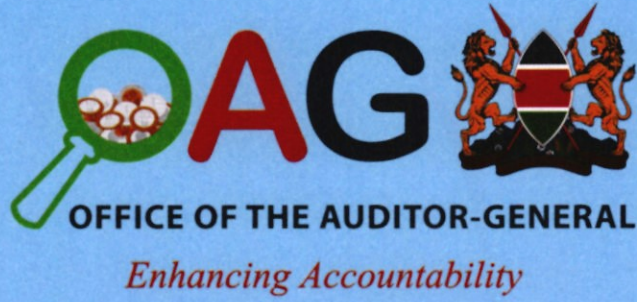


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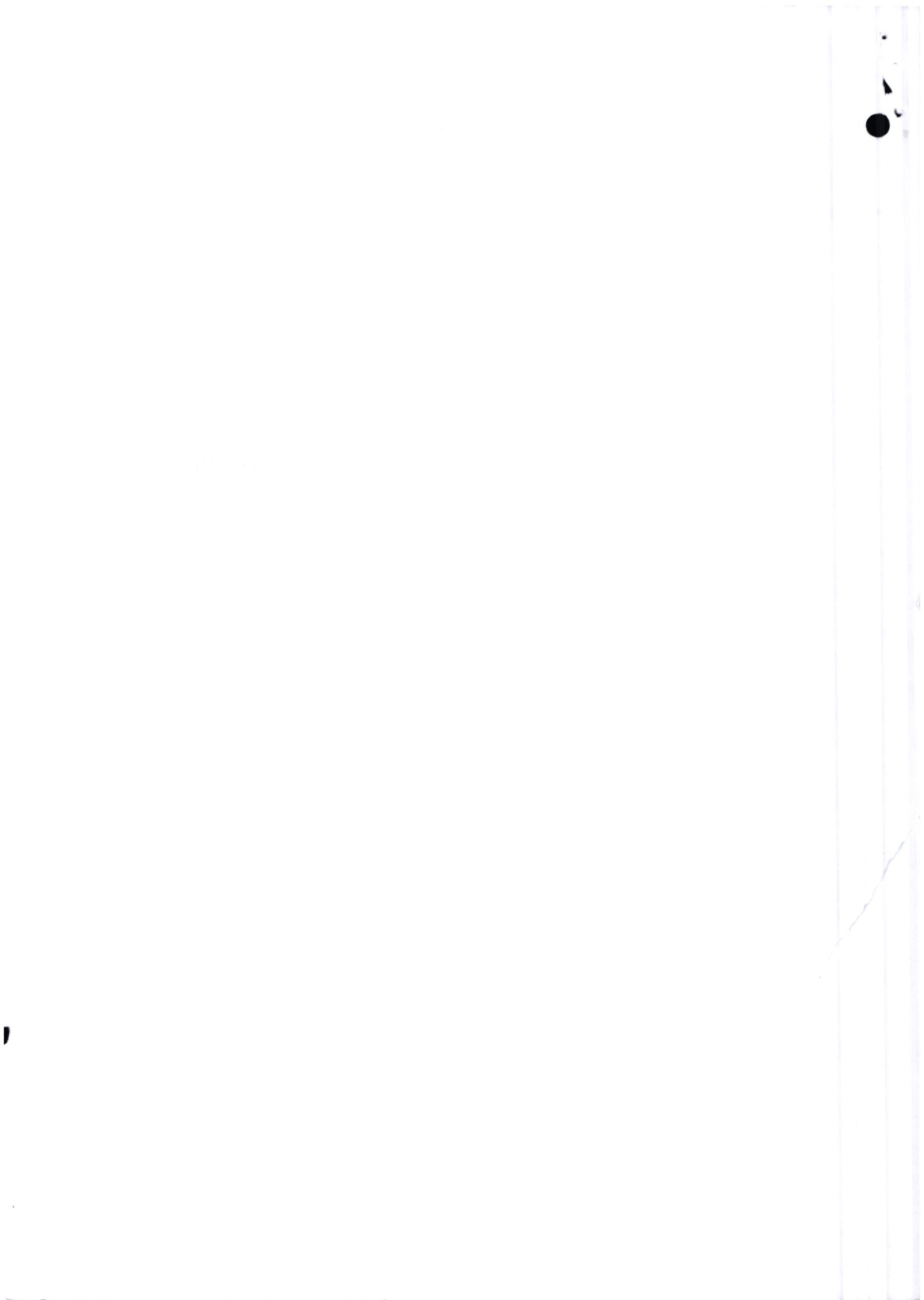
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THE AUDITOR-GENERAL

ON

**KENYA MARINE AND FISHERIES RESEARCH
INSTITUTE (KMFRI)**

**FOR THE YEAR ENDED
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA

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KMFRI

Kenya Marine and Fisheries Research Institute

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30 JUNE 2023

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

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

AG	Attorney General
AGPO	Access to Government Procurement Opportunities
CPA	Certified Public Accountant
CS	Corporation Secretary
DR	Doctor
DOJ	Department of Justice
EEZ	Exclusive Economic Zone
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KMFRI	Kenya Marine and Fisheries Research Institute
OAG	Office of the Auditor General
PFM	Public Finance Management
PIC	Public Investments Committee
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PROF	Professor
SAGA's	Semi-Autonomous Government Agencies
SCAC	State Corporations Advisory Committee
SDBE&F	State Department for Blue Economy & Fisheries

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year- Means the prior financial year.

2. 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, Mutonga and a research substation at Gazi and the Nairobi liaison office.

(b) Principal Activities

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

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

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

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v. To promote local and international collaborations and partnerships.

(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.	Mr. Valentine Mwaisaka Mwakamba	Member	3 May 2022
3.	Prof. Francis Kimani Njonge, BVM, MSc, PhD	Member	3 May 2022
4.	Mr. Jalfred Erima Maliro	Representative of the Office of the Attorney General	17 March 2022
5.	Mr. Christopher Nyaga Nkoroi	Representative Principal Secretary State Dept. for Blue Economy and Fisheries	18 January 2021
6.	Dr. Indeje Wanyama, PhD	Representative Principal Secretary, The National Treasury	16 April 2018

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Director General	Prof. James M. Njiru, PhD
2.	Director, Corporate Services	CPA. Abraham Kagwima
3.	Director Aquaculture	Dr. Jonathan Munguti, PhD
4.	Director, Oceans and Coastal Systems and Blue Economy Research	Dr. James M. Mwaluma, PhD
5.	Director, Freshwater Systems Research	Dr. Christopher M. Aura, PhD
6.	Director, Socioeconomics	Dr. Jacob Ochiwo, PhD
7.	Corporation Secretary & Director of Legal Services	CS. Caroline Mukiira

(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

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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.

