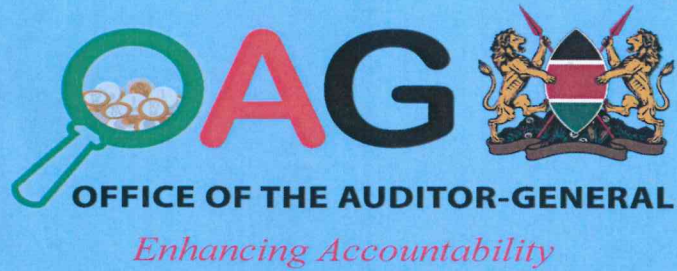


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA MARINE AND FISHERIES
RESEARCH INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2022**



KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

The 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 However, Cap 250 has since been repealed by the Science, Technology and Innovation Act, No.28 of 2013. KMFRI is domiciled in Kenya and has branches in Mombasa, Kisumu, Naivasha, Baringo, Kegati, Sangoro, Sagana, Shimoni, Turkana, a research substation at Gazi and the Nairobi liaison office.

(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 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:

- i. To conduct innovative research for the Blue Economy;
- ii. To transfer knowledge and innovative technologies to communities and stakeholders;
- iii. To mobilize and manage financial and human resources;
- iv. To strengthen institutional structure and capacity; and
- v. To promote local and international collaborations and partnerships.

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(c) Key Management

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

No.	Name	Role	Date Appointed
1.	Hon. John Safari Mumba	Chairman	6 October 2021
2.	Prof. Suhaila Omar Hashim, PhD	Member	3 May 2019 (Retired – 2 May 2022)
3.	Mr. Valentine Mwaisaka Mwakamba	Member	2 May 2022
4.	Hon. Hassan Abdi Dukicha	Member	5 January 2021 (Resigned 8 February 2022)
5.	Mr. Farid Ahmad Swaleh	Member	3 May 2019 (Retired 2 May 2022)
6.	Mr. Ali Juma Mafimbo (HSC)	Member	14 December 2018 (Retired 13 December 2021)
7.	Ms. Dorcas Mghoi Mlughu	Member	14 December 2018 (Retired 13 December 2021)
8.	Prof. Francis Kimani Njonge, BVM, MSc, PhD	Member	3 May 2022
9.	Ms. Rachel Nyambura Mbugua	Representative of the Office of the Attorney General	6 June 2017 (Retired 17 March 2022)
10.	Mr. Jalfred Erima Maliro		17 March 2022
11.	Mr. Christopher Nyaga Nkoroi	Representative PS State Dept. for Fisheries, Aquaculture, and the Blue Economy	18 January 2021
12.	Dr. Indeje Wanyama, PhD	Representative PS The National Treasury	16 April 2018

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Prof. James M. Njiru, PhD
2.	Deputy Director Finance and Administration	CPA. Abraham Kagwima
3.	Director Aquaculture Research	Dr. Jonathan Munguti, PhD
4.	Acting Director, Oceans and Coastal Systems and Blue Economy Research	Dr. James M. Mwaluma, PhD
5.	Acting Director, Freshwater Systems Research	Dr. Christopher M. Aura, PhD

(e) Fiduciary Oversight Arrangements

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

Board Finance and Planning Committee

The Committee is comprised of 5 members of the Board including the Director General. 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.

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

Dr. Ludwig von Krapf, Mkomani Mombasa
P.O. Box 81651 GPO, Mombasa 80100, Kenya

(g) Entity Contacts

Telephone: +254 (20) 8021560/1, 0712003853
E-mail: director@kmfri.go.ke
Website: <http://www.kmfri.go.ke>

(h) Entity Bankers

National Bank of Kenya,
P.O. Box 72866 – 00200
Nairobi, Kenya

Kenya Commercial Bank,
P.O. Box 48400 – 00100
Nairobi, Kenya



(i) Independent Auditors

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



- (j) **Principal Legal Adviser**
The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. THE BOARD OF DIRECTORS



 <p>Hon. John Safari Mumba Chairman, Board of Management</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> • 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; and • Postgraduate Diploma in Management of Public Enterprises, the Harvard University (HIID), USA. 	<p>Date of Birth: 1946</p> <p>Date of Appointment: 6 October 2021</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 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.
 <p>Prof. Suhaila Omar Hashim, PhD Chairman, Board Human Resource and Administration Committee</p>	<p>Date of Birth 1972</p> <p>Date of Appointment 3 May 2019</p> <p>Date of Retirement 2 May 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Associate Professor and Chairman of the Department of Biochemistry



<p>Key Qualifications</p> <ul style="list-style-type: none"> • PhD in Biotechnology, Lund Univ. Sweden; • MSc in Biochemistry; and • BSc in Biochemistry and Zoology. 	<p>and Biotechnology, Pwani University.</p> <ul style="list-style-type: none"> • Acting Dean, School of Pure & Applied Sciences. • Teaching and Training at undergraduate and postgraduate levels.
 <p>Mr. Valentine Mwaisaka Mwakamba Chairman, Board Audit and Risk Management Committee</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> • 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. 	<p>Date of Birth 6 November 1958</p> <p>Date of Appointment 2 May 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Kenya Ports Authority, Auditor and Risk Committee of the Board - Chairman • The National Alliance Party of Kenya, (Mombasa) - Chairman • Kenya International Freight and Warehouse Association (KIFWA) – Chairman • Kenya National Chamber of Commerce & Industry (KNCCI), (Mombasa) - Branch Secretary • Star of The Sea School Board, Mombasa –Chairman • Linu Agencies, Mombasa - General Manager • Coffee Marketing Board (U) Limited, (Uganda, Dar es Salaam, Mombasa) - Stocks Controller.
	<p>Date of Birth 1971</p> <p>Date of Appointment: 5 January 2021</p> <p>Date of Resignation 8 February 2022</p> <p>Work Experience</p>

<p>Hon. Hassan Abdi Dukicha Board Member Key Qualifications:</p> <ul style="list-style-type: none"> • Bachelor's in Business Management. • Diploma in Business Administration; and • Certificate in Human resource. 	<ul style="list-style-type: none"> • MP - Galole Constituency, from 2013 to 2017; Telcom Kenya from 1992 and 2004.
 <p>Mr. Farid Ahmad Swaleh Board Member Key Qualifications:</p> <ul style="list-style-type: none"> • 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); and • Contract administration, from the Kenya Institute of Curriculum Development (KICD) and leadership and corporate governance. 	<p>Date of Birth 1973</p> <p>Date of Appointment 3 May 2019</p> <p>Date of Retirement 2 May 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Director - Kenya Shipping Line Agencies • KANU Youth Wing Mobiliser, Mombasa

 <p>Mr. Ali Juma Mafimbo (HSC) Chairman, Board Finance and Planning Committee</p> <p>Key Qualifications Master's Degree (Physical Oceanography) from the University of Cape Town, South Africa.</p>	<p>Date of Birth 1958</p> <p>Date of Appointment 14 December 2018</p> <p>Date of Retirement 13 December 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • 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)
 <p>Ms. Dorcas Mghoi Mlughu Chair, Board Scientific and Technical Committee</p>	<p>Date of Birth 1986</p> <p>Date of Appointment 14 December 2018</p> <p>Date of Retirement 13 December 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Political radio host at Royal Media Service's Bahari FM.

<p>Key Qualifications:</p> <ul style="list-style-type: none"> • Currently pursuing a Masters 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; and • Attended Kenya Women Parliamentary Association workshop on women leadership and politics (KEWOPA). 	<ul style="list-style-type: none"> • A presenter, as well as the producer of famous Taita Radio programme - Kwasinda. • Sales Supervisor at Telkom (K) & Zain. • News anchor at Radio MMU.
 <p>Ms. Rachel Nyambura Mbugua Board Member (Representative of the Office of the Attorney General)</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Master's in international law and Comparative Law from Indiana University. • Bachelor of Law (Keele University-UK.) • Diploma in Law (Kenya School of Law) 	<p>Date of Birth: 1981</p> <p>Date of Appointment 6 June 2017</p> <p>Date of Retirement: 30 March 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Advocate of the High Court of Kenya • Senior State Counsel • Representative of the Office of the Attorney General

 <p>Mr. Christopher Nyaga Nkoroi Board Member (PS Representative-The SDFA& BE)</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Bsc. Chemistry & Zoology • MSc Environmental science on going 	<p>Date of Birth 1977</p> <p>Date of Appointment: 18 January 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • PS Representative, the SDFA& BE
 <p>Dr. Indeje Wanyama, PhD Board Member (Representative, The National Treasury)</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; and • Bachelor's Degree -Economics the University of Nairobi. 	<p>Date of Birth 1969</p> <p>Date of Appointment 16 April 2018</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Deputy Director Financial Affairs, The National Treasury • Cabinet Secretary Representative, the National Treasury.

