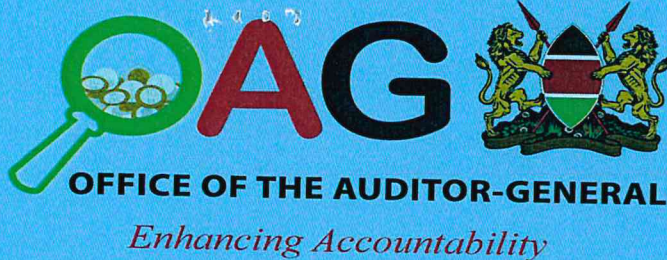


REPUBLIC OF KENYA



REPORT

 THE NATIONAL ASSEMBLY OF PAPERS LAID	
DATE: 03 FEB 2022	
DAY: Thurs	
TABLED BY:	THE AUDITOR-GENERAL LOM
CLERK-AT THE-TABLE:	Leah Wanjiru

ON

**KENYA MARINE AND FISHERIES
RESEARCH INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



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1. 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 However, Cap 250 has since been repealed by the Science, Technology and Innovation Act, No.28 of 2013.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 marine research including chemical 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; and
- (e) To promote local and international collaborations and partnerships.

(c) Key Management

The day to day management is under the following key organs:

- Board of Management
- Director/ CEO
- Management
- Staff

During the period, KMFRI Board Members were as below:

No	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 CS – 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 2020 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
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 Planning 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.

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The Human Resource and Administration Committee

The Committee is comprised of 5 members of the Board including the Institute Director. The committee's main function is advising the Board of Management on Human Resource and Administration governance issues 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

2. 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;
- Bachelor of Science (Honours) degree in 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 Nuts Industry Revitalization Task Force.



Ms. Dorcas Mghoi Mlughu
Chair, Board Audit and Risk Management
Committee

Key Qualifications:

- Currently pursuing a Master's Degree in Public Policy and Management at Kenya Methodist University;
- 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).

Date of Birth

1986

Date of Appointment

14th December 2018

Work Experience

- 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.



Prof. Suhaila Omar Hashim;
**Chairman, Scientific and Technical
Committee**

Key Qualifications

- PhD in Biotechnology, Lund Univ. Sweden.
- MSc in Biochemistry.
- BSc in Biochemistry and Zoology

Date of Birth

1972

Date of Appointment

3rd May 2019

Work Experience

- Associate Professor and Chairman of the Department of Biochemistry and Biotechnology, Pwani University.
- Acting Dean, School of Pure & Applied Sciences.
- Teaching and Training at undergraduate and postgraduate levels.



Mr. Ali Juma Mafimbo (HSC)
**Chairman, Human Resource and
Administration 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 Oceans Research and Development - Indian Ocean (CORDIO)-East Africa, and Western Indian Ocean Marine Science Association (WIOMSA)



Mr. Valentine Mwaisaka Mwakamba
Chairman, Finance and Planning Committee

Key Qualifications

- Code of 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



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

6th Nov, 1958

Date of Appointment

3rd May 2019

Work Experience

- Kenya Ports Authority, Audit 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

Date of Birth

1973



Date of Appointment

3rd May 2019

Work Experience

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

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 <p>Ms. Nancy Kagau</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • MA. Project Planning and Management Ongoing – University of Nairobi. • BSc. (Hons) Zoology and Geography University of Nairobi 	<p>Date of Birth 1960</p> <p>Date of Appointment: 9th June 2017</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Deputy Director of Fisheries • PS Representative, the SDFA& BE
 <p>Dr. Indeje Wanyama, PhD</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • 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 	<p>Date of Birth 1969</p> <p>Date of Appointment 16th April 2018</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Deputy Director Financial Affairs, The National Treasury • CS 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, KMFRI Board of Management

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.
- Accounting Officer of the Institute.
- Secretary to the KMFRI Board of Management.

3. MANAGEMENT TEAM

 <p>Prof. James M. Njiru, PhD Director/C. E. O.</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>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD in Animal Biology University of Florence (Italy) • MSc. In Zoology 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="395 280 681 642" data-label="Image"> </div> <div data-bbox="367 674 662 707" data-label="Caption"> <p>Dr. Enock Wakwabi, PhD</p> </div> <div data-bbox="253 741 480 775" data-label="Section-Header"> <p>Key Qualifications:</p> </div> <div data-bbox="250 775 777 1084" 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="892 210 1050 241" data-label="Section-Header"> <p>Date of Birth</p> </div> <div data-bbox="892 241 960 273" data-label="Text"> <p>1955</p> </div> <div data-bbox="892 344 1153 378" data-label="Section-Header"> <p>Area of Responsibility</p> </div> <div data-bbox="892 380 1278 515" 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="392 1178 647 1496" data-label="Image"> </div> <div data-bbox="339 1529 681 1594" data-label="Caption"> <p>CPA Abraham John Kagwima ICPAK REG. NO. 2954</p> </div> <div data-bbox="250 1630 478 1664" data-label="Section-Header"> <p>Key Qualifications:</p> </div> <div data-bbox="247 1664 772 1800" 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="888 1187 1054 1220" data-label="Section-Header"> <p>Date of Birth:</p> </div> <div data-bbox="1198 1187 1272 1220" data-label="Text"> <p>1969</p> </div> <div data-bbox="888 1256 1150 1290" data-label="Section-Header"> <p>Area of Responsibility</p> </div> <div data-bbox="888 1290 1275 1424" data-label="List-Group"> <ul style="list-style-type: none"> • Deputy Director (Finance & Administration). • Head of Finance and Administration Directorate. </div>

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Dr. Jonathan Munguti ,PhD

Key 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.

4. 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 MTP III.

ACHIEVEMENTS DURING THE FINANCIAL YEAR 2019/2020

The institute continued to implement its research mandate during the year and achieved its Performance Contract targets as set out in the signed KMFRI Performance Contract and the Corporate Strategic Plan 2018/2022. To disseminate the research findings, the institute co-hosted the ninth Great Lakes of the World Conference in August 2019 at Kisumu. The institute also engaged counties as the key stakeholders in the development of fisheries' in Kenya and appointed county liaison officers to follow up on the agreed deliverables'. The institute hosted the Parliamentary Committee of Agriculture, Livestock and Fisheries on 19th December 2019 at the Mombasa Headquarters to discuss the management of Blue Economy which is key to Kenya's food and nutritional security. The institute participated in the Decade of Ocean Science workshop at Kenya School of Monetary Studies in Nairobi from

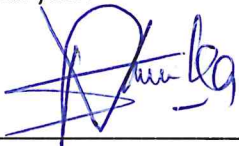
ONGOING INITIATIVES

The Institute is spearheading the marine stock assessment covering the Kenyan territorial waters in the Indian Ocean. KMFRI is also spearheading the development of a Marine Spatial Plan to guide investments in the Blue Economy. 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 Exclusive Economic Zone (EEZ) and the North Kenya Banks which is the next frontier in the exploitation of Kenya's marine resources.