Public Investments Committee (PIC)

The Public Investments Committee is constituted pursuant to the provisions of Standing Orders No 206 and it consists of a chairperson and not more than sixteen other members. The functions of the Committee are to examine the reports and accounts of public investments, to examine the reports, if any, of the Auditor General on the public investments and to examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

(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



3. 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>Mr. Valentine Mwaisaka Mwakamba Independent Board Member Chairman, Board Audit and Risk Management Committee</p> <p>Key Qualifications</p>	<p>Date of Birth 6 November 1958</p> <p>Date of Appointment 3 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

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<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. 	<ul style="list-style-type: none"> • 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>Mr. Christopher Nyaga Nkoroi Board Member (PS Representative-The SDBE&F) Chairman, Board Human Resource and Administration Committee 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 SDBE&F
 <p>Dr. Indeje Wanyama, PhD Board Member (Representative, The National Treasury) Chairman, Board Finance and Planning Committee Key Qualifications:</p>	<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 • Permanent Secretary Representative, the National Treasury.

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<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>Prof. Francis Kimani Njonge, BVM, MSc, PhD Independent Board Member Chairman, Board Scientific and Technical Committee</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), JKUAT • Associate Professor Department of Animal Sciences, JKUAT
 <p>Mr. Jalfred Erima Maliro Board Member (Representative of the Office of</p>	<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 (AG & DOJ) Malindi Regional Office • Representative of the Office of the Attorney General




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<p>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 	
<div data-bbox="327 515 606 806" data-label="Image"> </div> <p>Prof. James M. Njiru, PhD Secretary to the KMFRI Board of Management</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD –Aquatic Ecology/Fish Biology and Ecology, Moi University, Eldoret • M.Sc.–Aquatic Science/Fish Biology/Ecology (University of British Columbia, Canada • B.Sc. (Zoology, Botany and Chemistry), 2nd Class Hons, Moi University, Eldoret. 	<p>Date of Birth: 1965</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Director General of the Institute. • Secretary to the KMFRI Board of Management.

4. 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>Director General</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>Director, Corporate Services</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>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>Director, Oceans and Coastal Systems and Blue Economy Research</p>
 <p>Dr. Jacob Ochiewo, PhD</p>	<p>Key Qualifications:</p> <ul style="list-style-type: none"> • Ph.D. Development Studies, Jomo Kenyatta University • Master of Arts in Economics • Bachelor of Arts (Upper Second Class Honours) 	<p>Director, Socioeconomics</p>

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 <p>CS. Caroline Mukiira</p>	<p>Key Qualifications:</p> <ul style="list-style-type: none">• Master of Laws (LL.M), University of Nairobi• Bachelor of Laws (LL.B), University of Nairobi• Certified Public Secretary (CPS); and• ICS Reg. No. 2421 and LSK Reg. No. P.105/6645/07	<p>Corporation Secretary & Director of Legal Services</p>
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Management positions not filled include:

- a) Director, Strategy, Partnerships and Resource Mobilisation
- b) Director, Internal Audit Department

5. 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 in line with the National Government Agenda and, Vision 2030 and promote the Blue Economy Investments.

Successes

During the period, The Institute successfully implemented the performance contract targets for 2022/2023 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 and Economic Planning.

The Institute received a trophy from the Deputy President His Excellency Rigathi Gachagua at the Mombasa International ASK Trade Fair. The Institute bagged position one in two categories of Best Stand in Research and Development and the Stand that Best Interprets Current Show Theme (Education and/or Research) among other trophies in various categories. KMFRI innovations at the show included sea grass restorations, Coral reef restoration, Mangrove conservation and Blue Carbon Credit Project, marine litter trading app TakaConnect among many others.

The Institute flagged off fishers on deep sea training at Liwatoni Port in Mombasa. The training cruise is historic as it has six female fishers on board. Training of fishers in the deep sea follows a presidential directive in 2020 to train 1,000 young fishers for five years to contribute significantly to the achievement of Food and Nutrition for the Kenyan population. A total of 410 fishers have so far been trained.

The Kwale fisher communities are set to reap big after KMFRI in collaboration with Kenya Industrial Research & Development Institute (KIRDI), Technical University of Mombasa - TUM, Fraunhofer ISE and Innotech launched the Solar Cooling and Drying (SOLCOOLDRY) Innovation and Business Hub on 8th February 2023 at Mwazaro in Kwale County. KMFRI exhibited and narrated to attendees the institute's innovations, and products. The SOLCOOLDRY Innovation is a containerized, stand-alone solar technology package entailing a 100% cooling and drying system consisting of two tunnel dryers that are 2m wide and 24m long. This innovation will help fisher folks to produce high-quality dried fish of value, texture and flavor as the drying is done under standard conditions, thus increasing the shelf life of fish to at least three months.

KMFRI hosted the Deputy Governor for Kilifi County who represented H.E. Governor, Kilifi County as KMFRI Board had toured the area to inspect and sensitize the community on the projects spearheaded by KMFRI and supported by Kitanda- a Belgium based organization. The Blue Economy projects that KMFRI is giving technical support include some eight fully operation and productive fishponds. Projects are utilizing a borehole that was donated by Kitanda. KMFRI team is looking forward to having a research centre in Kilifi County to support the community in more blue economy related projects. The Deputy Governor appreciated both KMFRI and Kitanda and promised to work with the two organizations towards serving the people of Kilifi County.

KMFRI Board Members led by the Board Chairman attended ARBEC Conference in Kisumu with the theme of the 2022 ARBEC conference was Aquatic resources for a sustainable future and Blue Economy prosperity. It brought together researchers, innovators, academia, entrepreneurs, and other stakeholders worldwide to share their experiences and lessons learned on using aquatic resources wisely for human sustenance, prosperity, and the Blue Economy connection.