 <p>Prof. Francis Kimani Njunge, BVM, MSc, PhD Board Member</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD – Parasitology, JKUAT • Masters degree – Reproductive Physiology, James Cook University, Australia • Bachelor’s degree – Veterinary Medicine, University of Nairobi 	<p>Date of Birth: 1960</p> <p>Date of Appointment: 3 May 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Dean School of Natural Resources and Animal Sciences (SONRAS) • Associate Professor Department of Animal Sciences, JKUAT
 <p>Mr. Jalfred Erima Maliro Board Member (Representative of the Office of the Attorney General)</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Law Degree – LLB MOI University • Post Graduate Diploma in Law • Master of Public Policy & Administration (MPPA) -Ongoing 	<p>Date of Birth: 13 July 1979</p> <p>Date of Appointment: 17 March 2022</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • Head Office of the Attorney General and Department of Justice (OAG & DOJ) Malindi Regional Office • Representative of the Office of the Attorney General



Prof. James M. Njiru, PhD
Secretary to the 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

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

3. MANAGEMENT TEAM

Name	Qualifications	Position in the Management
 <p>Prof. James M. Njiru, PhD</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; and • B.Sc. (Zoology, Botany and Chemistry), 2nd Class Hons, Moi University, Eldoret. 	<p>Chief Executive Officer</p>
 <p>CPA Abraham John Kagwima</p>	<p>Key Qualifications:</p> <ul style="list-style-type: none"> • Master of Business Administration (Finance Option); • Certified Public Accountant (K); and • ICPAK REG. NO. 2954. 	<p>Deputy Director, Finance and Administration</p>
 <p>Dr. Jonathan Munguti, PhD</p>	<p>Key Qualifications</p> <ul style="list-style-type: none"> • PhD - Natural Resources and Applied Life sciences Vienna, Vienna, Austria; • MSc. environmental science and technology IHE. Delft the Netherlands; and • B. Ed Sc. Hons (Zoology/chemistry), Moi University, Eldoret, Kenya. 	<p>Director, Aquaculture Research</p>

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 <p>Dr. Christopher M. Aura, PhD</p>	<p>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD in Marine Bioresource and Environmental Science; • Master’s degree in Aquatic Sciences from Moi University, • BSc in fisheries and Aquatic Sciences from Moi University; • Diploma in International. Environmental leadership, sustainability science 	<p>Acting Deputy Director, Freshwater Systems Research</p>
 <p>Dr. James M. Mwaluma, PhD</p>	<p>Key Qualifications:</p> <ul style="list-style-type: none"> • Ph.D. Zoology (Ecology), Moi University • M.Sc. (Hydrobiology), University of Nairobi • BSc. (Hons Upper Second Class) Panjab University 	<p>Acting Deputy Director, Oceans and Coastal Systems and Blue Economy Research</p>

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 to advise the government and other stakeholders on aquatic matters. I thank the government for committing funds in grants for research to the Institute, which made it possible for our researchers to come up with scientific innovations and technologies that would increase fish production in the country and improve food and nutritional security in line with the Big Four Agenda, Vision 2030 and promote the Blue Economy Investments.

Successes

During the period, the Institute achieved tremendous progress in contribution to the government Big Four Agenda through marine and fisheries research. Some of the key outputs include: Training of Greenthumb, a CBO from Nakuru County on value addition. The participants were engaged in development of assorted products such as Fish sausage, Fish burger, Fish balls, kebabs, fingers, and samosas; trained Murongo women CBO cage fish farmers from Mfangano Island, Homabay County on quality seed and feed in Aquaculture, best management practices, marketing, post-harvest handling.

The Institute successfully implemented the performance contract targets for 2021/2022 FY and disseminated the findings to the various stakeholders as scheduled. The performance contract was signed between the Board of Management and the Cabinet Secretaries of the Parent Ministry and the National Treasury. The Institute also launched the KCDP book titled "From Ridge to Reef" – A Legacy for Sustainable Coastal Development in Kenya on 8 June 2022 during the World Oceans Day.

The Institute hosted Norwegian Embassy and Norwegian Agency for Development Cooperation (NORAD) officials who visited for a scoping mission to gather inputs for possible collaboration in Ocean for Development programmes in Kenya. The Institute also hosted a live televised Leadership forum by Nation Media Group (NTV) where KMFRI got to share and discuss on harnessing the Blue Economy. KMFRI and its partners organized participatory community training and dissemination workshop to showcase fish post-harvest and value addition technologies through the Kenya Climate Smart Agriculture Project (KCSAP-AVC adaptive research project called 'Validating Climate Smart Fish Marketing, Value addition and Post-Harvest Technologies for Improved Food and Nutrition Security' in KCSAP target counties of Busia, Kakamega and Siaya. The farmers were also issued with value addition equipment to make fish paste, fish samosa, fish sausages, fish meat balls and fish fingers.

KMFRI also participated in various scientific conferences which include: The 10th Annual Regional Conference to celebrate inaugural International Maritime Organization – IMO; Business Partnership for a sustainable Blue Economy at Stockholm +50 in Sweden, World Oceans Day 2022 on 8 June 2022 and the Ocean Decade Conference from 27 June – to 1 July 2022, in Lisbon, Portugal where the various research outputs were disseminated.

Albeit the above successes, the Institute experienced several challenges which include but not limited to research and staff costs funding gap, ageing work force, inability to attract and retain qualified staff to perform the expanded obligations and roles in the Blue Economy due to low remuneration, climate change and pollution of aquatic environment which has affected the research work.

Ongoing Initiatives

The Institute has been identified as an implementing agency for National Marine Fish Stock Assessment and the Training of Fishermen initiatives geared to promotion of Blue Economy exploitation. The Institute continues to use oceanographic research vessel RV Mtafiti commissioned in 2014 by His Excellency the President of the Republic of Kenya, Hon. Uhuru Kenyatta for research within the unexploited Exclusive Economic Zone (EEZ) and the North Kenya Banks which is the next frontier in the exploitation of the Blue Economy. The Institute also continues to implement the Presidential Directive to train deep sea fishers in collaboration with the Kenya Fisheries Service as part of government efforts to build capacity for exploitation of Blue Economy.

Future Outlook

KMFRI conducts research in the marine environment and freshwater 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 continued to engage other government institutions and relevant stakeholders to mitigate and address the challenges affecting the discharge of her mandate.

Risk Management

The Board has an approved risk management policy and is committed to a process of risk management that is aligned to the principles of best practice and corporate governance. KMFRI's business strategy is based on taking of calculated risks in a way that does not jeopardize the direct interests of the different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment, as well as make informed decisions under conditions of uncertainty.

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



**Hon. John Safari Mumba
Chairman
KMFRI BOARD OF MANAGEMENT**

Date: _____

24/2/2023

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

I have the pleasure to present the Annual Report and Financial Statements for the Kenya Marine and Fisheries Research Institute (KMFRI) for the period ended 30 June 2022. The Institute remained on course in undertaking aquatic research activities within its mandate 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 freshwater aquatic systems. For the period under review, the Institute continued to actively collect and disseminate scientific information on aquatic resources to all stakeholders.

Operational Performance

During the period, the Institute renewed the staff insurance covers and held sensitization forums on 4 April and 6 April 2022 for Kegati and Kisumu staff respectively on the staff insurance covers and the newly acquired NHIF comprehensive cover, which is expected to promote employees' well-being, good being and boost their satisfaction levels. The forum also acted as an opportunity to reward the best performing staffs for the financial year 2020/21.

To disseminate the research finds, the Institute stocked fingerlings on 9 November 2021 in Bamba, Kavunzoni village to support the fish farming project in the village. A follow up was done on 30 November 2021 to measure the progress which is key in project development. KMFRI hosted the International Conservation Caucus Foundation (ICCF) Group on 7 December 2021 who visited KMFRI station in Gazi Bay South Coast as part of the East Africa Regional Inter Parliamentary Field Mission on conservation. The caucus aims were to raise awareness on the importance of mangroves in sustainable coastal development and the vital role of blue carbon projects in mitigating the harsh effects of climate change which KMFRI is a global trend setter through Mikoko Pamoja, the world's first blue carbon project. Mikoko Pamoja is a community-based mangrove conservation project started in 2013 by KMFRI and has seen the Gazi community earn millions of shillings through sale of blue carbon.

To support partnership and collaborations, the Institute hosted Members of the Tharaka Nithi County Assembly Committee on Agriculture, Livestock and fisheries on 26 October 2021 who were on a working visit in partnering towards the establishment of a National Riverine and Aquaculture Research and Training Centre at Mutonga in Tharaka Nithi. The team toured KMFRI projects to learn how the Mutonga Centre will tap into existing aquaculture opportunities and reduce barriers faced by the fisheries sector. KMFRI also hosted Prof. Stuart Hamilton of Salisbury University in the United States on 4 May 2022 at the KMFRI Nairobi offices to discuss collaboration on new projects.

Financial Performance

Total Revenues (including Finance Income) realized was Kshs. 2,013,438,218 during the year under review compared to Kshs 2,176,315,690 (FY 2020/2021) while total expenditure net of depreciation was Ksh. 1,923,106,024 compared to Ksh. 1,921,225,430 for the FY 2020/2021. Net Assets decreased by 5% which is attributed to the decrease in property, plant and equipment as a result of disposal of unserviceable assets and full depreciation of other assets. The Institute has embarked on a revaluation process which is ongoing. The Institute is in a strong cash flow position capable of meeting obligations as they fall due. The performance at hand has a bearing on the future research activities.

Risk Management

In view of the nature of work undertaken by KMFRI and the size of its operations, there are risks that are peculiar to the Institute's operations. The purpose of Risk Management is to identify such risks early before they mature and develop strategies to mitigate them. The Institute has undertaken capacity building and training on risk management for staff, management and the Board and each department developed a risk register, which has been incorporated in the quality operating system processes and continues with periodic reviews to incorporate emerging business trends.

Safety, Health, and Environment

Businesses are responsible for achieving good environmental practice and operating in a sustainable manner. The Institute is therefore committed to reducing environmental impact and continually improving environmental performance as an integral and fundamental part of business strategy and operating methods. It is our priority to encourage our customers, suppliers, and all business associates to do the same. Pleasingly, no fatalities were reported in the Institute in the reporting financial year.

To ensure safe work practices in compliance with Occupational Safety and Health Act of 2007, the maintenance of appropriate health and safety standards remains a key responsibility of all employees, and the Institute is committed to the proactive management of health and safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees, customers, and the research premises. The Institute further continued to develop new research infrastructure, acquire, and modernize its equipment, and devise innovative ideas that will improve and sustain efficiency.

To conserve the environment, the Institute took part in a beach clean-up activity held on 9 April 2022. The exercise done in Mtwapa and Kanamai landing sites, was organized by Kenya Association for Women in the Maritime Sector in Eastern and Southern Africa-Kenya Chapter and is aimed at empowering Beach Management Units (BMUs) on mitigation of pollution effects caused by abandoned, lost, or discarded fishing gear. About 434kg of trash was collected in Mtwapa and 315kg in Kanamai.

Compliance with the Laws and Regulations

During the 2021/2022 financial year, the Institute complied with all statutory obligations and further 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 to ensure compliance with the allocated budget and set performance targets.

