Prepayments)	[ 5 ]	3,995,380	273,137,699	291,665	173,971,531
<b>Non-current Assets:-</b>					
Property, Plant & Equipment	[ 6 ]	421,672,768		403,430,401	
Intangible Assets	[ 6 ]	2,939,024		403,430,401	
			424,611,792		403,430,401
<b>Total Assets</b>			<b>697,749,491</b>		<b>577,401,932</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:-</b>					
Trade & other payables from exchange transactions	[ 7 ]	14,054,343		50,791,682	
Trade & other payables from non exchange transactions	[ 8 ]	35,076,002	49,130,345	22,159,502	72,951,184
<b>Non-current Liabilities:-</b>					
Retirement Benefits Obligation	[ 9 ]	55,226,666		30,146,666	
			55,226,666		30,146,666
<b>Total Liabilities</b>			<b>104,357,010</b>		<b>103,097,850</b>
<b>TOTAL NET ASSETS</b>			<b>593,392,480</b>		<b>474,304,082</b>
<b>RESERVES:-</b>					
Capital Reserve		522,203,623		426,684,431	
Donations Reserve	[ 10 ]	107,712,426		128,275,246	
Revaluations Reserve	[ 11 ]	112,490,535		112,890,535	
Accumulated Deficit	[ 12 ]	(149,014,103)		(193,546,129)	
<b>TOTAL NET ASSETS &amp; RESERVES</b>			<b>593,392,480</b>		<b>474,304,082</b>

Signed:

**Prof. Micheni Japhet Ntiba, CBS**  
**PRINCIPAL SEC./STATE DEPT. OF FISHERIES**

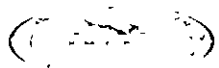
Signed:

**Dr. Renison Ruwa, PhD MB**  
**Ag. DIRECTOR/KMFRI**



**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Capital Reserve Kshs	Donations Reserve Kshs	Reval. Reserve Kshs	Accum. Deficit Kshs	TOTAL Kshs
<b>Balance as at 1 July 2012</b>		<b>363,884,431</b>	<b>102,054,648</b>	<b>114,914,661</b>	<b>(190,134,812)</b>	<b>390,718,928</b>
Development Grants/Donations		38,000,000	46,756,956	-	-	<b>84,756,956</b>
GOK Counterpart Funding		24,800,000	-	-	-	<b>24,800,000</b>
Amortization		-	(20,536,358)	(2,024,126)	-	<b>(22,560,484)</b>
Deficit for the period		-	-	-	(3,411,317)	<b>(3,411,317)</b>
<b>Balance as at 30 June 2013</b>		<b>426,684,431</b>	<b>128,275,246</b>	<b>112,890,535</b>	<b>(193,546,129)</b>	<b>474,304,083</b>



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

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

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



**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2013/2014		2012/2013	
<b>Cash flow from Operating Activities</b>					
<b>Receipts:-</b>					
Surplus /(Deficit)	[ 12 ]	44,532,026		(3,411,317)	
<b>Non-cash movements</b>					
Depreciation charge for the year		25,186,092		21,257,065	
Increase/Decrease in Trade & Other Receivables		(75,372,472)		2,294,314	
Increase/Decrease in Trade & Other Payables		(36,737,339)		29,504,377	
Increase/Decrease in Other Payables		12,916,500		15,671,607	
Increase/Decrease in Prepayments		(3,703,715)		2,526,980	
Increase/Decrease in Retirement Benefits Obligation		25,079,999		(15,200,000)	
<b>Net Cash flows from operating activities</b>			(8,098,909)		52,643,026
<b>Cash Flows from Investing Activities</b>					
Development Grants		87,600,000		62,800,000	
Increase in Work-in-Progress		-		99,947,724	
Purchase of Fixed Assets		(59,411,110)		(167,431,079)	
<b>Net Cash flow from Investing Activities</b>			28,188,890		(4,683,355)
<b>Cash Flow from Financing Activities</b>					
		-		-	
		-		-	
<b>Net cash flows from Financing Activities</b>			-		-
<b>Net Increase in Cash and Cash Equivalents</b>			20,089,981		47,959,671
<b>Cash and Cash Equivalents at the beginning of the period</b>			167,530,767		119,571,096
<b>Cash and Cash Equivalents at end of period</b>	[ 3 ]		<b>187,620,748</b>		<b>167,530,767</b>

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014

GRANTS AND APPROPRIATION IN AID	BUDGET	ACTUAL	VARIANCE
	KShs	KShs	KShs
<b>1320000 - GRANTS</b>			
1320201 GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDP-KMFRI	246,964,238	368,052,678	121,088,440
1320201 GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDP-OTHER AGENCIES	243,071,325	133,245,731	-109,825,594
1320201 GRANTS FROM OTHER INDIVIDUAL DONORS	58,252,728	52,977,018	-5,275,710
1320202 GRANT FROM GOK -RECURRENT	651,900,000	654,600,000	2,700,000
6540001 GRANT FROM GOK - DEV -CONSTRUCTION OF BUILDING	10,800,000	10,800,000	-
6540001 GRANT FROM GOK - DEV -CONSTRUCTION OF BUILDING b/fwd	79,474,073	79,474,073	-
6540001 GRANT FROM GOK - DEV -PURCHASE OF VESSELS	-	-	-
6540001 GRANT FROM GOK - DEV -COUNTER PART FUNDING-KCDP	57,000,000	76,800,000	19,800,000
<b>TOTAL GRANTS FROM GOK /DEV PARTNERS</b>	<b>1,347,462,364</b>	<b>1,375,949,500</b>	<b>28,487,136</b>
<b>1420000 - APPROPRIATION -IN-AID</b>			
1420329 EDUCATIONAL VISITS AND ATTACHMENT FEES	300,000	347,145	47,145
1420337 SURCHAGE FEES	10,000	350	-9,650
1420601 SALE OF TENDER DOCUMENTS	500,000	150,000	-350,000
3510801 DISPOSAL OF EQUIPMENT	500,000	-	-500,000
3520201 MISCELLANEOUS INCOME	340,000	1,349,702	1,009,702
3520304 SALES AND FEES FOR SERVICES	3,950,000	874,701	-3,075,299
<b>TOTAL APPROPRIATION IN AID</b>	<b>5,600,000</b>	<b>2,721,898</b>	<b>-2,878,102</b>
<b>TOTAL REVENUE</b>	<b>11,200,000</b>	<b>5,443,796</b>	<b>-5,756,204</b>
<b>EXPENDITURE</b>			
<b>2110100 - BASIC SALARIES-PERMANENT EMPLOYEES.</b>			
2110115 BASIC SALARIES -KMFRI	294,256,906	312,423,926	-18,167,020
<b>2110200 - BASIC WAGES -TEMPORARY EMPLOYEES.</b>			
2110202 CASUAL LABOUR	200,400	1,470,386	-1,269,986
<b>TOTAL CASUAL LABOUR</b>	<b>200,400</b>	<b>1,470,386</b>	<b>-1,269,986</b>
<b>2110300 - PERSONAL ALLOWANCES - SALARY</b>			
2110301 HOUSE ALLOWANCE	59,011,675	61,238,051	-2,226,376