Challenges

During the period, the Institute faced challenges in implementing its mandate such as budgetary constraints in implementing its approved Human resource structure, inadequate staffing, ageing workforce, high attrition of staff, low

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salary remuneration due to KMFRI's categorization PC4B, Inadequate budget for smooth operations of the RV Mtafiti vessel. Nevertheless, KMFRI has continued to implement its mandate within the allocated budget.

The obligations of KMFRI as the only government research institute in the aquatic environment have expanded based on opportunities arising from increased national and county blue economy needs, emerging and re-emerging aquatic systems challenges and the need to implement blue economy flagship projects.

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 continue 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 been identified as the clearing house for research in the development of the Blue Economy in the country.

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: _____

28/2/24

6. REPORT OF THE DIRECTOR GENERAL

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 2023. 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 the staff insurance covers and the newly renewed NHIF comprehensive cover, which is expected to promote employees' well-being, good being and boost their satisfaction levels. The Institute also awarded staff who had sterling performance during the 2021-2022 financial year. The staff appreciated the Institute's effort in recognizing their input towards making KMFRI the Centre of Excellence in Blue Economy Research.

To disseminate the research findings, KMFRI staff met fisheries stakeholders in Lamu where they unveiled research findings following successful RV Mtafiti research cruises of the emerging fishery ground- North Kenya Banks (NKBs). The results showed that North Kenya Banks has rich and diverse fishery, but it is not well harnessed. Research shows that NKBs ocean upwelling plays a crucial role in the management of commercially important migratory species and enhances marine productivity. Dominant larval fish species found during the Southeastern Monsoon season comprise anchovies, barracuda, snappers, jacks, and the highly migratory tunas-Albacore tuna and yellowfish tuna. The NKBs, therefore, has a high abundance of fish larvae and is more diverse than other coastal ecosystems along the Kenyan Coast. The dissemination forum was aimed at empowering participants with information on where to find fish so that they are well equipped with the right fishing gear and know the best seasons to fish to enable them to invest wisely in the fishing venture. Full exploitation of the resources will boost the Blue Economy and the overall Kenyan economy.

KMFRI took part during the inception of 'The Lamu Blue Carbon Facility' and the launch of 'Lamu Seafront Public Space'. The Lamu Blue Carbon Facility' is expected to enable the mainstreaming of Blue Carbon into Coastal Development Programs to achieve climate benefits and improve livelihoods in Kenya. Lamu County has over 65% of the Mangroves in Kenya and hence conservation efforts that will be converted to blue carbon gains will give the county an approximated 100 million Kenya shillings per year.

KMFRI participated in a tree planting activity at the Shimo La Tewa Borstal prison in Mombasa County. KMFRI donated 5,000 both terrestrial and mixed fruit seedlings to the youth correction facility and planted them as part of a Presidential Directive for the Green Initiative to increase forest cover by 10%. KMFRI also took part in another tree planting activity at Kavunzoni - Bamba in Kilifi County where a total of 1,000 mixed and terrestrial seedlings were planted. These efforts were in a bid to shield the Kavunzoni community from the adverse effects of climate change caused by man-made activities such as cutting down trees. Members were sensitized on the various benefits of planting and nurturing these seedlings to maturity. KMFRI undertook a mangrove planting exercise at Chale Island in Kwale County. The exercise was done in collaboration with the Gogoni-Gazi Community Forest Association members where at least 1,500 seedlings were planted and distributed 1,500 to other sites. Mangroves provide a wide range of benefits to both the environment and surrounding communities, including Coastal protection, nursery habitat for fish, water purification, improving

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biodiversity, and capturing carbon dioxide from the environment. So far, the Institute has planted 14,000 terrestrial, mixed fruits and mangrove seedlings.

The Institute during the World Oceans Day launched a book on Marine Spatial Planning (MSP) and the Blue Economy. MSP is a way of organizing and managing marine-based activities like fishing, marine cage farming, shipping, tourism etc. while protecting the environment without causing conflicts. MSP is also a roadmap that helps us make smart decisions on how to use and protect our oceans. KMFRI took the lead role in compiling the book in collaboration with other partners. It contains information on the environmental drivers in MSP, the concept and needs of MSP in Kenya, the capacity assessment to undertake MSP in Kenya and lessons learned from the MSP workshops held in 2021 by the Intergovernmental Oceanographic Commission of UNESCO (IOC-UNESCO).

FINANCIAL PERFORMANCE

Total Revenues (including Finance Income) realized was Kshs. 2,363,403,125 during the year under review compared to Kshs 2,013,714,757 (FY 2021/2022) while total expenditure net of depreciation and amortization was Ksh. 2,346,052,294 compared to Ksh. 1,923,106,025 for the FY 2021/2022. Net Assets decreased by 9% 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 of buildings 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.

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To conserve the environment, As the World celebrated the International Coastal Cleanup Day, The Institute joined other stakeholders including NEMA, local administration and the Diani community conservation groups on South Coast in ensuring that the Institute efforts in conservation are key and count in the fight against the impending unthinkable trend that by 2050 there will be more waste in the sea than fish. The Institute launched a marine litter awareness campaign in Shimoni, Kwale County themed 'Don't Be a Litter Bug Use Less Plastic' aimed at boosting the health of the ocean. Research shows it takes over 50 years for some types of plastics to degrade which threatens fish, among other marine life. The campaign's highlight was a beach cleanup exercise where 474kg of trash was collected.

KMFRI led top research scientists and other delegates in the inception of the Improving Wastewater Quality using Constructed Wetlands Wastewater Treatment Technology project in Kilifi County. The project is set to improve wastewater quality around Mikindani area in Mombasa County by recycling discharge raw sewage, improving sanitation, and achieving food security through the utilization of treated water for irrigation purposes. The two-year project is funded by the United Nations Environment Programme (UNEP) and is being implemented by KMFRI in partnership with Jumuiya Ya Kaunti za Pwani, Go Blue, and Mombasa County Government.