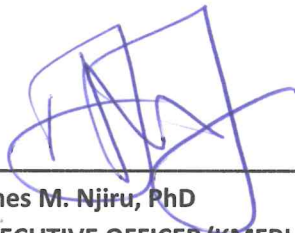
Challenges

Despite the increased Blue Economy research coverage, the Institute experienced several challenges which include but not limited to research and staff costs funding gap, litigation against the Institute and unfavourable court decisions, ageing work force, inability to attract and retain qualified staff to perform the expanded obligations and roles in the Blue Economy due to low remuneration, climate change and pollution of aquatic environment which has affected the research work.

Future Outlook

The 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. Taking advantage of the expanded mandate, the Institute continues to lobby the government for increased support as an enabler in realization of the Blue Economy exploitation initiatives.

I thank our stakeholders, the Board of Management, our dedicated and talented staff for their support as well as their effort in making sure the Institute achieves its goals and objectives. I also appreciate our service providers, the national & county governments, and all other stakeholders for their respective contributions to the Institute during the year. I look forward to continued support as we strive to transform Blue Economy Sector.



Prof. James M. Njiru, PhD
CHIEF EXECUTIVE OFFICER/KMFRI

Date: 24/02/2023

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6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

KMFRI has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018-2022. These strategic pillars/ themes/ issues are as follows:

- Research and Innovation
- Knowledge Management and Dissemination
- Resource mobilization and institutional capacity building
- Collaboration and Partnerships

KMFRI develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021-2022 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Research and Innovation	To conduct innovative research for the Blue Economy	Level of implementation of Citizens' Service Delivery Charter	Implement Citizens' Service Delivery Charter	The Service Charter was fully implemented in the FY 2021/22 – 100%
		Level of application of Service Delivery Innovations	Apply Service Delivery Innovations	The Service Delivery Innovations were fully applied in the FY2021/22 – 100%
		Level of implementation of Performance Contract	Implement the Performance Contract	The Performance Contract was fully implemented in the FY2022/22 – 100%
Knowledge Management and Dissemination	To transfer knowledge and innovative technologies to communities and stakeholders	Number of new peer-reviewed scientific papers published	Publish 61 new peer-reviewed scientific papers	61 new peer reviewed scientific papers published
Resource mobilization and institutional capacity building	To mobilize and manage financial and human resources	Number of new funded research proposals	18 new research proposals funded to support research activities	19 new proposals were funded
	To strengthen institutional structure and capacity	Number of officers trained	Train 32 officers to build capacity	32 officers trained on various areas of operations to

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				build institutional capacity
Collaboration and Partnerships	To promote local and international collaborations and partnerships	Number of collaborations and partnerships	Enter new collaborations and partnerships	Over and above the 19 new funded donor research projects, two new MoU's were signed with National Institute of Oceanography (NIOF) of Egypt and Kenya Shipyards Limited (KSL)

Over and above being in our annual work plan, the above items have been captured in the Institute's Performance Contract under specific categories such as Financial Stewardship & Discipline, Service Delivery Indicators, Core Mandate, Implementation of Presidential Directives, Access to Government Procurement Opportunities (AGPO), Promotion of Local Content in Procurement, Cross-cutting, Competency Development and Public Awareness.

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 appointed by the Parent Ministry Cabinet Secretary and the Chairman by the President on a triennial cycle, Representatives of the National Treasury, State Department for Fisheries, Aquaculture, and the Blue Economy and the Attorney General and the CEO/KMFRI who is the Board Secretary. The Board composition draws a good mix of skills, experience, and proficiencies in various fields.

Appointment of the Board

Every appointment for independent non-executive board member shall be by name and by notice in the Kenya Gazette and membership shall cease as set out in the State Corporations Act and the KMFRI Board Charter. To manage succession management, appointments are staggered to ensure there is business continuity in the Board of Management.

The Board Charter and Manual

The charter defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight functions. It helps the Board in directing the Institute to maximize the long-term value of service provided for all stakeholders. The Board manual spells out important governance arrangements including the following:

- i) Appointment, skills requirement, gender mix and capacity development for Board Members;
- ii) Functions and responsibilities of the Board, the Chairman, Chief Executive Officer, and the Corporation Secretary;
- iii) Conduct of Board and Committee meetings;
- iv) Directors' Code of Conduct; and
- v) Terms of reference for all Board Committees.

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 to prepare for the meetings.

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In compliance with the *Mwongozo Code*, the Board of Management dedicated adequate time and met as required to effectively provide the required leadership. During the year 2021/2022, the Institute had six (6) regular Board meetings with several committees of the Board meetings.

The attendance of the Board meeting is as indicated below:

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		Full Board	Board Committees			
			Human Resource & Administration	Finance & Planning	Scientific & Technical	Audit & Risk Management
Board Member	Role	No. of Meetings attended	No. of Meetings attended	No. of Meetings attended	No. of Meetings attended	No. of Meetings attended
Hon. John Safari Mumba	Chairman	6/6	N/A	N/A	N/A	N/A
Prof. Suhaila Omar Hashim, PhD	Member	5/6	4/5	2/2	N/A	N/A
Mr. Valentine Mwaisaka Mwakamba	Member	6/6	5/5	N/A	N/A	5/5
Hon. Hassan Abdi Dukicha	Member	3/4	N/A	2/2	1/4	N/A
Mr. Farid Ahmad Swaleh	Member	1/3	N/A	N/A	1/4	N/A
Mr. Ali Juma Mafimbo (HSC)	Member	3/3	3/3	3/3	N/A	N/A
Ms. Dorcas Mghoi Mlughu	Member	3/3	N/A	2/3	3/3	N/A
Prof. Francis Kimani Njonge,	Member	1/1	N/A	1/1	1/1	N/A
Ms. Rachel Nyambura Mbugua	Member	5/6	3/5	N/A	N/A	3/4
Mr. Jalfred Erima Maliro	Member	1/1	1/1	N/A	N/A	1/1
Mr. Christopher Nyaga Nkoroi	Member	6/6	5/5	5/6	4/4	N/A
Dr. Indeje Wanyama, PhD	Member	5/6	N/A	6/6	2/2	5/5

Board Committees

The Board has three standing committees that assist to effectively discharge various business functions and responsibilities. An ad hoc 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:

i) 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.

ii) 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.

iii) Board Human Resource and Administration Committee

The Committee is responsible for providing policy direction to the Institute's in human resource and administration management matters. 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.

iv) Board Finance and Planning Committee

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 regularly reviews and evaluates the adequacy and effectiveness of the Institute's finance and planning policies.

Board Remunerations

During every Board meeting, members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium. Details of member's emoluments during the year are shown on note **sixteen (16)** in the notes the financial statements.

Board Evaluation

During the year, the Board carried out a self-evaluation exercise assisted by the State Corporations Advisory Committee (SCAC) who designed and implemented the process. The Board self-evaluation questionnaire was based around the five main principles of the Code, namely: leadership, effectiveness, accountability, training and relations with stakeholders. The Board identified no material areas for improvement, but confirmed the need to address the training, which is currently receiving attention as indicated in the Board work plan.

Board capacity development

To ensure that all directors remain informed, continual training and updates based on skills and competency requirements are conducted. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of the Institute's business, performance, and strategy. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, Members attended various capacity building programmes focusing on leadership, governance, finance, and other relevant areas.

Code of Business Conduct & Ethics

KMFRI is committed to the highest standards of integrity, behavior, and ethics in dealing with all its stakeholders. A formal code of ethics has been approved by the Board and is fully implemented to guide the Board, management, employees, and stakeholders on acceptable behavior in conducting business. All Board members and employees of the Institute are expected to avoid activities and financial interests that could undermine their responsibilities to the Institute.

In addition, the Board applies a Conflict-of-Interest policy. A Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and excuse himself or herself from the Board for discussion relating to the matter in question, such conflicts are registered.

Accountability and audit

During the year, the Board ensured that the Institute maintained proper, reasonable, and accurate accounting records showing and explaining the transactions and financial position of the Institute in compliance with the Public Finance Management Act No.18 of 2012 and the prescribed accounting standards.

The Institute Financial Statements are audited by the Office of the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya. The Board in furtherance of its duties, ensures that the process, structure, and internal controls are maintained and adhered to and has internal risk and audit staff to carry out such functions.

8. MANAGEMENT DISCUSSION AND ANALYSIS

A. Operational and Financial Performance

During the financial year, the Institute continued to undertake research in marine and freshwater fisheries, aquaculture, environmental and ecological studies for sustainable exploitation of fisheries and other aquatic resources. Total Revenues (including Finance Income) realized was KShs. 2,013,438,218 during the year under review compared to Kshs 2,176,315,690 (FY 2020/2021) while total expenditure net of depreciation was Ksh. 2,128,108,613 compared to Ksh. 2,134,094,993 for the FY 2020/2021. Net Assets decreased by 5% which is attributed to the decrease in property, plant and equipment as a result of disposal of unserviceable assets and full depreciation of other assets. The Institute has embarked on a revaluation process which is ongoing. The Institute is in a strong cash flow position capable of meeting obligations as they fall due. The performance at hand has a bearing on the future research activities.

B. 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.

C. Major Risks facing the Institute

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

- i. Covid-19 Infections & loss of life
Management is mitigating the risk on Covid-19 infection by the continued implementation of Ministry of Health guidelines on handling the Covid-19 pandemic.
- ii. Litigation against the Institute and unfavourable court decisions. The Institute is mitigating this risk by:
 - Lodging appeals where adverse judgements were delivered
 - Building capacity of internal counsel to enable proper representation.
- iii. 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.
- iv. Sub-optimal staff capacity
Management secured approvals of the new organization structure by State Corporations Advisory Committee and implementation is ongoing. The Institute shall also 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.
- v. Cyber security threats
The Institute has developed an Information Security Management Policy and will implement it to address cyber security threats.

D. Material arrears in statutory/financial obligations

The Institute has no statutory arrears and promptly meets all its statutory obligations. The Institute's pension scheme is oversighted by a Board of Trustees and is administered by an independent administrator.