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014

2110302 HONORARIA	-	-	-
2110303 ACTING ALLOWANCE	200,046	220,663	-20,617
2110307 HARDSHIP ALLOWANCE	5,920,941	5,903,541	17,400
2110308 MEDICAL ALLOWANCE	8,926,472	8,967,105	-40,633
2110309 SPECIAL DUTY ALLOWANCE	1,174,606	3,830,366	-2,655,760
2110310 TOP-UP ALLOWANCE	-	-	-
2110311 TRANSFER ALLOWANCE	731,661	437,487	294,174
2110312 RESPONSIBILITY ALLOWANCE	7,507,783	3,082,849	4,424,934
2110313 ENTERTAINMENT ALLOWANCE	757,000	874,800	-117,800
2110314 TRANSPORT (COMMUTER ) ALLOWANCE	56,577,310	71,653,033	-15,075,723
2110315 EXTRANEIOUS DUTY ALLOWANCE	264,000	265,333	-1,333
2110316 SANITATION ALLOWANCE	-	78,250	-78,250
2110317 BICYCLE ALLOWANCE	-	26,000	-26,000
2110322 RISK ALLOWANCE	78000	-	78,000
<b>TOTAL PERSONAL ALLOWANCES</b>	<b>141,149,494</b>	<b>156,577,478</b>	<b>-15,427,984</b>
<b>2110400 PERSONAL ALLOWANCES - REIMBURSEMENT</b>			
2110401 MEDICAL -OUT PATIENT	-	-	-
2110402 MEDICAL -IN PATIENT	4,084,316	562,057	3,522,259
2110403 MEDICAL -EX GRATIA-HOSPITAL EXPENSES	3,169,242	3,169,242	-
2110403 MEDICAL -EX GRATIA-COMPENSATION	-	-	-
2110404 LEAVE EXPENSE	4,919,511	2,700,511	2,219,000
2110405 TELEPHONE ALLOWANCE	-	-	-
<b>TOTAL PERSONAL ALLOWANCES REIMBURSEMENT</b>	<b>12,173,069</b>	<b>6,431,810</b>	<b>5,741,259</b>
<b>2120100 EMPLOYERS PENSION CONTRIBUTION</b>			
2120101 NSSF -KMFRI CONTRIBUTION	2,938,998	3,320,997	-381,999
2120103 PENSION -KMFRI CONTRIBUTION	33,894,822	42,641,034	-8,746,212
2120103 PENSION -KMFRI CONVERSION COSTS DB-DC	1,500,000	-	1,500,000
2120104 SERVICE GRATUITY	4,282,400	4,814,702	-532,302
2120104 SERVICE GRATUITY-VER PACKAGE	-	-	-

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014

<b>TOTAL EMPLOYERS PENSION CONTRIBUTION</b>	<b>42,616,220</b>	<b>50,776,733</b>	<b>-8,160,513</b>
<b>2210100 UTILITIES SUPPLIES &amp; SERVICES</b>			
2210101 ELECTRICITY EXPENSES	8,063,997	6,259,115	1,804,882
2210102 WATER AND SEWERAGE CHARGES	5,216,597	2,267,558	2,949,039
2210103 GAS EXPENSES	52,771	54,783	-2,012
<b>TOTAL UTILITIES SUPPLIES &amp; SERVICES</b>	<b>13,333,365</b>	<b>8,581,456</b>	<b>4,751,909</b>
<b>2210200 COMMUNICATION, SUPPLIES &amp; SERVICES</b>			
2210201 TELEPHONE, FAX, E-MAIL	2,450,000	1,662,656	787,344
2210202 INTERNET CONNECTIONS	3,031,055	1,702,430	1,328,625
2210203 COURIER AND POSTAL SERVICES	950,000	541,303	408,697
2210206 LICENCING FEES FOR COMMUNICATION	31,580	24,700	6,880
<b>TOTAL COMMUNICATIONS, SUPPLIES &amp; SERVICES</b>	<b>6,462,635</b>	<b>3,931,089</b>	<b>2,531,546</b>
<b>2210300 DOMESTIC TRAVEL &amp; SUBSISTENCE</b>			
2210301 TRAVEL COSTS	4,562,550	6,716,954	-2,154,404
2210302 ACCOMMODATION COSTS	-	-	-
2210303 DAILY SUBSISTENCE ALLOWANCE	5,873,909	9,562,312	-3,688,403
2210304 SUNDRY ITEMS	60,000	27,007	32,993
2210309 FIELD ALLOWANCE	-	-	-
2210311 RETREAT EXPENSES	2,874,600	203,520	2,671,080
<b>TOTAL DOMESTIC TRAVEL &amp; SUBSISTENCE</b>	<b>13,371,059</b>	<b>16,509,793</b>	<b>-3,138,734</b>
<b>2210400 FOREIGN TRAVEL &amp; SUBSISTENCE</b>			
2210401 TRAVEL COSTS	405,500	74,020	331,480
2210402 ACCOMMODATION	-	-	-
2210403 DAILY SUBSISTENCE ALLOWANCE	2,001,491	397,499	1,603,992
2210404 SUNDRY ITEMS	36,500	-	36,500
<b>TOTAL FOREIGN TRAVEL &amp; SUBSISTENCE</b>	<b>2,443,491</b>	<b>471,519</b>	<b>1,971,972</b>
<b>2210500 PRINTING, ADVERTISING &amp; INFORMATION SUPPLIES &amp; SERVICES</b>			
2210502 PUBLISHING AND PRINTING	2,115,042	716,991	1,398,051
2210503 SUBSCRIPTION TO NEWSPAPERS, PERIODICALS & MAGAZINES	690,269	567,890	122,379