Compliance with the Laws and Regulations

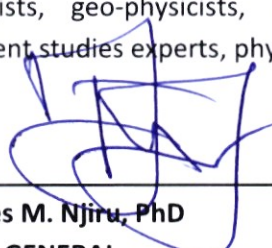
During the 2022/2023 financial year, the Institute complied with all statutory obligations and further the set budgetary levels for the year. All the funds released by the government to the Institute were expended towards the intended and approved core activities of the Institute. In addition, KMFRI 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

With the continued experience on challenges and the changing business environment more so calls for continuous improvement of the quality of research information provided to customers and stakeholders. To support the specialized fields of Blue Economy Research the Institute is required to employ marine geologists, climatologists, geo-physicists, hydrographers, engineers, anthropologists, sociologists, economists, development studies experts, physical oceanographers as advised by Blue Economy Committee.



Prof. James M. Njiru, PhD
DIRECTOR GENERAL

Date: 28/2/24

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7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022-23

KMFRI has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018- FY 2023

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 2022/23 – 100%
		Level of application of Service Delivery Innovations	Apply Service Delivery Innovations	The Service Delivery Innovations were fully applied in the FY2022/23 – 100%
		Level of implementation of Performance Contract	Implement the Performance Contract	The Performance Contract was fully implemented in the FY2022/23 – 100%
Knowledge Management and Dissemination	To transfer knowledge and innovative technologies to communities and stakeholders	Number of new peer-reviewed scientific papers published	Publish 65 new peer-reviewed scientific papers	92 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	21 new research proposals funded to support research activities	22 new proposals were funded
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 22 new funded donor research projects, one new MoU was signed with Flanders Marine Institute from Belgium.

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.

8. 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 three (3) 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 and the Blue Economy and the Attorney General and the Director General of KMFRI who is also 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, Director General, 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.

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 2022/2023, the Institute had eight (8) 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	8/8	N/A	N/A	N/A	N/A
Mr. Valentine Mwaisaka Mwakamba	Member	8/8	5/5	N/A	N/A	5/5
Prof. Francis Kimani Njonge	Member	6/8	N/A	6/6	4/4	N/A
Mr. Jalfred Erima Maliro	Member	6/8	4/5	N/A	N/A	5/5
Mr. Christopher Nyaga Nkoroi	Member	7/8	5/5	6/6	4/4	N/A
Dr. Indeje Wanyama, PhD	Member	7/8	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.



CS. Caroline Mukiira
Corporation Secretary

Date: 28/2/24

9. 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 were Kshs. 2,363,403,125 during the year under review compared to Kshs. 2,013,714,757 (FY2021/2022). The total expenditure net of depreciation in the year under review was Kshs. 2,346,052,294 compared to Kshs. 1,923,106,025 for the FY2021/2022.

The Institutes Net Assets decreased by 9% in the year under review 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.

During the financial year 2022/2023, the Institute completed the construction of Phase one of Mutonga Station and installation of laboratory benches. The centre will focus on reducing the key barriers faced by the Blue Economy sector and make an entry point in the sustainable development of the sector. The Institute completed the construction of Naivasha Laboratory and currently has an ongoing construction of Kisumu Laboratory which will enable the Institute to have state-of-the-art infrastructure that will provide laboratory technical services for freshwater research systems research programmes.

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. 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.
- ii. Sub-optimal level of uptake of new and/or existing products and services
The Institute shall collaborate with relevant stakeholders on investor education and awareness programmes on new products and services to support and successful implementation and maintain an updated database on necessary reforms and continuously review the market to provide guidance` to the relevant stakeholders.
- iii. Sub-optimal staff capacity
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.

iv. 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

The Institute has an outstanding financial obligation of Kshs. 157.3 million relating to staff salary arrears awarded by the court in case No. 186 of 2016 and 55 of 2020. To settle the financial obligation, the Institute has planned to settle over a period of four years by making provisions in the budget beginning the FY 2022/23. The Institute 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.

10. 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, Baringo and Mutonga. 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 2023, 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 Borstal Prison Tree Planting

KMFRI undertook a tree planting CSR activity by planting 5,000 both terrestrial and mixed fruit trees to the youth correctional facility.



Figure 1: KMFRI participating in tree planting at Shimo la Tewa prison on 25 May 2023

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 20 May 2023

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11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, 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, 2023, are set out on page 1.

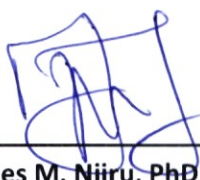
iii) Directors

The members of the Board of Directors who served during the year are shown on page vi – ix.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya, 2010 and the Public Audit Act, 2015.

By Order of the Board



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

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12. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Institutes financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on 30th June 2023. 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 2023, 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.

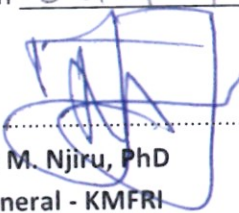
The Directors further confirms the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

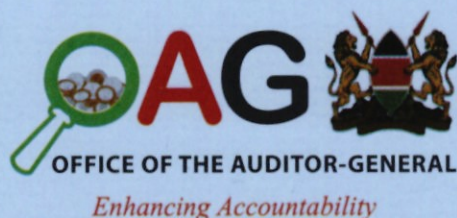
The Institute's financial statements were approved by the Board on 28/2/24 2023 and signed on its behalf by:


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


.....
Prof. James M. Njiru, PhD
Director General - KMFRI

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA MARINE AND FISHERIES RESEARCH INSTITUTE (KMFRI) FOR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2023, 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, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporation Act, Cap 446 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Unaccounted for Cash in Hand

The statement of financial position reflects cash and cash equivalents balance of Kshs.271,323,099 which, as disclosed in Note 21 to the financial statements, includes cash in hand balance of Kshs.168,814 out of which, Kshs.165,112 was held at the Baringo Station. This latter amount differed with the Kshs.Nil balance reflected in the cash count certificate (Board of Survey Report). As previously reported, Management confirmed that the money was stolen from the Station's cash office. However, Management has not provided evidence to confirm that appropriate action has been taken against the officer liable or that the incident was reported to the police. Further, although the Parliamentary Investment Committee recommended that Management consider writing off the lost cash if unrecoverable, Management was yet to write off the loss.

In the circumstances, the accuracy, completeness and validity of the cash balance of Kshs.165,112 could not be confirmed.