E. Financial probity and serious governance issues

There are no issues of financial improbity reported by Management, any board committee or by external auditors. There are no governance issues and conflicts of interest at the Board or top management of the Institute are disclosed accordingly when they arise.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Marine and Fisheries Research Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i. Sustainability strategy and profile

The Institute has set out strategic intent in the performance contract to put all efforts towards contributing effectively and efficiently to the achievement of the national developments agenda as espoused in the Vision 2030, keeping in mind the specific priorities of KMFRI.

ii. Environmental performance

The Institute is fully compliant with the Environmental Management and Coordination Act Cap 387 (EMCA) Revised edition 2012 (1999).

iii. Employee welfare

The Institute values the welfare of her employee and therefore ensure the safety and compliance with Occupational Safety and Health Act of 2007.

iv. Market place practices-

a) Responsible Supply chain and supplier relations

KMFRI values its stakeholders and for suppliers the Institute always ensures that payments are made in time and information is symmetrical.

b) Responsible marketing and advertisement

Marketing and advertisement are done in compliance with the government set regulations mainly through the Government Advertising Agency.

c) Product stewardship

The Institute ensures conformity with commitments and standards in the charter as a performance contract target under service delivery; implementation of Citizens' service charter.

v. Corporate Social Responsibility / Community Engagements

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 fisherfolks who are the major consumers of KMFRI's research findings. Others include pupils, students, residents, and government and state corporations.

In the financial year ended 30 June 2022, KMFRI was involved in various corporate social responsibility initiatives aimed at impacting positively on the lives of the communities involved as indicated here below:

Shimo La Tewa Prison Tree Planting

KMFRI undertook a tree planting CSR activity by planting 5,000 tree seedlings at of diverse species at Shimo La Tewa Prison.



Figure 1: KMFRI participating in tree planting at Shimo la Tewa prison on 29 June 2022

KMFRI Beach Clean up

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.



Figure 2: KMFRI participating in beach clean up on 8 June 2022

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Institute's affairs.

i) Principal activities

The principal activities of the Institute are 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.

ii) Results

The results of the Institute for the year ended June 30, 2022, are set out on page 1.

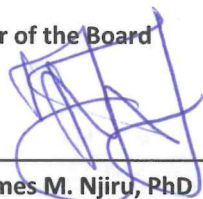
iii) Directors

The members of the Board of Directors who served during the year are shown on page vii - xiii. During the year 5 directors; Prof. Suhaila Omar Hashim and Mr. Farid Ahmad Swaleh retired on 2 May 2022, Mr. Ali Juma Mafimbo and Ms. Dorcas Mghoi Mlughu retired on 13 December 2021 and Ms. Rachel Nyambura Mbugua retired on 17 March 2022 and was replaced with Mr. Jalfred Erima Maliro on 17 March 2022. Independent Director, Hon. Hassan Abdi Dukicha resigned on 8 February 2022) and new appointments were done for Mr. Valentine Mwaisaka Mwakamba and Prof. Francis Kimani Njonge on 2 and 3 May 2022 respectively to the KMFRI Board.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Prof. James M. Njiru, PhD
SECRETARY TO THE BOARD**

11. STATEMENT OF DIRECTORS RESPONSIBILITIES

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 2022. 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 2022, 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.

The Directors further confirms the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

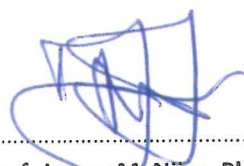
Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Institute's financial statements were approved by the Board on 15 September 2022 and signed on its behalf by:



.....
Hon. John Safari Mumba
Chairman – KMFRI Board of Management



.....
Prof. James M. Njiru, PhD
Chief Executive Officer - KMFRI

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REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE (KMFRI) FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Marine and Fisheries Research Institute (KMFRI) set out on pages 1 to 36, which comprise the statement of

financial position as at 30 June, 2022 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 the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Marine and Fisheries Research Institute as at 30 June, 2022, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Irregularities in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment of Kshs.1,622,149,685 as disclosed under Note 24 to the financial statements. The following observations were made:

1.1 Loss of Deep-Sea Observatory Rover

As previously reported, and as disclosed under Note 24 to the financial statements, assets additions for the year 2018/2019 of Kshs.386,552,403 includes Kshs.281,613,777 in respect of research vessels. Included in the research vessel purchases of Kshs.281,613,777 is a deep-sea observatory rover costing Kshs.13,242,599. However, the equipment reportedly lost in deep sea and the loss reported at a local police station on 16 July, 2020. As at the time of audit in the month of February, 2023, the equipment had neither been traced nor a decision taken to adjust the cost from the existing property, plant and equipment.

In the circumstances, the accuracy and completeness of balance for assets may be overstated and therefore does not reflect the correct financial position as at 30 June, 2022.

1.2 Land – Encroachment

As disclosed in Note 24 to the financial statements, the Institute owns land valued at Kshs.336,500,000, out of which land No. UNS 98 located at Kampi ya Samaki, Baringo County measuring 4.6 acres and Plot No. 25762 (Land No. I.R. 92162 L.R. No. 25762) in Mamboleo/Kanyakwar, Kisumu, measuring 3.45 acres and valued at Kshs.8,000,000 had been encroached upon by private developers. Kenya Marine and Fisheries Research Institute has taken legal action against the encroachers but the cases have not been heard and determined.

In the circumstances, the validity of the value of land could not be confirmed as at 30 June, 2022 and the Institute risks losing the parcels of land to encroachers.

1.3 Lack of Land Ownership Documents

As further reflected under Note 24 to the financial statements, the land balance of Kshs.336,500,000 includes two (2) parcels of land in Kanmbi ya Samaki location in Baringo measuring 5.81 and 4.2 acres respectively totalling 10.01 acres owned by Kenya Marine and Fisheries Research Institute that were not supported with title deeds/allotment letters. However, Management explained that the ownership documents were being processed.

In the circumstances, the ownership of the parcels of land could not be confirmed as at 30 June, 2022.

2. Unaccounted for Cash in Hand at Baringo Station

The statement of financial position reflects cash and cash equivalents balance of Kshs.373,124,255. Included in the balance and as reflected in Note 21 to the financial statements is cash in hand balance of Kshs.186,243 which comprise cash held at Baringo station of Kshs.165,112 which differed with the Kshs. Nil balance reflected in the cash count certificates (Board of Survey Reports).

However, as previously reported, the Management confirmed that the money was stolen from the station cash office. However, no evidence to confirm that appropriate action has been taken against the officer liable or that the incident was reported to the police. Further, the Parliamentary Investment Committee recommended that the Management should consider writing off the stolen cash if not recoverable. However, Management is yet to write off the loss.

In the circumstances, the validity of the stolen cash of Kshs.165,112 and the accuracy and completeness of the cash and bank balance of Kshs.373,124,255 as at 30 June, 2022 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 (KMFRI) 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.

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, I confirm that, nothing 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

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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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 governance.

In preparing the financial statements, the Management is responsible for assessing the Institute's ability 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.

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

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 Directors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the entity 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 controls 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 controls 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 controls' 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 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 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 the 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2023

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

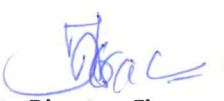
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	NOTES	2021/2022	2020/2021
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfer from other Government Entities	6	1,393,999,980	1,394,100,000
Transfer from other Government Entities	7	408,000,000	585,000,000
Public Contribution and Donations	8	194,621,953	181,177,765
Revenue from Exchange transactions			
Rendering Services	9	925,716	628,620
Sales of goods	10	13,700,998	14,032,968
Rental revenue from facilities & equipment	11	1,195,250	112,661
Finance Income	12	6,146	16,396
Other Income	13	988,175	1,247,280
Total Revenue		2,013,438,218	2,176,315,690
Expenses: -			
Use of Goods and Services	14	571,072,946	587,351,170
Employee Costs	15	827,852,747	841,445,730
Board of Management Costs	16	16,751,248	19,184,547
Depreciation and Amortization	17	205,002,589	212,787,661
Repairs and Maintenance	18	25,776,829	28,365,818
Finance Costs	19	1,989,037	3,182,267
Marine Stock Assessment	20	479,663,217	441,695,899
Total Expenses		2,128,108,613	2,134,094,993
Surplus for the Year		(114,670,395)	42,220,697

The notes set out on pages 8 to 29 form an integral part of these financial statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Chief Executive Officer
 Name: Prof. James Njiru


Deputy Director, Finance & Admin
 Name: CPA Abraham Kagwima
 ICPAK Member Number:2954


Chairman of the Board
 Name: Hon. John S. Mumba

Date: 24/02/2023

Date: 24/02/2023

Date: 24/02/23

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021/2022	2020/2021
ASSETS		Kshs.	Kshs.
Current Assets: -			
Cash and Cash Equivalents	21	373,124,255	286,740,888
Receivables from non-exchange transactions	22	31,420,126	11,555,952
Receivables from exchange transactions	23	324,660,962	209,325,246
Total Current Assets		729,205,343	507,622,086
Non-current Assets: -			
Property, Plant & Equipment	24	1,622,149,685	1,802,013,651
Intangible Assets	25	23,156,566	21,531,108
Total Non-Current Assets		1,645,306,250	1,823,544,759
Total Assets		2,374,511,594	2,331,166,845
LIABILITIES			
Current Liabilities: -			
Trade & Other Payables	26	291,874,671	134,136,067
Total Current Liabilities		291,874,671	134,136,067
Non-Current Liabilities: -			
Total Liabilities		291,874,671	134,136,067
NET ASSETS		2,082,636,923	2,197,030,778
Capital Fund	28(v)	584,810,971	584,810,971
Donations Reserve	28(v)	345,641,247	345,364,707
Revaluations Reserve	28(v)	537,997,254	537,997,254
Accumulated Surplus	28(v)	614,187,451	728,857,846
Total Net Assets and Liabilities		2,082,636,923	2,197,030,778

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Name: Prof. James Njiru

Date: 24/02/2023


Deputy Director, Finance & Admin
Name: CPA Abraham Kagwima
ICPAK Member Number: 2954