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/201

2210504 ADVERTISING, AWARENESS AND PUBLICITY CAMPAIGNS	3,311,777	5,366,311	-2,054,534
<b>2210504 · ADVERTISING, AWARENESS AND PUBLICITY CAMPAIGNS-RV MTAFITI</b>	<b>13,000,000</b>	<b>16,318,764</b>	<b>-3,318,76</b>
2210505 TRADE, SHOWS & EXHIBITIONS	59,000	144,300	-85,30
<b>TOTAL PRINTING, ADVERTIZING, INFORMATION SUPPLIES &amp; SERVICES</b>	<b>19,176,088</b>	<b>23,114,256</b>	<b>-3,938,16</b>
<b>2210600 · RENTALS OF PRODUCED ASSETS</b>			
2210601 · RENT OF VEHICLES	-	-	-
2210603 RENT AND RATES - NON RESIDENTIAL	1,547,959	1,303,124	244,83
2210604 HIRE OF TRANSPORT	1,728,000	2,119,556	-391,55
2210606 HIRE OF EQUIPMENT, PLANT, MACHINERY	4,965	6,000	-1,035
<b>TOTAL RENTALS OF PRODUCED ASSETS</b>	<b>3,280,924</b>	<b>3,428,680</b>	<b>-147,75</b>
<b>2210700 · TRAINING EXPENSES</b>			
2210701 TRAVEL ALLOWANCE	-	3,447	-3,447
2210702 REMUNERATION OF INSTRUCTORS	150,000	-	150,00
2210703 PRODUCTION OF TRAINING MATERIAL	50,000	-	50,00
2210704 HIRE OF TRAINING FACILITIES	-	3,000	-3,000
2210705 FIELD TRAINING ATTACHMENTS	-	-	-
2210706 BOOK ALLOWANCE	-	-	-
2210707 PROJECT ALLOWANCE	-	-	-
2210708 TRAINER ALLOWANCE	-	-	-
2210709 RESEARCH ALLOWANCE	-	-	-
2210710 ACCOMMODATION ALLOWANCE TRAINERS	150,000	-	150,00
2210711 TUITION FEES ALLOWANCE & ISO EXPENSES	1,500,000	1,563,825	-63,82
2210712 TRAINING ALLOWANCE	-	-	-
2210715 ERP TRAINING	2,384,540	1,776,491	608,04
<b>TOTAL TRAINING EXPENSES</b>	<b>4,234,540</b>	<b>3,346,763</b>	<b>887,77</b>
<b>2210800 · HOSPITALITY SUPPLIES &amp; SERVICES</b>			
2210801 CATERING SERVICES	1,624,174	3,428,520	-1,804,3
2210802 CONFERENCES(SCIENTIFIC & OTHER EXPENSES)	2,000,000	62,950	1,937,0
2210802 BOARD AND COMMITTEES EXPENSES	1,450,000	1,509,756	-59,756



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014

2210809 · BOARD ALLOWANCES	2,950,000	1,909,656	1,040,344
<b>TOTAL · HOSPITALITY SUPPLIES &amp; SERVICES</b>	<b>8,024,174</b>	<b>6,910,882</b>	<b>1,113,292</b>
<b>2210800 · PURCHASE OF COFFINS</b>			
2210808 · PURCHASE OF COFFINS	370,956	181,500	189,456
<b>TOTAL · PURCHASE OF COFFINS</b>	<b>370,956</b>	<b>181,500</b>	<b>189,456</b>
<b>2210900 · INSURANCE COSTS</b>			
2210901 · GROUP PERSONAL INSURANCE	4,575,145	4,460,684	114,461
2210902 · BUILDINGS INSURANCE	420,001	-	420,001
2210904 · INSURANCE OF MOTOR VEHICLES	1,162,529	951,660	210,869
2210905 · AIRCRAFTS, BOATS & OTHERS	1,366,020	1,300,000	66,020
2210906 · INSURANCE FOR BOARD MEMBERS	559,554	-	559,554
2210910 · MEDICAL INSURANCE	-	-	-
2210911 · GROUP PERSONAL ACCIDENT COVER	812,500	821,266	-8,766
<b>TOTAL · INSURANCE COSTS</b>	<b>8,895,749</b>	<b>7,533,610</b>	<b>1,362,139</b>
<b>2211000 · SPECIALISED MATERIAL &amp; SUPPLIES</b>			
2211008 · LABORATORY MATERIALS	1,839,847	1,279,576	560,271
2211009 · EDUCATION AND LIBRARY SUPPLIES	-	-	-
2211015 · FOOD AND RATIONS	-	-	-
2211016 · UNIFORMS AND CLOTHING	-	1,850	-1,850
2211029 · PURCHASE OF SPECIMEN	100,000	3,000	97,000
2211030 · DRUGS, INSECTICIDES, SPRAYS	18,500	18,230	270
2211031 · FARM INPUTS	10,000	2,500	7,500
2211033 · FISH FEEDS	830,000	489,733	340,267
2211034 · PURCHASE OF FISH TAGS	-	-	-
<b>TOTAL · SPECIALIZED MATERIAL &amp; SUPPLIES</b>	<b>2,798,347</b>	<b>1,794,889</b>	<b>1,003,458</b>
<b>2211032 · RESEARCH PROGRAMMES</b>			
2211017 · DONOR FUND EXPENSES	-	-	-
2211018 · SEED EXPENSES-Research	11,000,000	4,104,594	6,895,406
2211018 · SEED EXPENSES-Research Vehicles	-	-	-