2.0. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,511,243,337 as disclosed in Note 25 to the financial statements. The following observations were made:

2.1. Loss of Deep-Sea Observatory Rover

As previously reported, assets additions for the year 2018/2019 of Kshs.386,552,403 included Kshs.281,613,777 in respect of research vessels. Included in the research vessel purchases was a deep-sea observatory rover costing Kshs.13,242,599. However, the equipment reportedly got lost in the deep sea and the loss reported at a local police station on 16 July, 2020. As at the time of audit in February, 2024, the equipment had neither been traced nor a decision taken to adjust the cost from the existing cost of the property, plant and equipment.

In the circumstances, the accuracy and completeness of the reported property, plant and equipment balance could not be confirmed.

2.2. Land Encroachment and Lack of Land Ownership Documents

Included in the property, plant and equipment balance of Kshs.1,511,243,337 Kshs.337,500,000 in respect of land which includes a parcel located at Kambi ya Samaki, Baringo County measuring 4.6 acres and a plot in Mamboleo/Kanyakwar, Kisumu, measuring 3.45 acres and valued at Kshs.8,000,000 that had been illegally encroached. The Institute has taken legal action against the encroachers but the cases have not been concluded.

Further, Management did not have title deeds or allotment letters for two (2) parcels of land in Kambi ya Samaki, Baringo measuring 5.81 and 4.2 acres respectively, totalling to 10.01 acres, owned by the Institute. Management explained that the ownership documents were being processed.

In the circumstances, the accuracy and completeness of the land balance of Kshs.337,500,000 could not be confirmed and the Institute risks losing the parcels of land due to the illegal encroachment and lack of ownership documents.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Marine and Fisheries Research Institute Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

The prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0. Unapproved Tariffs

The statement of financial performance reflects rendering services, sales of goods and rental revenue from facilities and equipment amounts of Kshs.792,560, Kshs.9,560,743 and Kshs.2,652,889 respectively, totalling Kshs.13,006,192 as disclosed in Notes 9, 10 and 11 to the financial statements. Included in the latter amount is Kshs.8,639,942 generated from seven out of the eight revenue streams, namely students' educational visits and attachment fees, consultancy fees for services, sale of fish fingerlings and brooders, sale of fish feeds, sale of value-added products, operating lease revenues (rent on hire of canteen and fees on hire of research vessels and conference facilities), and contingent rentals. However, approved tariffs structure by the National Treasury in support of the amount of Kshs.8,639,942 was not provided audit, contrary to Regulation 66(2) of the Public Finance Management (National Government) Regulations, 2015, which requires that an Accounting Officer shall obtain approval from the National Treasury for the proposed tariff structure.

In the circumstances, Management was in breach of the law.

2.0. Breach of Bonding Contracts

Note 31 to the financial statements discloses contingent assets of Kshs.17,084,973 which include Kshs.12,584,973 owed to the Institute by five (5) former staff members who breached their bonding contracts. The staff left the Institute for other employers before the Institute redeemed the bond, contrary to Paragraph 2.9(i) of the Guidelines on the Bond for Training Public Servants, 2018, which requires that an employee who fails to comply with the terms of the bond shall be deemed to have breached the agreement and will be required to redeem the bond in full or as pro-rated.

Further, the five (5) staff members were not cleared by the Institute when exiting to join the new employers, and the Institute had not reported this non-clearance to their current employers.

In the circumstances, Management was in breach of the law.

3.0. Salary Over-Commitment

Review of the Institute's payroll data revealed that the net-pay of eighty-three (83) employees was less than a third of their respective basic pay. This was in violation of Section 19(3) of the Employment Act, 2007, which requires that the total amount of all deductions which under the provisions of Subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

4.0. Breach of Insurance Contract

During the year under review, an Institute's vehicle was involved in an accident on 16 December, 2022 in Kalotum (Turkana County). The accident victims were seven (7) employees out of whom, two (2) died and five (5) were injured. The vehicle had been comprehensively insured for a cover period of one year to 23 November, 2023, at a premium of Kshs.180,000 and for a sum insured of Kshs.6 million.

However, the comprehensive insurance cover involved a cover of death or bodily injury to any one person of Kshs.3,000,000 and Kshs.20,000,000 if a series of claims arising out of one event in respect of persons being carried in or upon entering or getting onto or alighting from the vehicle. However, none of the injured staff or the beneficiaries of the deceased staff were compensated by the insurance company as per the terms of the insurance policy. Moreover, the Institute's Management had not followed up on these claims as at the time of audit in February, 2024.

Further, the Institute had a Group Personal Accident (GPA) Cover with an insurance company under a policy covering the period from 13 January, 2022 to 12 January, 2023. However, the Group Personal Accident insurance claims had not been settled by the underwriter as at the time of audit in February, 2024.

The amount due to the two (2) deceased staff estates was Kshs.11,257,728 (being Basic pay for ninety-six (96) months. Management action after the accident included processing the claim forms and reporting the Insurance company to the Insurance Regulatory Authority (IRA) on the delayed settlement. However, the incident was reported to IRA approximately a year (20 December, 2023) after the accident had occurred and eleven (11) months after the policy had lapsed and no legal action had been taken to settle the claim.

In the circumstances, Management was in breach of Section 149(2)(d) of the Public Finance Management Act, 2012 which requires that the accounting officer shall ensure that all contracts entered into by the entity are lawful and are complied with.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion, I

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

Basis for Conclusion

1.0. Discrepancy in Actual Staff Count between the Staff Establishment and Payroll

Review of the Institute's approved staff establishment revealed that the Institute's approved staff count was eight hundred and twenty (820) compared to the in-post staff count of six hundred and fifty-nine (659) employees. However, the Institute's payroll indicated five hundred and sixty-three (563) employees, resulting to an unexplained variance of ninety-six (96) employees between actual employees in the payroll and the staff establishment. In addition, the Institute had been understaffed with two hundred and fifty-seven (257) employees.

In the circumstances, the staff establishment was not regularly updated and revised with the actual staff count. Further, the under staffing may have adversely affected operations of the Institute.