Date: 24/02/2023


Chairman of the Board
Name: Hon. John S. Mumba

Date: 24/02/2023

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Note	Capital Reserve Kshs.	Donations Reserve Kshs.	Reval. Reserve Kshs.	Accumulated Surplus Kshs.	TOTAL Kshs.
Balance as at 1 July 2021	28(v)	584,810,971	345,364,707	537,997,254	728,857,846	2,197,030,778
Additions	28(v)	-	276,540			276,540
Depreciation/Amortization in the year	28(v)	-				
Deficit for the period	28(v)	-	-		(114,670,395)	(114,670,395)
Balance as at 30 June 2022		584,810,971	345,641,247	537,997,254	614,187,451	2,082,636,923
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021						
	Note	Capital Reserve Kshs.	Donations Reserve Kshs.	Reval. Reserve Kshs.	Accumulated Surplus Kshs.	TOTAL Kshs.
Balance as at 1 July 2020	28(v)	584,810,971	345,364,707	537,997,254	816,490,376	2,284,663,308
Restatement of Prior Year	28(v)	-			(129,935,128)	(129,935,128)
Surplus for the period	28(v)	-	-	-	42,302,598	42,302,598
Balance as at 30 June 2021		584,810,971	345,364,707	537,997,254	728,857,846	2,197,030,778
<p><i>NOTE: Capital Reserves constitute the cumulative amounts disbursed to KMFRI over the years by the Government for capital expenditure. Donations constitutes cumulative values of donated assets to KMFRI over the years Revaluation Reserve constitutes the cumulative values of revalued assets over the years. Accumulated surplus/deficit constitutes cumulative amounts of surplus/ deficits as realized in KMFRI's statements of financial performance over the years.</i></p>						


**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**


16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2021/2022	2020/2021
Cash flows from Operating Activities		Kshs.	Kshs.
Receipts			
Transfer from other Government Entities		1,393,999,980	1,394,100,000
Marine Stock Assessment		408,000,000	585,000,000
Public Contribution and Donations		194,621,953	181,177,765
Rendering Services		925,716	628,620
Sales of goods		13,700,998	14,032,968
Rental revenue from facilities and equipment		1,195,250	112,661
Finance Income		6,147	16,396
Other Income		988,175	1,247,280
Total Receipts		2,013,438,218	2,176,315,690
Payments			
Use of Goods and Services		571,072,946	587,351,170
Employee Costs		827,852,747	841,445,730
Board of Management Costs		16,751,248	19,184,547
Repairs and Maintenance		25,776,829	28,365,818
Finance Costs		1,989,038	3,182,267
Marine Stock Assessment		479,663,217	441,695,899
Total Payments		1,923,106,024	1,921,225,430
Surplus for the period without Depreciation	27	90,332,194	255,090,259
Working capital adjustments			
Increase/Decrease in Receivables		(135,199,891)	74,940,148
Increase/Decrease in Payables		157,738,605	(347,962,001)
Net cashflows from/(used in) operating activities		22,538,714	(273,021,853)
Cash flows from Investing Activities			
Purchase of property, plant, equipment, and intangible assets	24&25	(26,487,541)	(113,351,616)
Net cash flows from Investing Activities		(26,487,541)	(113,351,616)
Cash Flows from Financing Activities			
Remission to The National Treasury		-	-
Net cash flows from Financing Activities		-	-
Net Increase in Cash and Cash Equivalents		86,383,367	(131,283,210)
Cash and Cash Equivalents at 1 July		286,740,888	418,024,098
Cash and Cash Equivalents at 30 JUNE	21	373,124,255	286,740,888

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Name: Prof. James Njiru


Deputy Director, Finance & Accountg
Name: CPA Abraham Kagwima
ICPAK Member Number:2954


Chairman of the Board
Name: Hon. John S. Mumba

Date: 24/02/2023

Date: 24/02/2023

Date: 24/02/23

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

GRANTS AND A.I.A	Original Budget 2021/2022	Adjustments	Final Budget 2021/2022	Actual on comparable basis	% of Utilization
	Kshs	Kshs	Kshs	Kshs	
Revenue from non-exchange transactions					
Transfer from other Government Entities	1,394,000,000	-	1,394,000,000	1,393,999,980	100%
Transfers from other agencies-Marine stock	408,000,000	-	408,000,000	408,000,000	100%
Public Contribution and Donations	311,637,613	-	311,637,613	194,621,953	62%
Rendering Services	800,000	-	800,000.00	925,716	116%
Sales of goods	15,500,000	-	15,500,000	13,700,998	88%
Rental revenue from facilities & equipment	200,000	-	200,000	1,195,250	598%
Other Income	3,500,000	-	3,500,000	988,175	28%
Total Revenue	2,133,637,613	-	2,133,637,613	2,013,432,072	94%
Expenses: -					
Use of goods and services	714,561,463	5,809,450	720,370,913	571,072,946	79%
Employee Costs	869,686,979	195,000	869,881,979	827,852,747	95%
Board of Management Costs	26,250,000	(6,000,000)	20,250,000	16,751,248	83%
Repairs and Maintenance	35,825,000	(1,230,000)	34,595,000	25,776,829	75%
Marine Fish Stock Assessment	408,000,000	-	408,000,000	479,663,217	118%
Sub – total	2,054,323,442	(1,225,550)	2,053,097,892	1,921,116,987	94%
Capital expenditure	17,045,000	6,800,000	23,845,000	26,487,541	111%
Total Expenditure	2,071,368,442	5,574,450	2,076,942,892	1,947,604,528	94%

Budget Notes

Transfers from Other Government Entities

The actual transfer from other government entities includes Ksh. 408,000,000 which was received from State Department of Fisheries and the Blue Economy to undertake lease Research vessels for the Marine stock fisher trainings. An Authority to Incur Expenditure was issued to KMFRI by the Permanent Secretary SDF& BE.

Public contributions and donations

The budgeted amount is based on the projections as per the signed agreements. Actual disbursement is based on the funds disbursed based on the donor projects workplan milestones, cashflow and financial year end which majorly differ from the government accounting period.

Rendering of Services

The positive increase is a result of increased students' enrollment for educational internships and educational tours which had dipped due to COVID 19 implications but now improved as result of opening of the schools and colleges exceeding the projected revenue.

Sale of goods

The main contributor to this revenue stream is the sale of fish feeds and fingerlings. Challenges in sourcing of raw materials for the fish feeds ingredients in 2021/2022 contributed to the institute's inability to meet the customers demands on time. This resulted in a less than par performance at 88%.

Rental revenue from facilities

The year under review has seen the Institute experience an upsurge in demand for hire of its research vessels. This can also be attributed to the lifting of travel. In addition, measures were put in place to ensure that the KMFRI Canteen tenant rent collection was upto date hence the achievement of the targeted A in A allocation.

Other Income

The Institute marketing department increased efforts has resulted in more opportunities for hire of conference facilities. This can also be attributed to the lifting of travel and gathering ban post Covid 19. This has seen the Institute host various meetings from other government agencies which as enables the revenue target to be overachieved in the FY 2021/2022.

Use of goods and services

The Institute was only able to utilize 79% of budget allocated under use of goods and services. This is mainly attributed to Donor funded research expenditure and commitments made on the repair of the RV Mtafiti where the contractors undertaking dry docking and repair of Kamewa were still on site by the end of the financial year. The balance though unspent is already committed and the approved research expenditure will be undertaken as per the donor approved work plans and signed agreements.

Remuneration of Directors

The budget for the board included provision for fully constituted board as approved in the Board Almanac. However, the board was not fully reconstituted despite efforts made through various requests to the Cabinet Secretary to fully constitute the Board.

Repairs and Maintenance

Include commitment on ongoing repair works which was not expensed during the year as the contractor was still on site and no claim had been made. The amount will be used to settle the commitment.

Capital Expenditure

Capital expenditure exceeded the budgeted allocation by 11%. This is due to increase in payments made for contracts under Work in Progress.

Marine Stock Assessment

An Authority to Incur Expenditure was issued to KMFRI by the Permanent Secretary SDF& BE including for a balance brought forward from the previous financial year for payment of the ongoing deep sea fishers training which is a 5-year programme.

Changes between Original and Final budget

All changes between original and final budget indicating were due to budget reallocations.

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	2,128,108,613
Less: Depreciation	(205,002,589)
Exchange loss	(1,989,037)
Add use of good and services items in Statement of Financial Position	
Work in Progress PPE	13,898,666
Work in Progress Intangible Assets	3,764,458
Capital Expenditure – Furniture and Fittings	506,899
Capital Expenditure – Computers and Printers	6,921,488
Capital Expenditure – Buildings	1,396,030
Total actual on comparable basis	1,947,604,528

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Marine and Fisheries Research Institute (KMFRI) is established by and derives its authority and accountability from The Science and Technology Act Cap.250 (20). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. KMFRI's principal activity 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.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying KMFRI's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of KMFRI. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.**
 - **IPSAS 13 – Leases**, was amended to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. The amendments do not have any effect to KMFRI's financial statements.
 - **IPSAS 13 - Leases and IPSAS 17 - Property, Plant, and Equipment** were amended to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. The amendments do not have any effect to the KMFRI's financial statements.
 - a) **IPSAS 21**, Impairment of Non-Cash-Generating Assets and **IPSAS 26**, Impairment of Cash Generating Assets were amended to provide consistency of impairment guidance in the accounting for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. The amendments do not have any effect to KMFRI's financial statements.
 - b) **IPSAS 33 - First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)** was amended to provide implementation guidance on the recognition of the effect of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

deemed cost directly in accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed cost is determined as opposed to accounting for it as (a) an adjustment to the opening balance of accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed is determined; or (b) In the revaluation surplus if the first-time adopter adopts the revaluation model in IPSAS 17 or in IPSAS 31, Intangible Assets. KMFRI adopted IPSAS in the year ended 30 June 2014 and therefore the amendments do not have any effect to the Institute's financial statements.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

The International Public Sector Accounting Standards Board (IPSASB) has published the following new and amended standards that were originally to be effective on 1 January 2022 but were subsequently delayed and are now effective from 1 January 2023:

- **IPSAS 41 – Financial Instruments and subsequent amendment.** This standard will replace the existing IPSAS 29 – Financial Instruments and sets out new requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. This standard will have no impact on KMFRI's annual financial statements.
- **IPSAS 42 – Social Benefits.** This standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. KMFRI does not foresee a significant impact on the annual financial statements resulting from this standard.
- **Amendments to IPSAS 5** provides clarification on what constitutes borrowing costs; **Amendments to IPSAS 30** provides illustrative examples on how items designated as hedged items might be disclosed credit risk disclosures as well in an entity's financial statements while **Amendments to IPSAS 30**, provides guidance the relevant disclosures that may be included when accounting for financial guarantee contracts. These amendments will have no impact on KMFRI's annual financial statements.

iii. **Early adoption of standards**

KMFRI did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) **Revenue recognition**

i. **Revenue from non-exchange transactions**

Transfers from other government entities

Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

KMFRI recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Rendering of services

KMFRI recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on June 2021. 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. Accordingly, the entity recorded additional appropriations on the 2021-2022 budget following the governing body's approval.