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 spare no effort to attain and surpass the targets set for the new financial year.



Hon. John Safari Mumba
Chairman
Board of Management

5. 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, 2020.

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 undertook a survey to understand the effects of COVID 19 on the fisheries sector. KMFRI also recorded increased 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 2019/2020 as negotiated with the Parent Ministry and vetted by the Performance Contracting Secretariat. The Institute hosted all her stakeholders in the Great Lakes of the World (GLOW 9) Conference in August 2019 to showcase the new technologies and discuss areas of furthering research. KMFRI senior scientist was recognized in the international fora for their contribution to science with Prestigious PEW Marine Fellowship award given to Dr. Nina Wambiji.

KMFRI participated in the 2nd Jumuiya ya Kaunti za Pwani Agribusiness & Blue Economy Investment conference today at Ocean Beach Resort in Kilifi county from 10th – 11th December 2019. To support aquaculture the Institute participated in KALRO-KCSAP Aquaculture Training of Trainers Workshop for Siaya County at Busia Agricultural Training Centre on 13th March 2020. The training is organized by KMFRI, KALRO and University of Eldoret. KMFRI also participated in the World Wetlands Day celebrations in Kisumu took place at Dunga beach on the 2nd February 2020.

KMFRI Senior Management was trained on disability mainstreaming by officers from the National Council for Persons with Disability (NCPWD) and the institute acquired a new medical insurance cover for her employee from March, 2019.

ONGOING PROJECTS

Through the individual donor research programmes, the Institute continued to implement various other projects including Managing Mangroves for Climate Change Regulations and Other Ecosystem Services in Kenya supported by UNEP, Ocean Acidification & Marine Litter Project - WIOMSA, Citizen Science for monitoring Macroplastics in Kenya using mobile Technology - Flemish University, Enhancing Climate Smart Aquaculture Technologies and Innovations towards Food Security and Sustainable Livelihoods in East and Southern Africa-World Bank, Establishment of the 1st marine hatchery in Kwale Shimonu 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

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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 continued to operate 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 2019/2020 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/CEO KMFRI

6. REVIEW OF KMFRI 'S PERFORMANCE FOR FY 2019/2020

The Institute has four (4) strategic pillars and five (5) strategic objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- a) Research and Innovation;
- b) Knowledge Management and Dissemination;
- c) Resource mobilization and institutional capacity building; and
- d) Collaboration and Partnerships.

The Institute develops its annual work plans and performance targets based on the above four (4) pillars. Assessment of the Institute's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2019/2020 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Research and Innovation	To conduct innovative research for the Blue Economy	Number of cruise surveys undertaken to assess fish stocks	Conduct cruises in the water bodies (Kisumu & Mombasa)	Two (2) cruises conducted in lake Victoria and Indian Ocean respectively
		Number of species with quantitative stock assessments	Conduct a study to establish the fish stocks of pelagic fisheries	Study commissioned and ongoing
		Number of catch assessment surveys conducted	Conduct quarterly catch assessment surveys	Four (4) CAS surveys conducted
		Number of fisheries observer deployments	Deploy fisheries' observers to commercial fishing vessels	Eight (8) fisheries observers deployed (360 observer days – Prawn trawlers)
		Number of value-added fish products developed and disseminated	Develop fish value added products	Fish Samosa – Sagana Centre, Fish Sausages – Sagana Centre
Knowledge Management and Dissemination	To transfer knowledge and innovative technologies to communities and stakeholders	Number of KMFRI branded products disseminated for adoption	Brand KMFRI products for dissemination	Fish feeds – Sangoro Station, Fish Samosa – Sagana Centre, Fish Sausages – Sagana Centre
		Number of demonstration facilities	Establish demonstration centres	Mtafari museum developed in Mombasa

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		Number of materials produced and disseminated	Publish IEC Materials to disseminate research finds	5 policy briefs developed, 2 KMFRRI Newsletter published
		Number of journal editions and book manuscripts finalized and printed		Aquatica Journal published
		Number of stakeholder workshops conducted successfully	Meet stakeholders to understand their research needs	One county engagement exercise conducted
		Number of scientific conferences organized	Organize Scientific conferences to disseminate research findings	Co-hosted Ocean Decade of Science Conference, Co-hosted Great Lakes of the World (GLOW 9) Conference
Resource mobilization and institutional capacity building	To mobilize and manage financial and human resources	Amount of funds generated through innovative proposals	Develop research proposal to generate research grants	KSShs. 141 million generated from research proposals
	To strengthen institutional structure and capacity	Level of implementation of the approved establishment	Recruit new staff to fill the establishment	29 new staff recruited
		Number of Title deeds of all KMFRRI centres/stations secured	Acquire Title deeds of all KMFRRI centres/stations	Title deed for Sangoro land obtained (6 plots out of 10 plots) secured
		Number of centres/stations with new infrastructure and equipment	Develop new research infrastructure	New laboratories constructed – Naivasha, Kisumu
Collaboration and Partnerships	To promote local and international collaborations and partnerships	Number of collaborations and partnerships in research and development established	Develop a training of trainers (ToT) aquaculture manual under Kenya Climate Smart Agriculture Project (KCSAP)	Training of trainers (ToT) aquaculture manual developed

7. 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.

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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.