2.0. Failure to Replace Staff Exits

During the financial year under review a total of forty-nine (49) staff exited the Institute in addition to fifty (54) in the prior year (2021/22), resulting in accumulated staff exits of one hundred and three (103) employees over two financial years. This resulted in accumulated cost savings between 1 July, 2021 to 30 June, 2023 of Kshs.50,552,219 (2021/2022: Kshs.22,182,073; 2022/23: Kshs.28,370,146). However, the Institute had not replaced the one hundred and three (103) employees as at 30 June, 2023. Further, any planned replacement in the financial year 2022/23 and 2023/2024 could not be confirmed as the annual recruitment plans for the two financial years were not provided for audit.

In the circumstances, the human resource management objectives may not be aligned with the Institutes strategic objectives.

The audit was conducted in accordance with the 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 controls, 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 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, 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 operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


28 March, 2024

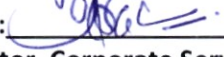
**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

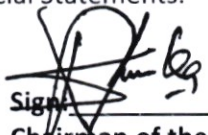
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2022/2023	RESTATED 2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfer from other Government Entities	6	1,357,900,000	1,393,999,980
Transfer from other Government Entities (Other)	7	785,492,082	408,000,000
Public Contribution and Donations	8	203,166,762	194,898,492
Revenue from Exchange transactions			
Rendering Services	9	792,560	925,716
Sales of goods	10	9,560,743	13,700,998
Rental revenue from facilities and equipment	11	2,652,889	1,195,250
Finance Income	12	1,198,890	6,146
Other Income	13	2,639,199	988,175
Total Revenue		2,363,403,125	2,013,714,757
Expenses: -			
Use of Goods and Services	14	614,932,050	571,072,947
Employee Costs	15	816,621,397	827,852,747
Remuneration of directors	16	22,680,114	16,751,248
Depreciation and amortization expense	17	207,067,818	204,290,775
Repairs and maintenance	18	35,165,467	25,776,829
Finance Costs	19	-	1,989,037
Hire of Research Vessel for Fish Crew Training	20	856,653,266	479,663,217
Total Expenses		2,553,120,112	2,127,396,800
Surplus for the Period		(189,716,986)	(113,682,043)

The notes set out on pages 7 to 37 form an integral part of these Financial Statements.

Sign: 
Director General
 Prof. James M. Njiru

Sign: 
Director, Corporate Services
 CPA Abraham Kagwima
 ICPAK Member Number:2954

Sign: 
Chairman of the Board
 Hon. John Safari Mumba

Date: 28/2/24

Date: 28/2/24

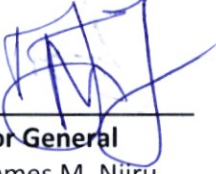
Date: 28/2/24


**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022/23	RESTATED 2021/22
ASSETS		Kshs.	Kshs.
Current Assets: -			
Cash and Cash Equivalents	21	271,323,099	373,124,255
Receivables from exchange transactions	22	43,629,865	31,420,126
Receivables from non- exchange transactions	23	184,495,376	328,265,762
Inventory	24	20,969,469	20,969,469
Total Current Assets		520,417,809	753,779,612
Non-current Assets: -			
Property, Plant & Equipment	25	1,511,243,337	1,620,737,852
Intangible Assets	26	26,284,056	23,156,566
Total Non-Current Assets		1,537,527,393	1,643,894,418
Total Assets		2,057,945,202	2,397,674,030
LIABILITIES			
Current Liabilities:-			
Trade & Other Payables	27	141,862,828	291,874,670
Total Current Liabilities		141,862,828	291,874,670
Non-Current Liabilities: -			
Total Liabilities		141,862,828	291,874,670
NET ASSETS		1,916,082,374	2,105,799,365
Capital Fund	29	584,810,971	584,810,971
Donations Reserve	29	345,364,707	345,364,707
Revaluations Reserve	29	537,997,254	537,997,254
Accumulated Surplus	29	447,909,442	637,626,428
Total Net Assets and Liabilities		1,916,082,374	2,105,799,360

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by

Sign: 
Director General
 Prof. James M. Njiru

Sign: 
Director, Corporate Services
 CPA Abraham Kagwima
 ICPAK Member Number:2954

Sign: 
Chairman of the Board
 Hon. John Safari Mumba

Date: 28/2/24

Date: 28/2/24

Date: 28/2/24

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
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16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Note	Capital Reserve Kshs.	Donations Reserve Restated Kshs.	Reval. Reserve Kshs.	Accumulated Surplus Kshs.	TOTAL Kshs.
Balance as at 1 July 2022	28(v)	584,810,971	345,364,707	537,997,254	637,626,428	2,105,799,360
Additions	28(v)	-	-	-	-	-
Deficit for the period	28(v)	-	-	-	(189,716,986)	(189,716,986)
Balance as at 30 June 2023		584,810,971	345,364,707	537,997,254	447,909,442	1,916,082,374

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

	Note	Capital Reserve Kshs.	Donations Reserve Restated Kshs.	Reval. Reserve Kshs.	Accumulated Surplus Restated 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)					
Restatement of Staff Debtors	28(v)				3,604,800	3,604,800
Restatement of library books	28(v)				18,845,825	18,845,825
Deficit for the period	28(v)				(113,682,043)	(113,682,043)
Balance as at 30 June 2022		584,810,971	345,364,707	537,997,254	637,626,428	2,105,799,360

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.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
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17. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED JUNE 30, 2023