The entity'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 1 these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

KMFRI is established under The Science and Technology Act Cap.250 (20) and is fully funded by the exchequer.

d) Property, plant and equipment

- i. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as 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	0%
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%

e) Leases

Leases under which the Institute is the Lessee

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Institute. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Institute also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future

minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The value of leasehold interests in land used by the Institute is treated as a finance lease.

Leases under which the institute is the Lessor

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Institute. Payments received under operating leases are recognised as income in the statement of financial performance on a straight-line basis over the lease term.

f) 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.

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Provisions

Provisions are recognized when KMFRI has a present obligation (legal or constructive) as a result of a past event, 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. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Contingent liabilities

KMFRI 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.

j) Contingent assets

KMFRI 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 Entity 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.

k) 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.

l) Changes in accounting policies and estimates

KMFRI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 scheme administrators are Minet Kenya Financial Services, and the scheme assets managers/custodian is Kenindia Assurance Co. Ltd. The Institute contributed Ksh. 78,794,989 as Employer Contribution and Ksh. 39,397,495 as Employee Contribution during the FY 2021/2022.

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. 1,547,166 as Employer Contribution and Ksh. 1,547,166 as Employee Contribution during the FY 2021/2022.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

p) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

q) Comparative figures

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

r) 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2021-2022	2020-2021
	KShs	KShs
Unconditional grants		
Operational grant	1,393,999,980	1,394,100,000
Total Unconditional Grants	1,393,999,980	1,394,100,000
Conditional grants	-	-
Total government grants and subsidies	1,393,999,980	1,394,100,000

Grants received by KMFRI from other Government entities are used 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.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2021/2022 KShs	Prior year 2020/2021 KShs
SDF & BE	1,393,999,980			1,393,999,980	1,394,100,000
Total	1,393,999,980			1,393,999,980	1,394,100,000

The details of the reconciliation have been included under appendix III.

7. Transfers from Other Government Entities

Description	2021-2022	2020/2021
	KShs	KShs
Unconditional grants		
Other grants	408,000,000	585,000,000
Total Unconditional Grants	408,000,000	585,000,000

8. Public Contributions and Donations

Description	2021-2022	2020/2021
	KShs	KShs
Research donations	194,621,953	181,177,765
Total transfers and sponsorships	194,621,953	181,177,765
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	194,621,953	181,177,765
Conditions met - transferred to revenue	194,621,953	181,177,765
Conditions to be met - remain liabilities	-	-

Research donations represents funds mobilized by KMFRI Researchers the funding by donors of the innovative research proposals by KMFRI Research scientists under the KMFRI Strategic pillar of resource mobilisation and institutional capacity building.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Rendering of Services

Description	2021-2022	2020-2021
	KShs	KShs
Students educational visits and attachment fees	601,716	422,620
Consultancy fees for services	324,000	206,000
Total revenue from the rendering of services	925,716	628,620

This revenue is generated from bench fee from educational visits by students and learning institutions as well as students on attachment and consultancies carried out by the Institute.

10. Sale of Goods

Description	2021-2022	2020-2021
	KShs	KShs
Sale of fish fingerlings& brooders	1,748,630	6,862,195
Sales of fish feeds	7,969,110	7,164,503
Sale of value-added products	675,510	6,270
Disposal of bonded equipment/wares	3,307,748	-
Total revenue from the sale of goods	13,700,998	14,032,968

Through innovative research, the Institute produces products aligned to fisheries research which are then sold to the public to generate revenue.

11. Rental Revenue from Facilities and Equipment

Description	2021-2022	2020-2021
	KShs	KShs
Rental Income	480,000	40,661
Contingent rentals	715,250	72,000
Total rentals	1,195,250	112,661

The contingent rentals above relate to revenue generated from the hire of research vessels and conference facilities

12. Finance Income

Description	2021-2022	2020-2021
	KShs	KShs
Exchange gain	6,146	16,396
Total finance income	6,146	16,396

This is gain from the foreign currency received for the donor research projects

13. Other Income

Description	2021-2022	2020-2021
	KShs	KShs
Surcharge	-	-
Miscellaneous income	988,175	1,247,280
Total other income	988,175	1,247,280

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Electricity	13,649,288	13,910,789
Water	3,986,254	3,572,241
Gas Expenses	89,650	62,570
Communication services and supplies	15,275,888	11,251,219
Transportation, travelling and subsistence	26,359,327	17,158,598
Advertising, printing, stationery, and photocopying	5,363,236	2,314,400
Rental of produces assets	8,327,092	5,000,172
Staff training	15,645,892	6,466,709
Hospitality supplies and services	10,505,807	9,004,808
Insurance costs	76,145,653	81,044,881
Bank charges and commissions	249,862	212,021
Office and general supplies and services	10,914,702	11,303,580
Legal expenses	14,721,343	20,992,895
Audit fees	811,200	811,200
Fuel Oil and Lubricants	3,964,580	4,088,911
Subscription to Professional bodies	535,174	554,509
Contracted Technical Services	498,172	380,776
Licensing fee - Drivers	23,550	10,500
Contracted Guards and Cleaning	20,027,142	16,886,137
Other General Expenses		
Donor Funded Research expenses	226,407,047	162,551,287
Seed Research expenses	23,977,593	19,315,452
RV Mtafiti Research expenses	75,693,471	180,744,999
Parking Charges	12,360	28,130
Specialized Materials and Supplies	15,796,222	18,669,352
Business Wing Expenses	2,092,440	1,015,034
Total Goods and Services	571,072,946	587,351,170

15. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	526,093,941	530,314,367
Employer contribution to pension schemes	78,794,989	86,536,550
Travel, car, accommodation & other allowances	79,974,512	76,457,376
Housing benefits and allowances	139,460,143	144,835,413
Social contributions	1,547,666	1,611,000
Gratuity	1,981,496	1,691,024
Total Employee Costs	827,852,747	841,445,730

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman/Directors' Honoraria	917,943	960,000
Sitting allowances	4,038,000	4,372,000
Medical Insurance	1,238,449	1,221,437
Induction and Training	146,400	1,745,994
Travel and accommodation	8,388,155	9,044,424
Other allowances	57,361	60,000
Board of Management related costs	1,964,940	1,780,691
Total	16,751,248	19,184,547

17. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	202,863,589	210,250,085
Intangible assets	2,139,000	2,537,577
Total depreciation and amortization	205,002,589	212,787,662

18. Repairs and Maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Property	14,511,380	13,853,888
Equipment and machinery	1,940,565	3,333,538
Vehicles	6,432,489	7,286,020
Furniture and fittings	67,170	7,440
Computers and accessories	1,755,258	479,259
Others	1,069,967	3,405,672
Total repairs and maintenance	25,776,829	28,365,818

19. Finance Costs

Description	2021-2022	2020-2021
	KShs	KShs
Exchange Loss	1,989,037	3,182,268
Total finance income	1,989,037	3,182,268

20. RV Mtafiti Fish Stock Assessment Research expenses

Description	2021-2022	2020-2021
	KShs	KShs
RV Mtafiti Fish Stock Assessment Research expenses	479,663,217	441,695,899
Total RV Mtafiti Fish Stock Assessment Research expenses	479,663,217	441,695,899

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current account	372,938,012	286,430,327
Others – Cash in hand	186,243	310,561
Total cash and cash equivalents	373,124,255	286,740,888

21 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
National Bank of Kenya	Various	372,314,268	286,009,630
Kenya Commercial bank	Various	623,744	420,697
Sub- total		372,938,012	286,430,327
b) Others(specify)			
Cash in hand		186,243	310,561
Grand total		373,124,255	286,740,888

21 (b). Cash and Cash Equivalents as per bank account

Financial Institutions/Banks	Bank Account Number	2021-2022	2020/2021
Current Accounts		KShs	KShs
National Bank of Kenya			
KMFRI Recurrent Account	1003007622501	186,712,571	23,530,997
KMFRI Research Vessel Account	1023047777700	18,003,823	84,421,235
KMFRI Kegati -Recurrent	1001033897500	152,761	4,486
KMFRI Kisumu -Recurrent	1003023506000	1,525,026	864,515
KMFRI Sagana- Recurrent	1003044552200	5,462	24,843
KMFRI Sangoro- Recurrent	1001023506100	734	3,504
KMFRI Nairobi -Recurrent	1003000906500	506,227	490,703
KMFRI SEED	1003007618800	12,609	133,709
KMFRI GOK SEED Kegati	1001034490900	551,292	710
KMFRI GOK SEED Kisumu	1003025165500	3,346	26,656
KMFRI Centre recurrent account	1003009032700	233,657	353,039
KMFRI Sangoro SEED	1003025162000	1,654,176	135
KMFRI Development Account	1003007622502	915,905	953,480
KMFRI Revenue Account	100307622500	17,971,437	11,149,085
KMFRI Kegati Revenue Account	1230035258900	329,757	24,327
KMFRI Kisumu Revenue Account	1003023735300	16,616	4,416
KMFRI Sagana Revenue Account	1003044652600	8,600	16,360
KMFRI Products & Services Account	1003066549100	16,861,294	11,409,274
Individual Donor Project Accounts			
A. Kenya Shilling Account			
KMFRI Project General Account	1003008646200	85,110,505	109,990,281
KMFRI Kisumu Micro Project	1003023652400	6,608,354	2,135,257
KMFRI IOI EAOP Project Acct	1003007613400	576,004	1,100,771
KMFRI Masma Cholera Project Acct	1003065804502	26,579	26,579