8. MANAGEMENT DISCUSSION AND ANALYSIS

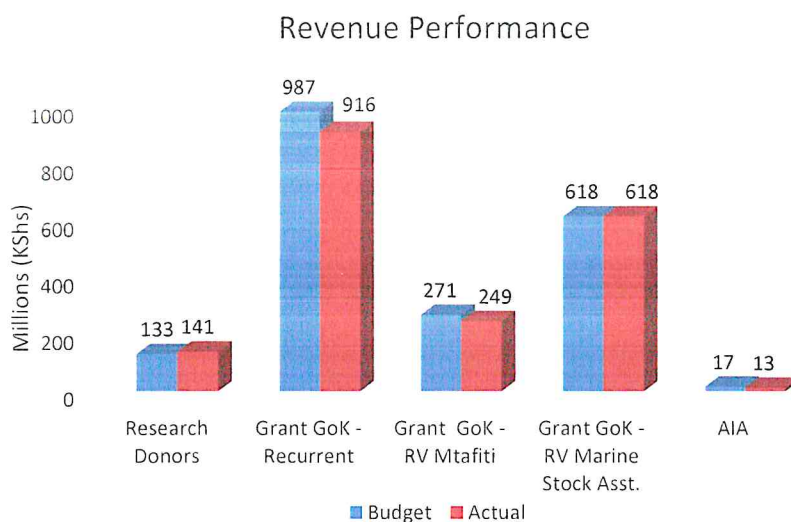
Operational performance

During the period, KMFRI continued to implement its Performance Contract for the financial year 2019/2020 as negotiated with the Parent Ministry and vetted by the Performance Contracting Secretariat. The Institute hosted the Great Lakes of the World (GLOW 9) Conference in August 2019 at Kisumu. The institute in collaboration with other stakeholders participated in the replantation of mangroves in the degraded areas at Mwache Forest in South Coast in November 2019. The institute acquired a new medical insurance cover for her employee from March, 2019.

With regards to budgetary resources, the government released exchequer grants to the Institute as per the government printed estimates for the 2019/2020 financial year.

Financial performance

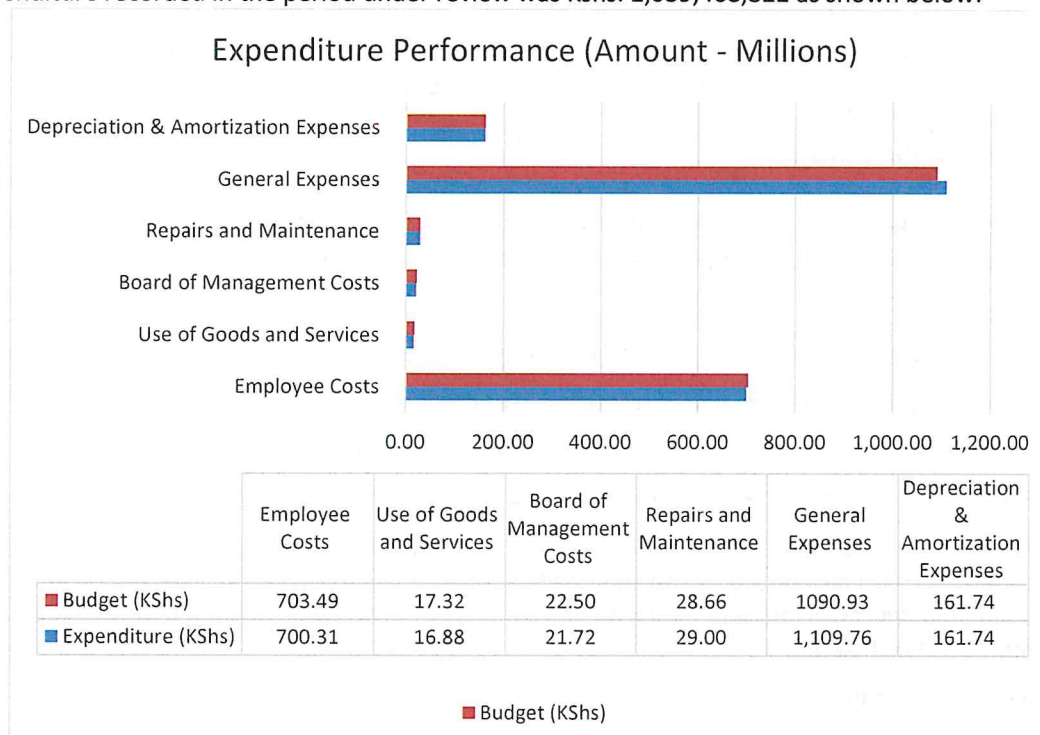
The Institute received grants for recurrent expenditure amounting to Kshs. 1,782,732,500 which enabled KMFRI to pay staff salaries, sustain its operations, maintenance and marine stock assessment expenditure for the period as shown below:



The institute further received donor grants of Kshs. 141,444,255 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. 13,323,265 in 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. 2,039,408,822 as shown below:



Key projects and investment decisions the entity is planning/implementing

During the period the following major projects were implemented at the Institute.

Project	Objective	Funding
KMFRI Kisumu Laboratory upgrading	To support Freshwater Fisheries and Limnology research	GOK
KMFRI Naivasha Laboratory upgrading	To support Freshwater Fisheries and Limnology research	GOK
KMFRI Shimoni Centre (NAMARET) – Construction	To support marine fisheries and mariculture research	GOK
KMFRI – HQ’s Water Desalination Plant	To provide purified water to support the HQ’s laboratories and Blue Economy research	GOK
KMFRI Solar Project	To provide alternative source of power and reduce the cost of electricity for Mombasa Centre	GOK

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.

9. 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 fisher 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 2020, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

Mutonga Primary School – Administration Block

KMFRI undertook educational based CSR activities by constructing an administration block for Mutonga Primary School in Tharaka Nithi County.



Figure 1: Classroom in Mutonga Primary School, Tharaka Nithi County used as administration office



Figure 2: New Administration Block constructed by KMFRI for Mutonga Primary School in 2019/2020 FY

Replantation of mangroves in the degraded areas at Mwache Forest in South Coast

KMFRI collaborated with other institutions to help the Shimoni-Vanga Sea Scape community initiate several community projects including replantation of mangroves supported by the Institute in Mwache Forest. The institute support to the communities aims to conserve mangroves through the Vajiki Project. The initiative is run by local volunteers from Vanga and adjacent villages. Through the three years the initiative will be going on, several education and water programmes, including the restoration of mangroves in Shimoni-Vanga Sea Scape 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 –Mwache Forest, Kwale County on 29th November 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 on 10th September 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 students 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 Sh. 40 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, 2019, and collected trash along Tamarind, Mkomani, Nyali and Mama Ngina beaches. Participants were KMFRI staff, interns, attaches and community members. Approximately 300 kgs of trash was collected on that day. The event was published in the institute's newsletter Mtafiti.



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.



10. 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, 2020 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 21st September, 2018 and five (5) Board members were also appointed with effect from 21st December 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:

11. 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 2020, 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 30.9.2020 2020 and signed on its behalf by:



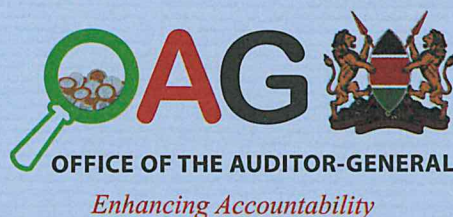
Hon. John Safari Mumba
CHAIRMAN - KMFRI BOARD OF MANAGEMENT



Prof. James M. Njiru, PhD
DIRECTOR/CEO - KMFRI

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

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, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of 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 the Kenya Marine and Fisheries Research Institute as at 30 June, 2020, 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Un-Surveyed Land and Lack of Ownership Documents

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.1,770,216,144 as at 30 June, 2020. 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 on before the transfer from the Kenya Agricultural Research Institute (KARI) was complete.