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/20

2211019 GRANTS FROM INTER ORGAN-GEF WORLD BANK-SWIOFP	-	-	-
2211019 GRANTS FROM INTER ORGAN-IDA&GEF WORLD BANK-KCDP	246,964,238	457,785,102	-210,820,8
GRANTS FROM INTER ORGANISATION-GEF WORLD BANK-INDIVIDUAL	58,252,728	45,230,704	13,022,0
2211020 RV MTAFITI	-	-	-
<b>TOTAL · RESEARCH PROGRAMMES</b>	<b>535,010,661</b>	<b>507,120,400</b>	<b>27,890,2</b>
<b>2211100 · OFFICE &amp; GENERAL SUPPLIES</b>			
2211101 GENERAL OFFICE SUPPLIES	2,341,542	3,393,876	-1,052,3
2211102 COMPUTER SUPPLIES & ACCESSORIES	2,238,360	2,160,452	77,9
2211103 SANITARY & CLEANING MATERIALS	1,403,316	516,478	886,838
<b>TOTAL · OFFICE &amp; GENERAL SUPPLIES</b>	<b>5,983,218</b>	<b>6,070,806</b>	<b>-87,5</b>
<b>2211200 · FUEL OIL AND LUBRICANTS</b>			
2211201 REFINED FUELS & LUBS FOR TRANSPORT	6,695,866	2,144,214	4,551,652
2211204 OTHER FUELS (WOOD.CHARCOAL etc)	68,368	5,185	63,1
<b>TOTAL · FUELS OILS &amp; LUBRICANTS</b>	<b>6,764,234</b>	<b>2,149,399</b>	<b>4,614,8</b>
<b>2211300 OTHER OPERATING EXPENSES</b>			
2211301 BANK CHARGES	819,830	412,499	407,3
2211304 MEDICAL EXPENSES-FIRST AID KITS	61,400	73,068	-11,6
2211305 CONTRACTED GUARDS & CLEANING SERVICES	10,941,120	12,501,255	-1,560,1
2211306 SUBSCRIPTIONS TO PROF BODIES	520,299	1,067,132	-546,8
2211308 LEGAL, ARBITRATION, COMPENSATION	2,866,949	2,569,970	296,979
2211310 CONTRACTED PROFESSIONAL SERVICE-AUDIT	580,000	1,085,603	-505,6
2211310 CONTRACTED PROFESSIONAL SERVICE-CONSULTANCIES-BASELINE	5,575,704	-	5,575,7
2211311 CONTRACTED TECHNICAL SERVICES-SERVICE CONTRACTS	264,920	262,500	2,420
2211311 CONTRACTED TECHNICAL SERVICES-SERVICE CONTRACTS-CLEARIN	2,500,000	-	2,500,0
2211311 · CONTRACTED TECHNICAL SERVICES-SERVICE CONTRACTS-LAB EQU	-	-	-
2211314 WRITE OFFS / BAD DEBTS EXPENSE	-	-	-
2211318 WITNESS EXPENSES	-	-	-
2211320 TEMPORARY COMMITTEE EXPENSES	-	-	-
2211321 PARKING CHARGES	43,260	39,370	3,8
2211321 DEPRECIATION OF FIXED ASSETS	-	25,186,092	-25,186,0

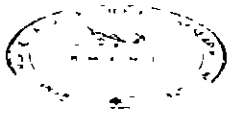
# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014

2211326 EXCHANGE LOSSES	-	91,905	-91,905
2211327 DONATIONS	-	-	-
2211332 SUNDRY	-	60,114	-60,114
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>24,173,482</b>	<b>43,349,508</b>	<b>-19,176,026</b>
<b>2220100 · ROUTINE MAINTENANCE -VEHICLES &amp; VESSELS</b>			
2220101 MAINTENANCE OF MOTOR VEHICLES	3,524,469	1,933,767	1,590,702
2220103 MAINTENANCE OF VESSELS, BOATS & FERRIES	10,134,106	885,820	9,248,286
<b>TOTAL ROUTINE MAINTENANCE OF VEHICLES</b>	<b>13,658,575</b>	<b>2,819,587</b>	<b>10,838,988</b>
<b>2220200 · ROUTINE MAINTENANCE-OTHER ASSET</b>			
2220201 MAINTENANCE OF PLANTS/EQUIPMENTS	1,101,372	383,628	717,744
2220202 MAINTENANCE OF OFFICE FURNITURE	27,170	7,800	19,370
2220205 MAINTENANCE OF BUILDINGS -NON RESIDENTIAL	10,549,982	1,181,832	9,368,150
2220206 MAINTENANCE OF CIVIL WORKS	-	62,250	-62,250
2220210 MAINTENANCE OF COMPUTERS, SOFTWARE	574,550	406,900	167,650
2220214 MAINTENANCE OF WATER SUPPLIES & BOREHOLES	50,000	28,420	21,580
<b>TOTAL · ROUTINE MAINTENANCE-OTHER ASSETS</b>	<b>12,303,074</b>	<b>2,070,830</b>	<b>10,232,244</b>
<b>3111000 · PURCHASE OF OFFICE FURNITURE AND GENERAL EQUIPMENT</b>			
3111001 PURCHASE OF OFFICE FURNITURE AND FITTINGS	-	-	-
3111002 PURCHASE OF COMPUTERS, PRINTERS & IT EQUIPMENT	-	-	-
3111003 PURCHASE OF ACs, FANS & HEATING APPLIANCES	450,000	-	450,000
3111005 PURCHASE OF PHOTOCOPIERS	350,000	-	350,000
3111009 PURCHASE OF OTHER OFFICE EQUIPMENT	-	-	-
31110011 PURCHASE OF LOOSE TOOLS	30,000	-	30,000
<b>TOTAL · PURCHASE OF OFFICE FURNITURE AND GENERAL EQUIPMENT</b>	<b>830,000</b>	<b>-</b>	<b>830,000</b>
<b>3111100 PURCHASE OF SPECIALISED PLANT, EQUIPMENT &amp; MACHINERY</b>			
3111107 PURCHASE OF LABORATORY EQUIPMENT & PLANT	10,000,000	-	10,000,000
<b>TOTAL · PURCHASE OF SPECIALIZED PLANT,EQUIPMENT &amp; MACHINERY</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>1,181,510,661</b>	<b>1,167,065,300</b>	<b>14,445,361</b>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014**