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KMFRI MASMA MANGROVE Project Account	1003007622509	11,345,994	4,009,367
KMFRI CAMARV Projects Bank	1003065804501	2,406,553	4,040,772
KMFRI BLUE FOREST Project	1023072984800	2,280,740	9,724,694
KMFRI MASMA JUV CRAB Project Acct	1003065804500	5,955	5,955
KMFRI RADIO ISOTOPEs Project	1003066009100	4,932,051	2,023,041
KMFRI Secure fish Project Account	1003007622510	153,795	6,695
KMFRI Artemia Project Account(Shs	1003066285200	9,600	9,600
KMFRI ICOAST Project Account	1001008646200	619,939	975,732
KMFRI INSFEED Project Account	1001044975700	13,030	1,752
KMFRI TEAM Project Account	1001103114800	1,107,070	3,185,202
KMFRI ESPA Spaces Project Account	1020008646200	421,684	421,684
KMFRI CS-APP BANK Sagana	01071217871600	460,330	2,273
KMFRI KCSAP 1 & 2 Sagana	01071225028200	10,978	4,953,218
KMFRI KCSAP 1 & 2 Sangoro	01071025162001	3,462,770	3,533,252
KMFRI KCSAP Kegati	01020231395400	1,329,526	453,156
B. Other Currencies Accounts			
Dollar Current Accounts (USD)			
KMFRI DOLLAR -Projects Account	2020007622500	5,734,049	5,755,622
KMFRI IOI DOLLAR Project	2003007613400	67,335	61,631
KMFRI Secure fish DOLLAR	2003007622508	5,228	4,785
Euro Current Accounts (Euro)			
KMFRI RECOMAP EURO Project Account	307622506	160,209	165,462
KMFRI TEAM Project Account	3001103114800	-	10,656
KMFRI Artemia Project Account (Euro)	3020066285200	698	722
Kenya Commercial Bank			
KMFRI Naivasha -Recurrent	1105266729	315,506	149,542
KMFRI Turkana -Recurrent	1107150086	212,607	220,417
KMFRI Baringo- Recurrent	1202126979	18,512	2,704
KMFRI Turkana SEED Account	1157553184	77,118	48,033
Cash in Hand		186,243	310,561
Total Cash and Cash Equivalent		373,124,255	286,740,888

22. Receivables from Exchange Transactions

	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other exchange debtors	31,420,126	11,555,952
Total current receivables	31,420,126	11,555,952

23. Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Other debtors (non-exchange transactions)		
Staff Debtors	2,681,804	3,317,720
Medical Advance	5,133,038	4,799,799
Non-Staff Advance	123,742	36,207,727
GOK Recurrent grants receivable	316,722,378	165,000,000
Total current receivables	324,660,962	209,325,246

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Property, Plant and Equipment

ASSET	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE AND FITTINGS	COMPUTERS	OTHER ASSETS (LIBRARY BOOKS)	PLANT AND EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
	Kshs.		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July 2020	336,500,000	755,708,379	187,057,788	58,838,767	69,666,838	19,283,136	1,239,252,003	130,794,795	2,797,101,705
Additions				2,134,320	4,521,160	1,409,794		81,616,229	89,681,503
Transfers/adjustments		66,975,880					90,292,307	(157,268,187)	
As at 30th June 2021	336,500,000	822,684,259	187,057,788	60,973,087	74,187,998	20,692,930	1,329,544,310	55,142,837	2,886,783,208
Additions		1,396,030	-	506,899	6,921,488		-	13,898,666	22,723,083
Disposals			(5,182,965)						(5,182,965)
Donations			-	-		276,539			276,539
Transfers/adjustments		8,735,940						(8,735,940)	8,735,940
As at 30th June 2022	336,500,000	832,816,229	181,874,823	61,479,986	81,109,486	20,969,469	1,329,544,310	60,305,563	2,904,599,865
Depreciation and impairment									
At 1 July 2020		(121,668,092)	(146,722,981)	(32,230,849)	(54,466,922)	(18,250,986)	(501,179,642)	-	(874,519,472)
Depreciation		(20,567,106)	(18,821,204)	(5,885,138)	(9,187,326)	(594,839)	(155,194,471)		(210,250,085)
As at 30 June 2021		(142,235,199)	(165,544,185)	(38,115,987)	(63,654,248)	(18,845,825)	(656,374,113)	-	(1,084,769,557)
Depreciation		(8,184,445)	(11,995,602)	(5,085,400)	(9,130,180)	(711,814)	(155,120,187)	-	(202,863,589)
Disposals			5,182,965						5,182,965
As at 30 June 2022		(163,055,605)	(172,356,822)	(43,201,387)	(72,784,428)	(19,557,640)	(811,494,300)	-	(1,282,450,181)
NET BOOK VALUE									
As at 30 June 2022	336,500,000	669,760,625	9,518,001	18,278,599	8,325,058	1,411,829	518,050,010	60,305,563	1,622,149,684
As at 30 June 2021	336,500,000	680,449,061	21,513,602	22,857,100	10,533,750	1,847,105	673,170,197	55,142,837	1,802,013,651

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note on Work in Progress

The Institute has previously undertaken various capital expenditures that were capitalised in the FY under review. This comprised capitalization of Ablution and septic in Naivasha. The total capitalization of the complete project is Ksh. 8,735,940. The balance of Ksh 80,610,130 under WIP represents capital expenditures that are yet to be capitalised. This comprise of Laboratory equipment, A fish hatchery in Shimoni, a Laboratory in Kisumu, Construction of Administration block and fence in Tharaka Nithi Board Governance System and Enterprise Resource System for the entire Institute.

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Motor Vehicles	133,892,418	33,473,105
Furniture and Fittings	20,796,786	2,599,598
Computers	46,124,047	13,837,214
Other Assets	17,410,397	3,482,079
Plant and Equipment	13,192,180	1,649,023
Research Vessels and Equipment	75,390,636	9,423,830

25. Intangible Assets

Description	2021-2022	2020-2021
	KShs	KShs
Cost		
At beginning of the year	19,742,926	12,612,925
Additions		7,130,000
At end of the year	19,742,926	19,742,925
Additions—internal development	-	-
At end of the year	19,742,926	19,742,925
Amortization and impairment		
At beginning of the year	14,751,927	12,214,350
Amortization	2,139,000	2,537,577
At end of the year	16,890,927	14,751,927
Impairment loss	-	-
At beginning of the year	4,990,998	398,575
NBV	2,851,999	4,990,998
WIP Beginning of year	16,540,110	-
WIP within the year	3,764,458	16,540,110
Total WIP within the year	20,304,568	16,540,110
Total intangible	23,156,566	21,531,108

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25 (b). Schedule of fully depreciated intangible assets

	Cost or valuation	Normal annual depreciation charge
Solomon Dynamics ERP System	7,162,560	1,790,640
QuickBooks software	351,000	66,400
Enterprise Risk Management System	1,113,600	113,360
Attendance Management System	3,985,765	398,577

25 (c). Restatement of Financial Statements for FY 2020/2021

Depreciation reported in the financial statements for the year ended 30 June 2020/2021 was misstated and has been restated to include the depreciation on donated and revalued assets. The effect of the restatement on the Institute's Financial statements is summarised below.

Effect in FY 2020/2021

	Kshs.
Increase in Depreciation expense	44,533,901.00
Decrease in Donations Reserve	31,897,940.00
Decrease in Revaluation Reserve	12,635,961.00

Accumulated Depreciation on donated and revalued assets reported in the financial statements for the year ended 30 June 2020/2021 was misstated and has been restated to correct this error. The effect of the restatement on the Institute's Financial statements is summarised below.

Effect in FY 2020/2021

	Kshs.
Increase in Donations Reserve	113,516,436.25
Increase in Revaluations Reserve	37,907,883.00
Decrease in Retained Earnings	151,424,319.25

Depreciation reported in the financial statements for the year ended 30 June 2020/2021 was misstated and has been restated to decrease Leasehold accumulated depreciation. The effect of the restatement on the Institute's Financial statements is summarised below.

Effect in FY 2020/2021

	Kshs.
Decrease Depreciation expense	4,213,454.00
Decrease in Leasehold Accumulated Depreciation	4,213,454.00

Leasehold Accumulated Depreciation reported in the financial statements for the year ended 30 June 2020/2021 was misstated and has been restated to correct this error. The effect of the restatement on the Institute's Financial statements is summarised below.

Effect in FY 2020/2021

	Kshs.
Decrease in Accumulated Depreciation	20,904,405.85
Increase in Retained Earnings	20,904,405.85

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Motor vehicle depreciation error reported in the financial statements for the year ended 30 June 2020/2021 was misstated and has been restated to correct this error. The effect of the restatement on the Institute's Financial statements is summarised below.

	Effect in FY 2020/2021
	Kshs.
Increase in Depreciation expense	666,890.00
Decrease in Accumulated Depreciation	666,890.00

Purchase of Enterprise Resource Planning Business Central 365 wrongly reported in the financial statements for the year ended 30 June 2020/2021 under PPE and has been restated to correct this error. The effect of the restatement on the Institute's Financial statements is summarised below.