	NOTE	2022/2023	RESTATED 2021/2022
		Kshs.	Kshs.
Cash flows from Operating Activities			
Receipts			
Transfer from other Government Entities	6	1,357,900,000	1,393,999,980
Hire of Research Vessel of Fish Crew Training	7	785,492,082	408,000,000
Public Contribution and Donations	8a	201,166,762	194,621,953
Rendering Services	9	792,560	925,716
Sales of goods	10	9,560,743	13,700,998
Rental revenue from facilities and equipment	11	2,652,889	1,195,250
Finance Income	12	1,198,890	6,146
Other Income	13	2,639,199	988,175
Total Receipts		2,361,403,125	2,013,438,218
Payments			
Use of Goods and Services	14	614,932,050	571,072,946
Employee Costs	15	816,621,397	827,852,747
Board of Management Costs	16	22,680,114	16,751,248
Repairs and Maintenance	18	35,165,467	25,776,829
Finance Costs	19	-	1,989,037
Hire of Research Vessel for Fish Crew Training	20	856,653,266	479,663,217
Total Payments		2,346,052,294	1,923,106,024
Net cashflows from/(used in) operating activities		15,350,831	90,332,194
Working capital adjustments			
Increase/Decrease in Receivables		131,560,647	(135,199,891)
Increase/Decrease in Payables		(150,011,840)	157,738,605
Net cashflows from /Used in Operating Activities		(3,100,363)	112,870,908
Cash flows from Investing Activities			
Purchase of PPE and intangible assets	25&26	(98,700,793)	(26,487,541)
Net cash flows from Investing Activities		(98,700,793)	(26,487,541)
Cash Flows from Financing Activities			
Remission to The National Treasury		-	-
Net cash flows from Financing Activities		-	-
Net Increase in Cash and Cash Equivalents		(101,801,156)	86,383,367
Cash and cash equivalents at period Start		373,124,255	286,740,888
Cash and cash equivalents at period end	21	271,323,099	373,124,255

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18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

GRANTS AND A.I.A	Original Budget 2022/2023	Adjustments	Final Budget 2022/2023	Actual Cumulative to date	% of Utilization
	A	b	c = a+b	d	e=d/c%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Revenue					
Transfer from other Government Entities	1,394,000,000	(36,100,000)	1,357,900,000	1,357,900,000	100%
Public Contribution and Donations	249,844,486	-	249,844,486	203,166,762	81%
Rendering Services	500,000	200,000	700,000	792,560	113%
Sales of goods	12,520,000	(500,000)	12,020,000	12,199,942	101%
Rental revenue from facilities and equipment	980,000	300,000	1,280,000	2,652,889	207%
Balance b/f	45,891,045	7,500,000	53,391,045	53,391,045	100%
Total Income	1,703,735,531	(28,600,000)	1,675,135,531	1,630,103,199	97%
Expenses:-					
Use of goods and services	709,240,004	(-83,996,705)	625,243,299	614,932,050	98%
Compensation of employees	883,033,264	(2,524,098)	880,509,166	816,621,397	93%
Remuneration of Directors	28,972,380	(4,000,001)	24,972,379	22,680,114	91%
Repairs and Maintenance	36,075,000	5,340,829	41,415,829	35,165,467	85%
Capital Expenditure	46,414,886	56,579,9723	102,994,858	98,700,793	96%
Total Expenses	1,703,735,531	(28,600,003)	1,675,135,531	1,588,099,821	95%

**KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

Budget Notes

Public contributions and donations

This constitutes funds received from development partners for innovative research proposals by the Institute's researchers. Most donor projects receive funds in tranches in line with the different donor reporting cycles which are not in the Institutes control, given that the Institute uses the government reporting cycle.

Rendering of Services

The Institute achieved this target due to exceeding the target of students that had been earmarked for attachment during the FY under review.

Rental Revenue from facilities and equipment

The Institute achieved this target due to extensive marketing of the Institute facilities and follow-up to ensure payment is made on services rendered.

Repairs and Maintenance

Repairs and maintenance are being undertaken in the institute to ensure the facilities and equipment are operating optimally. Not all repairs were undertaken as anticipated at the time of budgeting.

Capital Expenditure

The institute did not fully utilise this budget line since some of the capital items were still in the procurement process as at the close of the FY.

Reconciliation of Expenditure in Statement of Financial Performance to the Expenditure in the Budget Comparative report

	Ksh.
Expenditure in Statement of Financial Performance	2,553,120,112
Less:	
Depreciation	(207,067,818)
Hire of Vessel for Fish Crew Training	(856,653,266)
Add Use of goods and Services expenses items in Statement of Financial Position	
Capital Expenditure	98,700,793
Total actual on comparable basis	1,588,099,821

19. 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 2023.**

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 had 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.

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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. **Amendments to IPSAS 33** provides the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. These amendments had no impact on KMFRI's annual financial statements.
 - **IPSAS 39 – Employee Benefits.** The amendments delete the term composite social security benefits as it is no longer defined in IPSAS. These amendments had no impact on KMFRI's annual financial statements.
- ii. **New and amended standards and interpretations in issue but not effective in the year ended 30 June 2023.**
- 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 2025.
- **IPSAS 43 -** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. These amendments had no impact on KMFRI's annual financial statements.
 - **IPSAS 44 -** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. These amendments had 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 2022/2023.

4) Summary of Significant Accounting Policies

a) **Revenue recognition**

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

Transfers from other government entities

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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.

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 2022-2023 was approved by the National Assembly in June 2022. 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 2022-2023 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.

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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.

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	Infinity	-
Buildings	40	2.5%
Plant & Lab Equipment	8	12.5%
Research Vessels	8	12.5%
Motor Vehicles	4	25%

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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 and is amortised over the period of the 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.

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.

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 its employees. KMFRI contributes 20% of the employees' basic pay to the scheme and the employees contribute 10% 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 scheme is managed by an internal administrators and the scheme assets managers/custodian is Kenindia Assurance Co. Ltd. The Institute contributed Ksh. 87,114,215 as Employer Contribution and Ksh. 43,557,107 as Employee Contribution during the FY 2022/2023.

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. 1,080 per employee per month. The employee contributes Kshs. 1,080 per month and the employer similarly contributes Kshs. 1,080. The Institute contributed Ksh. 3,897,020 as Employer Contribution and Ksh. 3,897,020 as Employee Contribution during the FY 2022/2023.

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, 2023.

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.