6540001 GRANTS FROM GOK-DEVELOPMENT	10,800,000	-	10,800,000
6540001 GRANTS FROM GOK-DEVELOPMENT b/fwd	79,474,073	34,795,849	44,678,22
6540001 GRANT FROM GOK - DEV -PURCHASE OF VESSELS	-	-	-
6540001 GRANT FROM GOK - DEV -COUNTER PART FUNDING-KCDP	57,000,000	-	57,000,000
6540001 GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDP-DISBURSEMENTS	243,071,325	133,245,731	109,825,59
6540001 GRANTS FROM INTER-ORGAN-(IDA/GEF-WB)-KCDP-b/fwd	-	-	-
<b>TOTAL DEVELOPMENT EXPENDITURE</b>	<b>390,345,398</b>	<b>168,041,580</b>	<b>222,303,81</b>
<b>GRAND TOTAL - EXPENDITURE</b>	<b>1,571,856,059</b>	<b>1,335,106,880</b>	<b>236,749,179</b>



# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2014

Kenya Marine and Fisheries Research Institute (KMFRI) is a Corporate Body constituted as per the Science and Technology Act Cap.250 (20).

#### **1. Statement of compliance and basis of preparation and form of presentation**

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

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

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

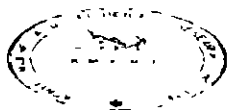
#### **2. Summary of significant accounting policies**

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

##### **i. Estimates and assumptions**

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

##### **ii. Consolidation Principle**



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

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

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

#### **(a) Revenue Recognition**

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

#### **(b) Government Grants and Donations**

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

#### **(c) Foreign Currency**

##### **(i) Translation of Foreign Currencies**

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

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

##### **(ii) Functional and Presentation of Currencies**

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

#### **(d) Property, Plant and Equipment**

- i. Property, Plant and Equipment are stated at cost or as professionally revalued less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as

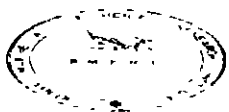


## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 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:

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



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### **(e) Intangible Assets**

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

#### **(f) Useful lives and residual values of assets**

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

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

#### **(g) Provisions**

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

#### **Contingent liabilities**

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

#### **Contingent assets**

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

#### **(h) Cash and cash equivalents**



## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

#### **(i) Comparative figures**

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

#### **(j) Retirement Benefits Policy**

The Institute operates a defined contribution pension scheme for her employees, both unionizable and non-unionizable. The scheme is administered by an independent Board of Trustees and it is funded by contributions from KMFRI and her employees. KMFRI contributes 15% of the employees' basic pay to the scheme and the employees contribute 7.5% of their basic pay. Contributions to the scheme from KMFRI are charged to the statement of financial performance in the year to which they relate. The cost of the defined contribution scheme is determined using the actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of the scheme, such estimates are subject to significant uncertainty.

The Institute also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the scheme are determined by statute and are currently set at Kshs. 200 per employee per month. The employee contributes Kshs. 200 per month and the employer similarly contributes Kshs. 200.

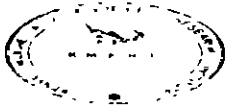
#### **(k) Financial Risk Management**

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

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

##### **Credit risk**

The Institute is exposed to credit risk which primarily arises from advances made to her staff members, for instance medical advances. The Institute structures the level of credit risk it undertakes by placing limits on the amount of money that can be advanced to a



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

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

staff member in a given period of time. Such risks are monitored on a revolving basis and are subject to annual or more frequent review.

#### **Liquidity risk**

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

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 3. (a) CASH & CASH EQUIVALENTS

	<u>2013/2014</u> Kshs.	<u>2012/2013</u> Kshs.
Recurrent A/c's	5,283,545	36,964,162
Development A/c	51,478,627	79,474,075
Revenue A/c's	1,300,235	1,588,165
Seed A/c's	3,134,558	554,189
Projects A/c's	114,860,320	48,727,873
Seed Cash A/c's	191,870	-
Cash in transit	<u>(3,596,555)</u>	222,302
Cash & Bank balances	172,652,600	167,530,767
Fixed Deposit A/c	<u>14,968,149</u>	-
<b>Total</b>	<b><u>187,620,749</u></b>	<b><u>167,530,767</u></b>

### 4. (a) RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	<u>2013/2014</u> Kshs.	<u>2012/2013</u> Kshs.
Medical Advance	5,230,884	3,568,579
Salary Advance	945,308	1,549,861
Temporary Imprest	1,153,528	809,444
Other advances	270,123	-
Other Debtors	<u>221,215</u>	<u>221,215</u>
<b>Total</b>	<b><u>7,821,058</u></b>	<b><u>6,149,099</u></b>

### (b) RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	<u>2013/2014</u> Kshs.	<u>2012/2013</u> Kshs.
KCDP - Counterpart A/c	28,500,000	-
GOK Grants	43,126,065	-
KCDP PCU A/c	<u>2,074,448</u>	-
<b>Total Accounts Receivable</b>	<b><u>73,700,513</u></b>	-

### (c) CONTIGENT ASSETS

- (i) A sum of Sh. 4,500,000 is due from a formerly contracted KMFRI legal firm, Ms Momanyi & Co. Advocates. The amount was meant for the payment of the then Mombasa Municipal Council outstanding land rates arrears, something which the law firm never did. The Institute has filed a civil case against the lawyer for the recovery of

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

the money owed and the court is yet to give its verdict. For that reason, the debt has not been recognized in the financial statements as the court's ruling on the matter is awaited.