	Effect in FY 2020/2021
	Kshs.
Increase in Depreciation expense	16,540,110.00
Decrease in Accumulated Depreciation	16,540,110.00

26. Trade and Other Payables

Description	2021-2022	2020-2021
	KShs	Khs
Trade payables	270,167,105	117,825,531
Third-party payments	2,120,540	1,352,739
Other payables	19,587,026	14,957,797
Total trade and other payables	291,874,671	134,136,067

27. Cash Generated from Operations

	2021-2022	2020-2021
	KShs	KShs
Surplus for the year before tax	(114,670,395)	42,302,598
Adjusted for:		
Depreciation	205,002,589	212,787,661
Net cash flow from operating activities	90,332,194	255,090,260

28. Financial Risk Management

KMFRI's activities are exposed to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the economic and social environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. KMFRI does not hedge any risks. KMFRI's financial risk management objectives and policies are detailed below:

i. Credit risk

KMFRI has exposure to credit risk, which is the risk that advances made to her staff members in terms of salary advance, medical advance and imprest will not be fully paid or accounted for when due. Credit risk arises from cash and cash equivalents, as well as trade and other receivables. 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

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and are subject to frequent review. In addition, KMFRI's financial condition may be adversely affected as a result of a failure by a supplier or contractor to perform their contractual obligations. To mitigate such risks, the Institute applies strategies such as requirement of performance bonds to provide significant protection against the downside risk of a failure to perform the work.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
As at 30 June 2022	Kshs	Kshs	Kshs	Kshs
Receivables from exchange transactions	31,420,126	31,420,126	-	-
Receivables from non-exchange transactions	324,660,962	324,660,962	-	-
Bank balances	373,124,255	373,124,255	-	-
Total	729,205,343	729,205,343	-	-
As at 30 June 2021			-	-
Receivables from exchange transactions	11,555,952	11,555,952	-	-
Receivables from non-exchange transactions	209,325,246	209,325,246	-	-
Bank balances	286,740,888	286,740,888	-	-
Total	507,622,086	507,622,086	-	-

The staff under the fully performing category are paying their debts as they continue to serve the Institute. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the KMFRI's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30 June 2022	Kshs	Kshs	Kshs	Kshs
Trade payables	270,167,105			270,167,105
Total	270,167,105			270,167,105
As at 30 June 2021				
Trade payables	117,825,532			117,825,532
Total	117,825,532			117,825,532

iii. Market risk

KMFRI has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

KMFRI does not have transactional currency exposures

b) Interest rate risk

Interest rate risk is the risk that KMFRI's financial condition may be adversely affected as a result of changes in interest rate levels. The KMFRI's interest rate risk arises from bank deposits which exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Institute's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

iv. Fair Value of Financial Assets and Liabilities

Financial Instruments Measured at fair value

KMFRI does not hold any financial instruments hence no disclosure of fair values of financial instruments not measured at fair value has been made.

v. Capital Reserves

The objective of the Institute's capital reserve is to safeguard the entity's ability to continue as a going concern. KMFRI's capital structure comprises of the following funds:

	2021-2022	2020-2021
	KShs	Kshs
Capital Fund	584,810,971	584,810,971
Donations reserve	345,641,247	345,364,707
Revaluation reserve	537,997,254	537,997,254
Accumulated Surplus	614,187,451	728,857,846
Total funds	2,082,636,923	2,197,030,778
Total borrowings		-
Less: cash and bank balances	373,124,255	286,740,888
Net debt/ (excess cash and cash equivalents)	373,124,255	286,740,888
Gearing		-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of KMFRI, holding 100% of the KMFRI's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry;
- ii) County Governments
- iii) Other SCs and SAGAs

Relates Party Disclosures

- iv) Key management;
- v) Board of directors;

	2021-2022	2020-2021
	KShs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies		-
Rent Income from govt. agencies		-
Water sales to Govt. agencies		-
Others (Specify) e.g., Interest and Bank charges		-
Total		-
b) Purchases from related parties		
Purchases of electricity from KPLC	13,649,288	13,910,789
Purchase of water from govt service providers	3,986,254	3,572,241
Rent expenses paid to govt agencies	260,000	-
Training and conference fees paid to govt. agencies	3,849,424	2,549,232
Total	21,744,966	20,030,262
b) Grants /Transfers from the Government		
Grants from National Govt	1,393,999,980	1,394,100,000
Grants for Marine Fish Crew Training	408,000,000	585,000,000
Total	1,801,999,980	1,979,100,000
c) Expenses incurred on behalf of related party		
Payments for Marine stock assessment	479,663,217	441,695,899
Total	479,663,217	441,695,899
d) Key management compensation		
Directors' emoluments	4,038,000	4,372,000
Compensation to key management	31,735,143	28,991,404
Total	35,773,143	33,363,404

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30. Segment Information

In general, IPSAS 18 prescribes principles for reporting financial information by segment to help users of financial statements gain a better understanding of the performance of each part of the operations, leading to a better understanding about the entity as a whole in terms of regions or departments. IPSAS 18 defines a Segment as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives, and (b) making decisions about the future allocation of resources.

31. Contingent Assets and Contingent Liabilities

Contingent Assets

	2021-2022	2020-2021
	KShs	Kshs
KMFRI Vs Jane Ndungu – Breach of bonding contract	3,961,613	3,961,613
KMFRI Vs Robinson Mugo - Breach of bonding contract	1,248,572	1,248,572
KMFRI Vs Tabitha Gathoni - Breach of bonding contract	2,112,300	2,112,300
KMFRI Vs Bernard Fulanda - Breach of bonding contract	2,270,646	2,270,646
KMFRI Vs L.N. Momanyi Adv. - Breach of contract	4,500,000	4,500,000
Dr. Bernard Mulwa Fulanda	158,252	158,252
Mr. Stephen Mwakai Mwakiti	-	150,000
Dr. Khyria Swaleh Karama	2,833,590	2,833,590
Total	17,084,973	17,234,973

Contingent liabilities

	2021-2022	2020-2021
	KShs	Kshs
Industrial court award for former Director Dr Ezekiel Okemwa	81,411,205	81,411,205
Industrial case No.235 of 2013 Joseph Onderi Vs KMFRI	30,000,000	30,000,000
Civil Suit No 483 of 2016 Mwanaisha Nassoro, Athuman Tezi Vs KMFRI	1,910,407	1,910,407
Miscl. Application No 621 of 2017 Republic Vs. KMFRI	14,667,000	14,667,000
Bank guarantees in favour of KRA	2,883,680	2,883,680
Total	130,872,292	130,872,292

32. Capital Commitments

Capital commitments	2021-2022	2020-2021
	KShs	Kshs
Authorised for		-
Authorised & contracted for under Property Plant and Equipment	60,305,563	55,142,837
Authorised & contracted for under Intangible Assets	20,304,568	16,540,110
Total	80,610,131	71,633,947

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The capital commitment consists of the following projects still under work in progress:-

Sno	Particulars	Amount
1	Purchase of Enterprise Resource planning Business central 365	19,498,568
2	Construction of Kisumu Laboratory	19,162,857
3	Construction of Shimoni hatchery	8,900,725
4	Supply, Delivery, and training of Artemia plant and Rockslide sample preparation equipment.	20,072,400
5	Purchase of E-board Governance system for Board of Management	806,000
6	Construction of Tharaka Nithi Laboratory and Gate house	12,169,580
TOTAL		80,610,131

33. 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. In line with this legal requirement, the entity did not make any surplus during the year (FY 2022 Nil) and hence no remittance to the Consolidated Fund.

34. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

35. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Agriculture, Livestock and Fisheries. Its ultimate parent is the Government of Kenya.

36. Currency

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

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APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the External Audit Report	Issue/Observations from Auditor	Management Comments	Focal Point 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.	Henry Nyabuto-Head of Administration & Peter Kipkemoi Ngeno-Senior Legal Assistant)	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	Mr. Abraham Kagwima - Deputy Director (Finance & Administration)	Not resolved	At the discretion of PIC.

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		interest earning investment. However, the proceeds were later invested on rolling basis by the Institute in a fixed deposit account with National Bank of Kenya.			
3.1	Cash Count Certificate for Mombasa and Baringo revenue offices		Nabwire Elizabeth – Ag. Head of Finance	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.	Nabwire Elizabeth – Ag. Head of Finance	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 Ksh. 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 Blue Economy has not provided KMFRI	Nabwire Elizabeth – Ag. Head of Finance	Not resolved.	The issue to be handled jointly with the office of the Auditor General.

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		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.	Nabwire Elizabeth – Ag. Head of Finance	Not resolved.	The issue to be handled jointly with the office of the Auditor General.

Signed: 
 Prof. James M. Njiru
CHIEF EXECUTIVE OFFICER
 Date.....24/02/2023.....

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						

There were no projects implemented by KMFRI which were funded by development partners.

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APPENDIX III: INTER-ENTITY TRANSFERS

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE				
Breakdown of Transfers from the State Department for Fisheries and the Blue Economy				
FY 2021/2022				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY to which the Amounts Relate
	Recurrent Grants	06.08.2021	116,166,665	2021/2022
	Recurrent Grants	18.08.2021	116,166,665	2021/2022
	Recurrent Grants	28.09.2021	116,166,665	2021/2022
	Recurrent Grants	05.11.2021	116,166,665	2021/2022
	Recurrent Grants	01.12.2021	116,166,665	2021/2022
	Recurrent Grants	01.12.2021	116,166,665	2021/2022
	Recurrent Grants	04.02.2022	116,166,665	2021/2022
	Recurrent Grants	04.03.2022	116,166,665	2021/2022
	Recurrent Grants	30.03.2022	116,166,665	2021/2022
	Recurrent Grants	16.05.2022	116,166,665	2021/2022
	Recurrent Grants	16.06.2022	116,166,665	2021/2022
	Recurrent Grants	28.06.2022	116,166,665	2021/2022
	AIE	05.07.2021	165,000,000	2020/2021
	AIE	28.04.2022	100,000,000	2021/2022
	AIE	30.6.2022	308,000,000	2021/2022
		Total	1,966,999,980	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	N/A			
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	N/A			
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	N/A			

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

Deputy Director Finance & Accounting
KMFRI

Sign _____



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

Sign: _____

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables*	Others - must be specific	
SDF & BE	06.08.2021	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	18.08.2021	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	28.09.2021	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	05.11.2021	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	01.12.2021	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	01.12.2021	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	04.02.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	04.03.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	30.03.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	16.05.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	16.06.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	28.06.2022	Recurrent	116,166,665	116,166,665			-		116,166,665
SDF & BE	05.07.2021	AIE	165,000,000	-			165,000,000		165,000,000
SDF & BE	28.04.2022	AIE	100,000,000	100,000,000			-		100,000,000
SDF & BE	30.6.2022	AIE	308,000,000	-			308,000,000		308,000,000
Total			1,966,999,980	1,493,999,980	-	-	473,000,000	-	1,966,999,980

Note: An amount of KSH. 308,000,000 of other grants was receivable as at 30.6.2022 and was received in July 2022.