1.2 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, 2020, 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.

1.3 Loss of Deep-Sea Observatory Rover

As disclosed in Note 22 to the financial statements, the reported property, plant and equipment balance of Kshs.1,770,216,144 includes an amount of Kshs.531,106,878 in respect of research vessels. The research vessels included a deep-sea observatory rover acquired at a cost of Kshs.13,242,599 in 2018/2019 financial year. However, the equipment was not physically verified as it was reportedly lost in the deep sea and the loss reported at a local police station on 16 July, 2019. As of February, 2021, the equipment had not been traced.

Under the circumstances, the accuracy, existence and completeness of property, plant and equipment balance of Kshs.1,770,216,144 could not be confirmed.

2. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.418,024,098 which, as disclosed under Note 19 to the financial statements, includes cash in hand of Kshs.306,247. 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.306,247 could not be confirmed.

3. Doubtful Receivables from Former Staff

The statement of financial position reflects a balance of Kshs.241,983,352 under receivables from non-exchange transactions which, as disclosed in Note 20 to the financial statements, includes medical advances amounting to Kshs.5,248,071. However,

the medical advances includes an amount of Kshs.1,455,416 in respect of advances to staff who have since left the Institute and could not be traced. Management indicated that the officers passed on before recoveries were made.

Consequently, recoverability of the receivables from non-exchange transactions balance of Kshs.1,455,416 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.1,723,162,292 and Kshs.2,252,784,212 respectively resulting to an over-funding of Kshs.529,621,920 or 31% of the budget. Similarly, the Institute had an approved expenditure budget of Kshs.1,701,167,292 against an actual expenditure of Kshs.2,219,171,201, resulting to an overall over expenditure of Kshs.518,003,909 or 30%. The over-funding and over-expenditure occurred mainly due to receipts of Kshs.618,257,500 from the State Department of Fisheries and the Blue Economy to undertake marine stock assessment, an expenditure item which had not been provided for in the budget for 2019/2020 financial year.

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, 2020.

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 sections 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 Expenses

As reported previously, records provided 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, an amount of 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. Construction of Shimoni Office and Laboratory Block - Use of Force Account

As previously reported, in 2018/2019 financial year, an amount of Kshs.12,058,463 was incurred on the construction of Shimoni office and laboratory through force account method. Records indicated that the Institute tendered and awarded the works to a contractor but the contract was later cancelled and the works done by casuals. This was done contrary to Section 109 of the Public Procurement and Asset Disposal Act, 2015 which states that, 'a procuring entity may use force account by making recourse to the state or public officers and using public assets, equipment and labour which are competitive and where quantities of work involved are small and scattered or in remote locations for which qualified construction firms are unlikely to tender at reasonable price and the quantities of works cannot be defined in advance.'

There was no justification for use of force account as Shimoni is not a remote area and several firms had responded to the advertisement and were willing to work in the area. Although the Management has indicated that the contract was cancelled because the quotes received were high, the conditions for use of force account method were not met including supervision of the work by the Engineers from the Public Works Department.

3. Procurement of Research Vessels Equipment

As reported in the previous year, the statement of financial position as at 30 June, 2019 reflected a balance of Kshs.1,734,161,109 under property, plant and equipment which, as disclosed in Note 20 to the financial statements, included an amount of Kshs.281,613,777 in respect of research vessels equipment bought during the financial year 2018/2019. However, a review of the procurement documents revealed the following anomalies:

3.1 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.

3.2 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.

3.3 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.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 applicable 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

16 November, 2021

Kenya Marine and Fisheries Research Institute
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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020


PARTICULARS	NOTE	2019/2020	2018/2019
Revenue from Non-Exchange Transactions:-		Kshs.	Kshs.
Grants from National Government	6	1,164,475,000	1,137,290,000
Transfers from other Government Entities	7	618,257,500	-
Grants from Donors	8	141,444,255	132,876,356
Revenue from Exchange Transactions:-			
Sales of goods	9	10,685,134	10,226,700
Rendering Services	10	2,403,327	4,722,209
Finance Income	11	6,704	-
Total Revenue		1,937,271,920	1,285,115,265
Expenses:-			
Employee Costs	12	700,309,036	539,958,155
Use of Goods and Services	13	16,880,162	13,458,855
Board of Management Costs	14	21,718,646	13,360,096
Depreciation and Amortization	15	161,741,005	120,906,168
Repairs and Maintenance	16	29,004,130	26,810,442
General Expenses	17	491,832,287	426,403,938
Marine Stock Assessment	18	618,257,500	-
Total Expenses		2,039,742,766	1,140,897,654
Surplus/Deficit for the Year		(102,470,846)	144,217,611

The notes set out on pages 7 to 28 form an integral part of these Financial Statements


14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
ASSETS		Kshs.	Kshs.
Current Assets:-			
Cash & Cash Equivalents	19	418,024,098	486,455,555
Receivables from Non-Exchange Transactions	20	241,983,352	12,014,930
Receivables from Exchange Transactions	21	53,581,493	25,172,275
Total Current Assets		713,588,943	523,642,760
Non-current Assets:-			
Property, Plant & Equipment	22	1,770,216,144	1,734,161,109
Work-in-progress	23	130,794,795	39,561,800
Intangible Assets	24	398,575	1,705,665
Total Non-Current Assets		1,901,409,514	1,775,428,574
Total Assets		2,614,998,457	2,299,071,334
LIABILITIES			
Current Liabilities:-			
Trade & Other Payables from Exchange Transactions	25	313,594,065	4,275,829
Trade & Other Payables from Non Exchange Transactions	26	168,504,003	6,855,521
Total Current Liabilities		482,098,068	11,131,350
Non-Current Liabilities:-			
Total Non-Current Liabilities		-	-
Total Liabilities		482,098,068	11,131,350
TOTAL NET ASSETS		2,132,900,389	2,287,939,984
RESERVES			
Capital Reserve	28	584,810,971	584,810,971
Donations Reserve	29	231,848,271	263,472,171
Revaluations Reserve	30	500,089,371	512,725,332
Accumulated Surplus	31	816,151,776	926,931,510
		2,132,900,389	2,287,939,984