- (ii) On 14<sup>th</sup> June 2012 some Institute offices at the headquarters were broken into and some property was stolen. The estimated cost of damages and stolen property is Sh. 713,209. KMFRI has written to her contracted Security Firm seeking compensation for the losses suffered

#### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (PREPAYMENTS)

	2013/2014	2012/2013
	Kshs.	Kshs.
Motor Vehicle Insurance Cover	559,855	291,665
Group Personal Accident Cover	3,435,525	-
Research Vessels Insurance Cover	-	-
Staff Pension Arrears	-	-
Group Life Insurance Cover	-	-
<b>Total</b>	<b><u>3,995,380</u></b>	<b><u>291,665</u></b>

ALBERTA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES CONTINUED

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab	Motor Vehicle	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computers	Computer Software	Total
<b>Cost 1 July 2013</b>	<b>3,292,000</b>	<b>39,408,000</b>	<b>291,793,847</b>	<b>12,633,424</b>	<b>19,928,626</b>	<b>6,979,724</b>	<b>13,891,985</b>	<b>41,836</b>	<b>15,113,157</b>	<b>14,332,251</b>	<b>-</b>	<b>424,762,410</b>
Additions	-	-	34,795,849	558,756	8,071,015	-	6,904,800	-	-	9,080,690	7,347,560	59,411,110
W/off fully depreciated assets	-	-	-	-	-	-	-	(41,836)	(244,919)	-	-	(286,755)
<b>Donations B/Fwd</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,357,980</b>	<b>68,410,912</b>	<b>-</b>	<b>-</b>	<b>1,731,812</b>	<b>-</b>	<b>-</b>	<b>117,500,704</b>
Additions	-	-	-	-	-	-	-	-	220,252	-	-	220,252
<b>Revaluations B/Fwd</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,600,00</b>
Additions	-	8,000,000	-	-	-	-	-	-	-	-	-	8,000,000
<b>Total Cost: 30 June 2014</b>	<b>3,292,000</b>	<b>47,408,000</b>	<b>326,589,696</b>	<b>13,192,180</b>	<b>76,957,621</b>	<b>75,390,636</b>	<b>20,796,785</b>	<b>-</b>	<b>16,820,302</b>	<b>23,412,942</b>	<b>7,347,560</b>	<b>603,860,162</b>
<b>Accumulated Depreciation:</b>												
1 July 2013 - For additions B/Fwd	-	2,449,263	28,232,652	6,643,050	9,295,364	6,602,421	8,112,517	37,445	14,848,044	13,648,555	-	89,869,311
For Donations B/Fwd	-	-	-	-	11,883,016	34,752,628	-	-	523,489	-	-	47,159,133
For Rev B/Fwd	-	-	-	-	1,200,000	-	-	-	-	-	-	1,200,000
<b>Depreciation Grand Total B/Fwd</b>	<b>-</b>	<b>2,449,263</b>	<b>28,232,652</b>	<b>6,643,050</b>	<b>22,378,380</b>	<b>41,355,049</b>	<b>8,112,517</b>	<b>37,445</b>	<b>15,371,533</b>	<b>13,648,555</b>	<b>-</b>	<b>138,228,444</b>

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

NOTES CONTINUED

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computers		Total
Charge for the year. Purchased Assets	-	452,966	8,164,742	1,649,023	6,999,910	-	2,599,598	4,391	-	3,111,194	2,204,268	22,981,824
Donated Assets	-	-	-	-	11,839,495	8,551,364	-	-	392,213	-	-	20,783,072
Depreciation write-off	-	-	-	-	-	-	-	(41,836)	(244,919)	-	-	(286,755)
Revalued Assets	-	80,808	-	-	400,000	-	-	-	-	-	-	480,808
<b>Depreciation Charge for the year: Grand Total as at 30 June 2014</b>	-	<b>2,983,037</b>	<b>36,397,394</b>	<b>8,292,073</b>	<b>41,617,785</b>	<b>49,906,413</b>	<b>10,712,115</b>	-	<b>15,518,827</b>	<b>16,759,749</b>	<b>2,204,268</b>	<b>182,187,393</b>
<b>Net Book Values B/Fwd</b>												
B/fwd 1 July 2013. Purchased Assets	3,292,000	36,958,737	263,561,195	5,990,374	10,633,262	377,303	5,779,468	4,391	265,113	683,696	-	327,545,539
Donated Assets	-	-	-	-	35,474,964	33,658,284	-	-	1,208,323	-	-	70,341,571
Revalued Assets	-	-	-	-	400,000	-	-	-	-	-	-	800,000
<b>Grand Total of Net Book Values 30 June 2013</b>	<b>3,292,000</b>	<b>36,958,737</b>	<b>263,561,195</b>	<b>5,990,374</b>	<b>46,508,226</b>	<b>34,035,587</b>	<b>5,779,468</b>	<b>4,391</b>	<b>1,473,436</b>	<b>683,696</b>	<b>5,143,292</b>	<b>403,430,403</b>
As at 30 June 2014 Net Book Values - Purchased Assets	3,292,000	36,505,771	290,192,302	4,900,108	11,704,367	377,303	10,084,670	-	265,113	6,653,193	-	363,974,824



NOTES CONTINUED

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computers	-	Total
Cost	-	-	-	-	23,635,469	25,106,920	-	-	1,036,362	-	-	49,778,751
Revalued Assets	-	7,919,192	-	-	-	-	-	-	-	-	-	7,919,192
<b>Grand Total of Net Book Values as at 30 June 2014</b>	<b>3,292,000</b>	<b>44,424,963</b>	<b>290,192,302</b>	<b>4,900,108</b>	<b>35,339,836</b>	<b>25,484,223</b>	<b>10,084,670</b>	-	<b>1,301,475</b>	<b>6,653,193</b>	-	<b>421,672,769</b>

6. (i) PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**NOTES CONTINUED**

**(ii) INTAGIBLE ASSETS AS AT 30 JUNE 2014**

Asset	F/Hold Land	L/Hold Land	Buildings	Plant, Mach. & Lab	M.V	Res. Vessels	Fur. & Off. Equip.	Loose Tools	Lib. Books	Computer Software	Total
<b>Cost 1 July 2013</b>	-	-	-	-	-	-	-	-	-	<b>7,347,560</b>	<b>7,347,560</b>
Additions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cost: 30 June 2014</b>	-	-	-	-	-	-	-	-	-	<b>7,347,560</b>	<b>7,347,560</b>
<b>Accumulated Depreciation:</b>											
1 July 2013.- For additions B/Fwd	-	-	-	-	-	-	-	-	-	2,204,268	2,204,268
Charge for the year	-	-	-	-	-	-	-	-	-	2,204,268	2,204,268
<b>Accumulated depreciation: Total as at 30 June 2014</b>	-	-	-	-	-	-	-	-	-	<b>4,408,536</b>	<b>4,408,536</b>
<b>Net Book Values as at 30 June 2014</b>	-	-	-	-	-	-	-	-	-	<b>2,939,024</b>	<b>2,939,024</b>

**FULLY DEPRECIATED ASSETS**

As at 30 June 2014 property, plant and equipment included motor vehicles, library books and computers with costs of Kshs. 6,402,472, Kshs. 244,919 and Kshs. 13,042,296 respectively which had been fully depreciated. The notional depreciation charge in respect of these assets would have been for motor vehicles Kshs. 1,600,618, library books Kshs. 48,984 and computers Kshs. 3,912,689.