The Financial Statements set out on pages 1 to 28 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
Head of Finance and Accounting
ICPAK NO 2954

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Capital Reserve	Donations Reserve	Reval. Reserve	Accum. Deficit	TOTAL
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2019		584,810,971	263,472,171	512,725,332	926,931,510	2,287,939,984
Surplus refund/Donations in the year		-	277,564	-	(8,308,888)	(8,031,324)
Revaluations in the year		-	-	-	-	-
Depreciation/Amortization in the year		-	(31,901,464)	(12,635,961)	-	(44,537,425)
Depreciation/Amortization adj. in the year		-	-	-	-	-
Surplus for the period		-	-	-	(102,470,846)	(102,470,846)
Balance as at 30 June 2020		584,810,971	231,848,271	500,089,371	816,151,776	2,132,900,389

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

	Note	Capital Reserve	Donations Reserve	Reval. Reserve	Accum. Surplus	TOTAL
		Kshs.	Kshs.	Kshs.	Kshs.	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)	-	(53,448,115)
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

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

16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2019/2020	2018/2019
Cash flows from Operating Activities		Kshs.	Kshs.
Surplus		(102,470,846)	144,217,611
Add:-			
Depreciation/Amortization Charge for the Year		161,741,005	120,906,168
		59,270,159	265,123,779
Working Capital Changes:-			
Decrease/Increase in Receivables from Non-Exchange Transactions	20	(229,968,422)	328,530,781
Decrease/Increase in Receivables from Exchange Transactions	21	(28,409,217)	(846,067)
Increase/Decrease in Trade & Other Payables from Exchange Transactions	25	309,318,236	(84,586,736)
Increase/Decrease in Other Payables from Non-Exchange Transactions	26	161,648,482	(28,565,644)
Net cash flows from Operating Activities		271,859,238	479,656,112
Cash flows from Investing Activities			
Work-in-Progress	23	(110,566,735)	(23,949,360)
Purchase of Assets	22	(221,415,072)	(386,552,403)
Net cash flows from Investing Activities		(331,981,807)	(410,501,763)
Cash Flows from Financing Activities			
Transfer of A in A to the National Treasury		(8,308,888)	-
Refund of GOK Counterpart funds to SDFA & Blue Economy		-	(44,733,070)
Net cash flows from Financing Activities		(8,308,888)	(44,733,070)
Net Increase in Cash and Cash Equivalents		(68,431,457)	24,421,279
Cash and Cash Equivalents at the Start of the Period		486,455,555	462,034,276
Cash and Cash Equivalents at the End of the Period	19	418,024,098	486,455,555

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

GRANTS AND A.I.A	Original Budget 2019/2020	Adjustments	Final Budget 2019/2020	Actual on comparable basis	Performance difference
Revenue from Non-Exchange Transactions:-	Kshs	Kshs	Kshs	Kshs	Kshs
Grants from National Government	1,436,612,292	136,800,000	1,573,412,292	1,479,987,292	93,425,000
Transfers from Other Government Entities	-	-	-	618,257,500	(618,257,500)
Grants from Donors	120,000,000	13,000,000	133,000,000	141,444,256	(8,444,256)
	1,556,612,292	149,800,000	1,706,412,292	2,239,689,047	(533,276,755)
Revenue from Exchange Transactions:-					
Sales of goods	15,800,000	(550,000)	15,250,000	10,685,134	4,564,866
Rendering Services	950,000	550,000	1,500,000	2,403,327	(903,327)
Finance Income	-	-	-	6,704	(6,704)
Total Revenue	16,750,000	-	16,750,000	13,095,165	3,654,835
TOTAL REVENUE	1,573,362,292	149,800,000	1,723,162,292	2,252,784,212	(529,621,920)
Expenses:-					
Employee Costs	593,929,021	109,564,578	703,493,599	700,309,036	3,184,563
Use of Goods and Services	15,150,000	2,172,400	17,442,400	16,880,162	562,238
Board of Management Costs	18,500,000	4,000,000	22,500,000	21,718,646	781,354
Repairs and Maintenance	29,950,000	(1,290,000)	28,660,000	29,004,130	(344,130)
General Expenses	892,038,271	37,153,022	929,071,293	833,001,727	96,069,566
Marine Stock Assessment	-	-	-	618,257,500	(618,257,500)
Total Expenses	1,549,567,292	151,600,000	1,701,167,292	2,219,171,201	(518,003,909)

Budget Notes

Grants from National Government

The Institute did not receive funding of Ksh. 93,425,000 for the month of June 2020.

Transfers from Other Government Entities

The Institute received Ksh. 618,257,500 from State Department of Fisheries and the Blue Economy to undertake stock assessment activity. An Authority to Incur Expenditure was issued to KMFRI by the Permanent Secretary SDF& BE.

Sale of Goods

The Institute ability to generate income through sale of fish feeds, fingerlings and brooders was greatly affected with the travel restrictions and Ministry of health guidelines that were in place in the last two quarters of the financial year due to the COVID 19 pandemic.

Rendering of Services

The Institute generated more revenue from this account by 14% due to payment of bonding fees and payment in lieu of notice from staff.

General Expenses

The under expenditure on general expenses is attributed to the fact that KMFRI did not receive funding of Ksh. 93,425,000 for the month of June 2020.

Marine Stock Assessment

The Institute incurred expenditure of Ksh. 618,257,500 for Marine stock assessment in relation to the funds from State Department of Fisheries and the Blue Economy.

Reconciliation of Actual on comparable basis to the Statement of Financial performance

The total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis; statement of financial performance is accrual). The reconciliation is provided below:

	Ksh.
Expenditure in Statement of Financial Performance	2,039,742,766
Less Depreciation	(161,741,005)
Less WIP Transfers	(19,333,740)
Add General expenses items in Statement of Financial Position	
Prepayments	53,581,493
Work in Progress	110,566,735
Capital Expenditure - Vehicles	26,772,005
Capital Expenditure - Furniture and fittings	5,788,666
Capital Expenditure - Computers	16,715,531
Capital Expenditure - Research vessels equipment	115,028,181
Capital Expenditure - Research vessel boat	10,500,000
Capital Expenditure - Plant and equipment	21,550,569
Total actual on comparable basis	2,219,171,201

18. 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 2019/2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 in the year the revenue has been budgeted for. 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 2019-2020 was approved by the National Assembly in June 2019. 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 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

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- 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.

e) 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.

f) 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

g) 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 contributed Ksh. 48,290,995.53 as Employer Contribution and Ksh. 19,382,682 as Employee Contribution during the FY 2019/2020.

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 Institute contributed Ksh. 1,749,000 as Employer Contribution and Ksh. 1,749,000 as Employee Contribution during the FY 2019/2020.

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

h) Cash and cash equivalents

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

i) Comparative figures

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

j) 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.

k) Related party

In the Financial Year under review, the related party disclosures were as follows:

No	Designation	Amount (Kshs.)
1.	Chairman Board of Management	1,020,000
2.	Director/Chief Executive Officer	5,789,880
3.	Deputy Director Finance and Administration	4,010,388
4.	Deputy Director Ocean and Coastal Services	3,890,388
5.	Deputy Director Freshwater Systems	3,890,388
6.	Ag. Deputy Director, Aquaculture	3,105,528

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

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)

REVENUE FROM NON EXCHANGE TRANSACTIONS

6 GRANTS FROM NATIONAL GOVERNMENT

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent Grants	915,966,666	823,396,000
RV Mtafiti Grants	248,508,334	313,894,000
	1,164,475,000	1,137,290,000

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 2019/2020	Total grant income during the year 2018/2019
		Ksh.	Kshs.	Kshs.	Kshs.	Kshs.
Recurrent Grants						
SDFA & the Blue Economy	August				-	210,050,000
SDFA & the Blue Economy	October				212,500,000	210,050,000
SDFA & the Blue Economy	November				212,500,000	-
SDFA & the Blue Economy	February				212,500,000	197,447,000
SDFA & the Blue Economy	May				-	205,849,000
SDFA & the Blue Economy	June				70,833,333	-
SDFA & the Blue Economy - Receivable	June				70,833,333	-
SDFA & the Blue Economy - Receivable	June				136,800,000	-
Total					915,966,666	823,396,000
RV Mtafiti Grants						
SDFA & the Blue Economy	August					80,075,000
SDFA & the Blue Economy	October				67,775,000	80,075,000
SDFA & the Blue Economy	November				67,775,000	-
SDFA & the Blue Economy	February				67,775,000	75,270,500
SDFA & the Blue Economy	May				-	78,473,500
SDFA & the Blue Economy	June				22,591,667	-
SDFA & the Blue Economy - Receivable	June				22,591,667	-
Total					248,508,334	313,894,000
Total Grants from National Government					1,164,475,000	1,137,290,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2019/2020	2018/2019
	Kshs	Kshs
Marine Stock Assessment	618,257,500	-
	618,257,000	-

7 (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 2019/2020	Total grant income during the year 2018/2019
		Ksh.	Kshs.	Kshs.	Kshs.	Kshs.
Recurrent Grants						
SDFA & the Blue Economy	June				618,257,500	-

8 GRANTS FROM DONORS

	2019/2020	2018/2019
	Kshs	Kshs
Western Indian Ocean Marine Scientist Association (Wiomsa)	27,017,179	20,856,540
Odin Africa Project	5,159,215	738,037
Food Agricultural Organization (FAO)	292,950	1,421,285
Radiosotopes - IAEA	10,191,641	869,268
Other Small Projects-IOC,AORA,ICIPE,WWLF,MASENO,SDUE&ALMA	29,115,964	35,946,204
National Research Fund	11,751,571	55,803,584
University of Northingham	133,570	1,875,328
Alma Waters Solutions	-	5,806,387
Worldwide for Nature	-	5,175,100
Edinirgh Napier University	-	229,458
Elsen Grid Arendal	-	784,759
World wild life fund	-	432,944
University of Denver	-	2,937,463
ICIPE	2,382,813	-
CSIRO Private	127,920	-
British Geological Survey	1,538,800	-
Gent Universitet	5,828,518	-
International Foundation of Science	1,178,855	-
KARLO	5,773,760	-
United Nations	35,651,500	-
PEW	5,300,000	-
Total Grants from Donors	141,444,255	132,876,356

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

REVENUE FROM EXCHANGE TRANSACTIONS

9 SALE OF GOODS

	2019/2020	2018/2019
	Kshs	Kshs
Sale of fish fingerlings& brooders	1,917,260	2,569,280
Sales of fish feeds	4,912,980	6,841,635
Sale of value added products	1,954,494	432,430
Disposal of bonded equipment/wares	1,900,400	383,355
Total sale of goods	10,685,134	10,226,700

10 RENDERING SERVICES

	2019/2020	2018/2019
	Kshs	Kshs
Miscellaneous income including projects overheads	1,015,857	3,652,107
Surcharge fees	589,570	-
Students educational visits and attachment fees	647,100	758,102
Hire of research vessels	5,000	130,500
Rental Income	-	4,750
Hire of conference facilities	-	176,750
Consultancy fees for services	145,800	-
Total rendering of services	2,403,327	4,722,209

11 FINANCE INCOME

	2019/2020	2018/2019
	Kshs	Kshs
Exchange gain	6,704	-
Total Finance Income	6,704	-

12 EMPLOYMENT COSTS

	2019/2020	2018/2019
	Kshs	Kshs
Salaries and wages	444,654,067	292,842,592
Employee related costs - contributions to pensions & medical aids	49,778,386	51,444,205
Travel, motor car, accommodation, subsistence & other allowances	80,922,325	72,861,042
Housing benefits and allowances	123,205,258	120,986,316
Social contributions	1,749,000	1,824,000
Total Employee Costs	700,309,036	539,958,155

13 USE OF GOODS AND SERVICES

	2019/2020	2018/2019
	Kshs	Kshs
Electricity	13,181,869	11,022,064
Water	3,621,738	2,436,791
Gas	76,555	59,808
Total Goods and Services	16,880,162	13,518,663

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 BOARD OF MANAGEMENT COSTS

	2019/2020	2018/2019
	Kshs	Kshs
Chairman's Honoraria	1,020,000	784,833
Directors emoluments	14,568,800	3,162,500
Other allowances	2,806,876	6,635,963
Board Management related costs	3,322,970	2,776,799
Total Board of Management Costs	21,718,646	13,360,096

15 DEPRECIATION AND AMORTIZATION

	2019/2020	2018/2019
	Kshs	Kshs
Depreciation expenses	160,433,915	119,359,758
Amortization expense	1,307,090	1,546,410
Total Depreciation and Amortization	161,741,005	120,906,168