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 7. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2013/2014 Kshs.	2012/2013 Kshs
Trade & Other Payables	14,054,343	35,591,682
Retirement Benefits Obligation	-	<u>15,200,000</u>
<b>Total</b>	<b><u>14,054,343</u></b>	<b><u>50,791,682</u></b>

### 8. TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

	2013/2014 Kshs.	2012/2013 Kshs
Breakdown of other liabilities is as below.		
Payroll Bank Loan Deductions	7,193,047	6,652,968
Statutory Deductions	7,144,425	3,964,188
Co-operative Loan Deductions	8,820,935	7,456,215
Insurance Deductions	268,453	195,844
Hire purchase Deductions	43,530	43,863
Staff Welfare Deductions	295,566	285,413
Staff Union Deductions	273,172	36,922
Net salary payable	1,572,356	-
House Rent Deductions & Others	<u>9,464,518</u>	<u>3,524,089</u>
<b>Total</b>	<b><u>35,076,002</u></b>	<b><u>22,159,502</u></b>

### 9. RETIREMENT BENEFITS OBLIGATION

	2013/2014 Kshs	2012/2013 Kshs
Retirement Benefits Obligation b/fwd	30,146,666	45,346,666
Less: Payments made in the year	-	<u>5,066,667</u>
Balance	30,146,666	40,279,999
Add/(Less): Accrued amount	<u>25,079,999</u>	<u>10,133,333</u>
<b>Total C/Fwd</b>	<b><u>55,226,666</u></b>	<b><u>30,146,666</u></b>

The Institute owes the staff pension fund a sum of Kshs. 55,226,665 in total. Out of this amount, a sum of Kshs. 14,946,666 constitutes a short-term liability and Kshs. 40,279,999 a long term liability. This amount arose from an actuarial valuation of the pension fund which was done in 2009.

### 10. DONATIONS

	2013/2014 Kshs.	2012/2013 Kshs.
Balance b/fwd	128,275,246	102,054,648

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

Additional	<u>220,252</u>	<u>46,756,956</u>
Total	128,495,498	148,811,604
Less: Depreciation	<u>(20,783,072)</u>	<u>(20,536,358)</u>
<b>Donations – Balance C/Fwd</b>	<b><u>107,712,426</u></b>	<b><u>128,275,246</u></b>

**11. REVALUATIONS**

	2013/2014	2013/2014
	Kshs.	Kshs.
Balance b/lwd	112,890,535	114,914,661
Additional	<u>-</u>	<u>-</u>
	112,890,535	114,914,661
Less. Depreciation	<u>400,000</u>	<u>2,024,126</u>
<b>Revaluation Reserve</b>	<b><u>112,490,535</u></b>	<b><u>112,890,535</u></b>

**12. ACCUMULATED SURPLUS/DEFICIT**

	2013/2014	2012/2013
	Kshs	Kshs
Accumulated Deficit B/Fwd	(193,546,129)	(190,134,813)
Additional Surplus/ (Deficit)	<u>44,532,026</u>	<u>(3,411,316)</u>
<b>Accumulated Fund</b>	<b><u>(149,014,103)</u></b>	<b><u>(193,546,129)</u></b>

**13. GOVERNMENT GRANTS**

## (a) RECURRENT GRANTS

<b>GOK RECURRENT GRANTS</b>		
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Month</b>	<b>2013/2014</b>	<b>2012/2013</b>
JULY	37,575,000.00	37,152,000
AUGUST	37,575,000.00	37,152,000
SEPTEMBER	43,126,065.00	37,152,000
OCTOBER	43,126,065.00	37,152,000
NOVEMBER	43,126,065.00	37,152,000
DECEMBER	43,126,065.00	37,152,000
JANUARY	43,126,065.00	37,152,000
JANUARY	2,700,000.00	37,152,000
FEBRUARY	43,126,065.00	37,152,000
MARCH	43,126,065.00	37,152,000
APRIL	43,126,065.00	37,152,000
MAY	43,126,065.00	37,152,000
MAY	145,489,350.00	37,152,000
JUNE	43,126,065.00	37,152,000
<b>TOTAL</b>	<b>654,600,000.00</b>	<b>445,824,000</b>

## (b) DEVELOPMENT GRANTS

2013/2014

2012/2013

<b>GOK DEVELOPMENT GRANTS</b>		
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Month</b>	<b>2013/2014</b>	<b>2012/2013</b>
December	5,400,000	19,000,000
March	5,400,000	19,000,000
<b>TOTAL</b>	<b>10,800,000</b>	<b>38,000,000</b>

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**(c) GOVERNMENT COUNTERPART GRANTS**

	2013/2014	2012/2013
	Kshs	Kshs
GOK Counterpart Grants	<u>76,800,000</u>	<u>24,800,000</u>