**Detailed notes are provided in Note 22 and 24*

15A. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

(Detailed Schedule Separate)	2019/2020	2018/2019
Cost	Kshs	Kshs
As at 1 July 2019	2,436,580,534	2,028,724,834
Additions	240,748,812	407,588,776
Donations	277,564	266,924
Disposals	(11,300,000)	
At end of the Year	2,666,306,910	2,436,580,534
Depreciation and impairment		
At 1 July 2019	702,419,425	529,611,553
Depreciation	160,433,915	119,359,758
Depreciation of revalued and donated assets	44,537,426	53,448,114
Accumulated depreciation of disposals	(11,300,000)	-
At end of year	896,090,766	702,419,425
Net Book Values	1,770,216,144	1,734,161,109

16 REPAIRS AND MAINTENANCE

	2019/2020	2018/2019
	Kshs	Kshs
Maintenance of Motor Vehicles	9,115,118	6,549,946
Maintenance of boats, Research vessels & Marine Equip	1,420,402	2,812,359
Maintenance of Other Assets	18,468,610	17,448,137
Total repair and maintenance	29,004,130	26,810,442

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 GENERAL EXPENSES

	2019/2020	2018/2019
	Kshs	Kshs
Communication services and supplies	13,730,210	13,100,591
Transportation, travelling and subsistence	28,119,994	25,776,536
Advertising, printing, stationery and photocopying	11,096,049	5,895,408
Rent expenses	7,786,532	4,677,051
Staff training expenses	13,369,556	12,762,038
Hospitality supplies and services	13,187,610	10,318,759
Insurance costs	48,072,592	40,966,468
Bank charges and commissions	344,691	311,577
Office and general supplies and services	12,134,286	9,511,190
Legal fees	7,258,875	7,801,843
Contracted Professional Services - External Audit	811,200	811,200
Other operating expenses		-
Donor Funded Expenses	104,916,063	60,502,119
Seed Expenses	33,951,149	36,770,971
Worldbank Expenses	-	10,562,918
RV Mtafiti Expenses	69,125,374	51,705,297
RV Mtafiti Maintenance	40,635,088	32,756,528
RV Mtafiti Training Expenses	12,406,626	8,235,017
RV Mtafiti Publicity Expenses	7,519,132	5,531,683
RV Mtafiti Grant for operation	-	37,886,771
RV Mtafiti Blue Economy	4,047,881	-
RV Mtafiti Fuel, Cons, Insurance etc.	5,829,595	-
RV Mtafiti IOC & Conference	2,532,830	-
RV Mtafiti Analytical Lab exp.	15,410,463	-
Fuel Oil and Lubricants	4,326,262	6,222,119
Specialized Materials and Supplies	15,011,331	12,592,466
Contracted Guards and Cleaning	15,678,572	12,363,200
Subscription to Professional bodies	479,074	529,275
Contracted Professional Services	-	9,392,052
Contracted Technical Services	1,065,572	7,151,520
Parking Charges	50,415	61,055
Exchange Loss	384,618	305,959
Licensing fee - Drivers	30,090	11,500
Business Wing Expenses	2,520,556	1,248,919
Internal Audit Expenses	-	582,100
Total general expenses	491,832,287	426,344,130

18 MARINE STOCK ASSESSEMENT

	2019/2020	2018/2019
	Kshs	Kshs
Marine Stock Assessment	618,257,500	-
Total Marine Stock Assessment	618,257,500	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 CASH AND CASH EQUIVALENTS

	2019/2020	2018/2019
	Kshs	Kshs
CURRENT ACCOUNTS	Shs 000	Shs 000
National Bank of Kenya	416,949,040	486,014,402
Kenya Commercial Bank	768,811	174,576
Cash at Hand	306,247	266,577
Total Bank and cash balances	418,024,098	486,455,555

20 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
	Kshs	Kshs
Staff Debtors	5,216,750	5,713,246
Medical Advance	5,248,071	6,089,553
Non Staff Advance	58,531	212,131
GOK Recurrent grants receivable	231,460,000	-
Net trade and other receivables	241,983,352	12,014,930

21 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
	Kshs	Kshs
Prepayment- Motor vehicle Insurance	1,013,444	767,219
Prepayment-Research Vessels Insurance	938,211	4,838,317
Prepayment- Building Insurance	-	143,234
Prepayment- Medical Insurance	50,582,117	18,744,548
Prepayment-Others	1,047,721	678,957
Net trade and other receivables	53,581,493	25,172,275

The above amounts are in respect of prepaid amounts in for 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.	Breach of contract	4,500,000
TOTAL			14,093,131

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 PROPERTY, PLANT AND EQUIPMENT

ASSET	FREEHOLD	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. Kshs.	2.50% Kshs.	12.50% Kshs.	25% Kshs.	12.50% Kshs.	12.50% Kshs.	20% Kshs.	30% Kshs.	Kshs.
Cost 1st July 2019										
Purchases B/fwd	6,392,000	39,650,424	403,192,576	312,251,550	142,459,761	520,103,850	53,050,101	18,304,754	52,951,307	1,548,356,323
Donations B/fwd	-	-	-	-	-	259,817,853	-	700,818	-	700,818
Revaluation B/fwd	10,608,000	279,849,576	319,421,942	-	17,826,022	-	-	-	-	887,523,393
(A) Totals for opening balance	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
Additions During 2019-2020										
Purchases	-	-	13,760,120	21,550,569	38,072,005	125,528,181	5,788,666	-	16,715,531	221,415,072
Donations	-	-	-	-	-	-	-	277,564	-	277,564
WIP Transfer	-	-	19,333,740	-	-	-	-	-	-	19,333,740
Assets w/off (Disposal)	-	-	-	-	(11,300,000)	-	-	-	-	(11,300,000)
(B) Sub-total for additions	-	-	33,093,860	21,550,569	26,772,005	125,528,181	5,788,666	277,564	16,715,531	229,726,376
(C) 30 June 2020 (A+B)	17,000,000	319,500,000	755,708,378	333,802,119	187,057,788	905,449,884	58,838,767	19,283,136	69,666,838	2,666,306,910
Accumulated Depreciation										
As at 1st July 2019										
For additions B/fwd	-	16,448,526	64,617,499	86,496,277	41,658,682	109,916,061	26,572,473	183,911	44,228,297	390,121,726
For Donations b/fwd	-	242,424	-	-	95,594,160	160,669,538	-	17,633,694	-	274,139,816
Accumulated depreciation w/o	-	-	-	-	(11,300,000)	-	-	-	-	(11,300,000)
For Rev. b/fwd	-	-	38,157,883	-	-	-	-	-	-	38,157,883
Charge for the year: Purchased Assets	-	4,213,455	6,256,748	40,340,360	21,437,029	72,109,010	5,658,376	180,311	10,238,625	160,433,915
Donated Assets	-	-	-	-	-	31,648,396	-	253,069	-	31,901,465
Revalued Assets	-	-	12,635,961	-	-	-	-	-	-	12,635,961
Accumulated Depreciation as at 30 June 2020	-	20,904,405	121,668,091	126,836,637	147,389,871	374,343,005	32,230,849	18,250,986	54,466,922	896,090,766
NET BOOK VALUE										
Grand Total Net Book Values B/fwd 1st July 2019	17,000,000	302,809,050	619,839,136	225,755,273	23,032,941	509,336,104	26,477,628	1,187,967	8,723,010	1,734,161,109
Grand Total of Net Book Values as at 30 June 2020	17,000,000	298,595,595	634,040,287	206,965,482	39,667,917	531,106,878	26,607,918	1,032,150	15,199,916	1,770,216,144

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 WORK IN PROGRESS

	2019/2020	2018/2019
	Kshs	Kshs
WIP B/f	39,561,800	36,648,813
Additions during the year	110,566,735	23,949,360
At end of the year	150,128,535	60,598,173
Less Transfers	19,333,740	21,036,373
WIP C/f	130,794,795	39,561,800

24 INTANGIBLE ASSETS

	2019/2020	2018/2019
	Kshs	Kshs
Cost at beginning of the year	12,612,925	12,612,925
Additions during the year	-	-
At end of of the year	12,612,925	12,612,925
Amortization and impairment		
At beginning of the year	10,907,260	9,360,850
Amortization	1,307,090	1,546,410
At end of the year	12,214,350	10,907,260
Impairment loss	-	-
Net Book Value as at 1 July 2018	1,705,665	10,907,260
Net Book Value as at 30 June 2019	398,575	1,705,665

25 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
	Kshs	Kshs
Trade payables	313,594,065	4,275,829
Total liability	313,594,065	4,275,829

26 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
	Kshs	Kshs
Bank and Cooperative Loans	8,405	272,145
Statutory Deductions	3,214,333	22,350
Insurance Deductions	19,555	117,061
Staff Welfare	4,599	1,227
Staff Pension Contributions	-	124,720
Other general liabilities	165,257,111	6,318,018
Total liability	168,504,003	6,855,521

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 EMPLOYEE BENEFIT OBLIGATIONS

	2019/2020	2018/2019
	Kshs	Kshs
Retirement benefits Obligation b/fwd	-	15,226,665
Add: accrued amount	-	-
Total	-	-
Less: payment	-	15,226,665
Retirement benefits Obligation b/fwd	-	-

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

28 CAPITAL RESERVE

	2019/2020	2018/2019
	Kshs	Kshs
Capital Reserve	584,810,971	629,544,041
Additions		
Development A/c		
Counterpart A/c	-	(44,733,070)
Capital Reserve - Balance C/Fwd	584,810,971	584,810,971

29 DONATIONS RESERVE

	2019/2020	2018/2019
	Kshs	Kshs
Capital Reserve	263,472,171	304,017,400
Additions	277,564	-
Total	263,749,735	304,017,400
Less: Depreciation	(31,901,464)	(40,545,229)
Depreciation adj. on revaluation	-	-
Donations Reserve - Balance C/Fwd	231,848,271	263,472,171

30 REVALUATIONS RESERVE

	2019/2020	2018/2019
	Kshs	Kshs
Capital Reserve	512,725,332	525,361,294
Additions	-	-
Total	512,725,332	525,361,294
Less: Depreciation	(12,635,961)	(12,635,962)
Depreciation adj. on revaluation	-	-
Revaluation Reserve - Balance C/Fwd	500,089,371	512,725,332

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 ACCUMULATED SURPLUS

	2019/2020	2018/2019
	Kshs	Kshs
Accumulated Deficit B/Fwd	926,931,510	767,280,974
Add: Adjustment	(8,308,888)	15,432,925
Additional Surplus	(102,470,846)	144,217,611
Accumulated Surplus	816,151,776	926,931,510

32 CONTINGENT LIABILITIES

The Institute had the following Contingent Liabilities as at 30th June 2020

	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

33 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.

34 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 Person 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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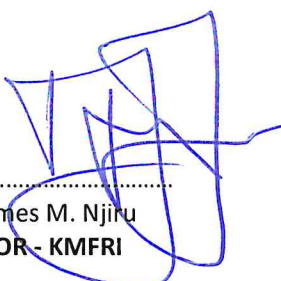
		proceeds were later invested on rolling basis by the Institute in a fixed deposit account with National Bank of Kenya.			
3.1	Cash Count for Mombasa and Baringo revenue offices	Cash of	Nyakundi Nyangoto - Chief Accountant	Not resolved.	The issue to be handled jointly with officers from the Office of 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 receipted 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.

Signed.....

Hon. John Safari Mumba
CHAIRMAN - KMFRI BOARD OF MANAGEMENT

Signed.....

Prof. James M. Njiru
DIRECTOR - KMFRI

APPENDIX III: INTER-ENTITY TRANSFERS

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE				
Break down of Transfers from the State Department for Fisheries and the Blue Economy.				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Recurrent	03.10.2019	280,275,000	2019/2020
	Recurrent	20.11.2019	280,275,000	2019/2020
	Recurrent	04.02.2020	280,275,000	2019/2020
	Recurrent	09.06.2020	93,425,000	2019/2020
	AIE	09.06.2020	618,257,500	2019/2020
	Recurrent ¹	July 2020	230,225,000	2019/2020
	Total		1,782,732,500	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A			
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A			
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A			

Recurrent¹ - This represents an amount of Ksh. 93,425,000 for Recurrent and RV grants for the month of May 2020 and Ksh. 136,800,000 for staff salary arrears received in July 2020. The funds were treated as Receivables in the 2019-2020 Financial Statements.

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

Finance Manager
KMFRI

Sign



Head of Accounting Unit
State Department for Fisheries and the Blue Economy.

Sign



APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
N/A						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
N/A							

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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
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department of Fisheries and the Blue Economy	03.10.2019	Recurrent	280,275,000	280,275,000					285,275,000
State Department of Fisheries and the Blue Economy	20.11.2019	Recurrent	280,275,000	280,275,000					285,275,000
State Department of Fisheries and the Blue Economy	04.02.2020	Recurrent	280,275,000	280,275,000					285,275,000
State Department of Fisheries and the Blue Economy	09.06.2020	Recurrent	93,425,000	93,425,000					93,425,000
State Department of Fisheries and the Blue Economy	09.06.2020	AIE	618,257,500	618,257,500					618,257,500
Total			1,552,507,500	1,552,507,500	-	-	-	-	1,552,507,500