**14. DONOR GRANTS**

NAME OF PROJECT	2013/2014	2012/2013
Asareca Project	4,239,759.00	6,028,647.00
Icoast	3,832,533.00	1,647,000.00
Food Agricultural Organization (FAO)	3,647,152.00	-
Its Fish Protection	277,272.00	751,321.00
Its Spear Fish	-	831,101.00
Kenya Agricultural Prod. & Agri-Business Project	19,080,000.00	6,384,500.00
Kenya Coastal Development Project-PCU	403,307,562.00	-
Kenya Coastal Development Project-Counterpart A.c		6,891,310.00
Kenya Coastal Development Project- IDA	65,064,863.00	16,584,000.00
Kenya Coastal Development Project-GEF	32,925,984.00	16,245,000.00
South West Indian Ocean Fisheries Project	-	3,387,242.00
Oxfam Gb	1,841,675.00	-
Stockholms University	2,010,830.00	-
Odinfrica Project	1,279,285.00	-
Western Indian Ocean Marine Scientist Association (Wiomsa)	-	2,801,962.00
Worldwide Nature	646,380.00	-
Lighthouse Foundation	-	438,774.00
Microenterprise Support Trust (Mespt)	-	11,841,231.00
National Council For Science & Technology Project (Nest)	-	4,599,500.00
Capacity Building For Mangrove Assessment Restoration And Valuation (Camary)	3,165,381.00	5,202,238.00
International Oceans Institute -IOI	-	602,770.00
Alghas & Somali Current Large Marine Ecosystems (Asclme)	-	1,174,804.00
Radiosotopes	300,000.00	1,163,750.00
Masma Mangrove	-	676,867.00
Artemia Project	-	5,297,152.00
Secure Fish Project	3,801,353.00	12,181,252.00
Micro-Project	1,633,036.00	1,100,955.00

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Other Small Projects	7,222,362.00	8,540,982.00
<b>TOTAL KSHS</b>	<b>554,275,427.00</b>	<b>114,372,358.00</b>

**15. REVENUE FROM EXCHANGE TRANSACTIONS**

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	Kshs.
Surcharge Fees	350	800
Sale of Tender Documents	150,000	508,136
Gain on sale of boarded items	-	479,600
Miscellaneous Income:		
Attachment Educational visits etc	347,145	154,050
Sale of fish and fish fingerlings	620,411	828,330
Other sundry income	924,582	750,454
Fees for services/Consultancies	212,450	1,643,402
<b>Total</b>	<b><u>2,254,938</u></b>	<b><u>4,364,772</u></b>

**16. FINANCE INCOME**

	<u>2013, 2014</u>	<u>2012/2013</u>
	Kshs.	Kshs.
Fixed Deposit	466,960	503,098

**17. BULK PURCHASES OF WATER AND ELECTRICITY**

	<u>2013/2014</u>	<u>2012, 2013</u>
	Kshs.	Kshs.
Purchases of water & electricity	8,581,456	8,061,277

**18. EMPLOYEE COSTS**

	<u>2013, 2014</u>	<u>2012, 2013</u>
	Kshs.	Kshs.
Basic salaries	313,894,312	229,779,942
Personal Allowances	156,547,477	102,350,122
Service Gratuity	4,814,702	1,206,347
Personal Allowances-Reimbursements	6,461,810	6,807,604
Pension Contribution by employer	45,962,032	29,127,841
<b>Total</b>	<b><u>527,680,333</u></b>	<b><u>369,271,856</u></b>

## KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### 19. BOARD OF MANAGEMENT COSTS

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	Kshs
Board Allowances	1,909,656	2,464,800
Travel Costs	532,379	767,543
Other Board related expenses	<u>977,377</u>	<u>744,357</u>
<b>Total</b>	<b><u>3,419,412</u></b>	<b><u>3,976,700</u></b>

#### 20. GENERAL EXPENSES

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs	Kshs.
Communication, Supplies & Services	3,931,089	4,975,110
Travel & Subsistence	16,981,311	16,357,030
Printing, Advertizing & Information	6,795,492	4,478,377
Rentals of Produced Assets	3,422,680	2,904,326
Training Expenses	2,185,283	759,168
ISO Certification expenses	1,167,480	-
Hospitality Supplies & Services	3,672,970	5,252,317
Insurance Costs	7,533,610	4,174,082
Research Programs	525,234,054	101,896,313
Office & General Supplies	6,070,806	8,160,252
Fuels oil and Lubricants	2,149,399	2,278,501
Other Operating Expenses	17,583,416	9,267,832
Contracted services – Audit Fee	<u>580,000</u>	<u>500,000</u>
<b>Total</b>	<b><u>597,307,589</u></b>	<b><u>161,003,308</u></b>

#### 21. REPAIRS AND MAINTENANCE

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	Kshs.
Repairs and Maintenance	<u>4,890,417</u>	<u>4,905,337</u>

#### 22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions with related parties are at an arm's length in the normal course of business, and on terms and conditions generally applicable.

# KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Details of related party transactions are as here below:-

	Kshs.	Kshs
Contributions to the statutory defined contribution pension scheme (NSSF)	3,320,998	2,023,200
Contribution to KMFRI Pension Scheme	<u>42,641,035</u>	<u>27,104,642</u>
<b>Total</b>	<b><u>45,782,033</u></b>	<b><u>29,127,842</u></b>

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

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **PROGRESS ON FOLLOW-UP OF AUDITOR GENERAL'S RECOMMENDATIONS FOR 2012/2013 FINANCIAL YEAR**

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

##### **Recommendations on acquisition of title deeds**

The Institute owns several pieces of land for which it has not fully acquired documents of ownership. It has pieces of land in Mtwapa, Shimoni and Baringo.

The Mtwapa land was grabbed by a private developer and the issue was reported to the Ethics and Anti-corruption Authority for investigation and action as necessary. The Institute is awaiting the outcome of the investigations.

The Commissioner of Lands has issued a letter of allotment for the Shimoni land and the Institute is pursuing acquisition of the title deed. The land has been surveyed and the Commissioner of Lands has issued a partial development plan for it.

The Institute owns two pieces of land in Baringo. In one piece, the Institute has a letter of allotment and acquisition of the title deed is being pursued. The other piece of land was grabbed by a private developer and the issue was reported to the local County Administration for investigation and resolution.

It is expected that once the Institute acquires title deeds for all her pieces of land, information generation from the assets register will be more complete and fully updated.

##### **Recommendations on cash and cash equivalents**

The Institute sourced for and installed an enterprise resource software in an effort to integrate her activities. Repetitiveness experienced in the past in posting data into the finance data base will now be eliminated. It is expected that financial data to be generated will be more accurate and the inaccuracies of cash and cash equivalents balances carried forward will be eliminated.