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- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6) Transfers from Other Government Entities

Description	Period ended 30 June 2023	Period ended 30 June 2022
	KShs	KShs
Unconditional grants		
Operational grant	1,357,900,000	1,393,999,980
Total Unconditional Grants	1,357,900,000	1,393,999,980
Conditional grants	-	
Total government grants and subsidies	1,357,900,000	1,393,999,980

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 grant income during the period ended 30 June 2023 KShs	Total grant income during the period ended 30 June 2022 KShs
SDF & BE	1,357,900,000			1,357,900,000	1,393,999,980
Total	1,357,900,000			1,357,900,000	1,393,999,980

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

7) Transfers from Other Government Entities

Description	2022-2023	2021-2022
	Kshs.	Kshs
Other Grants	785,492,082	408,000,000
Total	785,492,082	408,000,000

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8) Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs.	Kshs
Research donations	201,166,762	194,621,953
Total Research donations	201,166,762	194,621,953
Donations in Kind – land,boat & Library books	2,000,000	276,539
Total transfers and sponsorships	203,166,762	194,898,492
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year		-
Current year receipts	203,166,762	194,898,492
Conditions met - transferred to revenue	203,166,762	194,898,492
Conditions to be met - remain liabilities	-	-

8a) Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs.	Kshs
Research donations	201,166,762	194,621,953
Total Research donations	201,166,762	194,621,953

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

9) Rendering of Services

Description	2022-2023	2021-2022
	Kshs.	Kshs
Students' educational visits and attachment fees	576,560	601,716
Consultancy fees for services	216,000	324,000
Total revenue from the rendering of services	792,560	925,716

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	2022-2023	2021-2022
	Kshs.	Kshs
Sale of fish fingerlings & brooders	2,061,088	1,748,630
Sales of fish feeds	3,096,545	7,969,110
Sale of value-added products	36,860	675,510
Disposal of bonded equipment / wares	4,366,250	3,307,748
Total revenue from the sale of goods	9,560,743	13,700,998

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	2022-2023	2021-2022
	Kshs.	Kshs
Operating lease revenues	480,000	480,000
Contingent rentals	2,172,889	715,250
Total rentals	2,652,889	1,195,250

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

12) Finance Income

Description	2022-2023	2021-2022
	Kshs.	Kshs
Exchange gain	1,198,890	6,146
Total other income	1,198,890	6,146

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13) Other Income

Description	2022-2023	2021-2022
	Kshs.	Kshs
Miscellaneous income	2,639,199	988,175
Total other income	2,639,199	988,175

Miscellaneous income includes Training levy deductions from staff.

14) Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs
Electricity	14,166,739	13,649,288
Water	3,382,642	3,986,254
Gas Expenses	92,230	89,650
Communication services and supplies	12,603,224	15,275,888
Transportation, travelling and subsistence	43,212,075	26,359,328
Advertising, printing, stationery, and photocopying	6,300,104	5,363,236
Rental of produces assets	9,302,670	8,327,092
Staff training	16,690,992	15,645,892
Hospitality supplies and services	12,213,083	10,505,807
Insurance costs	84,138,272	76,145,653
Bank charges and commissions	332,679	249,862
Office and general supplies and services	9,834,683	10,914,702
Legal expenses	15,430,047	14,721,343
Audit Fees	811,200	811,200
Fuel Oil and Lubricants	6,300,804	3,964,580
Subscription to Professional bodies	333,224	535,174
Contracted Technical Services	42,544	498,172
Licensing fee - Drivers	8,350	23,550
Contracted Guards and Cleaning	21,294,060	20,027,142
Other General Expenses		
Donor Funded Research expenses	206,610,488	226,407,047
Seed Research expenses	44,671,181	23,977,593
Research Vessel Mtafiti Research expenses	88,398,398	75,693,470
Parking Charges	5,360	12,360
Specialized Materials and Supplies	16,439,888	15,796,222
Business Wing Expenses	2,317,115	2,092,440
Total Goods and Services	614,932,050	571,072,946

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15) Employee Costs

	2022-2023	2021-2022
	Kshs.	Kshs
Salaries and wages	510,300,481	526,093,941
Employer contribution to pension schemes	82,650,957	78,794,989
Travel, car, accommodation, subsistence & other allowances	82,118,092	79,974,512
Housing benefits and allowances	133,742,680	139,460,143
Social contributions	3,897,020	1,547,666
Gratuity	3,912,167	1,981,496
Total Employee Costs	816,621,397	827,852,747

16) Board of Management Costs

Description	2022-2023	2021-2022
	Kshs.	Kshs
Chairman/Directors' Honoraria	960,000	917,943
Sitting allowances	4,469,200	4,038,000
Medical Insurance	2,825,182	1,238,449
Induction and Training	180,000	146,400
Travel and accommodation	10,003,348	8,388,155
Other allowances	60,000	57,361
Board of Management related costs	4,182,384	1,964,940
Total	22,680,114	16,751,248

17) Depreciation and Amortization

Description	2022-2023	2021-2022
	Kshs.	Kshs
Property, plant, and equipment	203,833,038	202,157,775
Intangible assets	3,234,780	2,139,000
Total depreciation and amortization	207,067,818	204,290,775

18) Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs.	Kshs
Property	14,108,610	14,511,380
Equipment and machinery	4,146,172	1,940,565
Vehicles	11,631,321	6,432,489
Furniture and fittings	35,619	67,170
Computers and accessories	2,290,684	1,755,258
Others	2,953,061	1,069,967
Total repairs and maintenance	35,165,467	25,776,829

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19) Finance Costs

Description	2022-2023	2021-2022
	Kshs.	Kshs
Exchange Loss	-	1,989,037
Total	-	1,989,037

20) Hire of Research Vessel for Fish Crew Training

Description	2022-2023	2021-2022
	Kshs.	Kshs
Hire of Research Vessel for Fish Crew	856,653,266	479,663,217
Total	856,653,266	479,663,217

21) Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs.	Kshs
Current account	271,154,285	372,938,012
Others – Cash in hand	168,814	186,243
Total cash and cash equivalents	271,323,099	373,124,255

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

Financial institution	Account number	2022-2023	2021-2022
		Kshs.	Kshs
a) Current account			
National Bank of Kenya	Various	270,757,587	372,314,268
Kenya Commercial bank	Various	396,698	623,744
Sub- total		271,154,285	372,938,012
b) Others(specify)			
Cash in hand		168,814	186,243
Grand total		271,323,099	373,124,255

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

Financial Institutions/Banks	Bank Account Number	2022-2023	2021-2022
		Kshs.	Kshs
Current Accounts			
National Bank of Kenya			
KMFRI Recurrent Account	1003007622501	59,899,920	186,712,571
KMFRI Research Vessel Account	1023047777700	45,209,205	18,003,823
KMFRI Kegati -Recurrent	1001033897500	187,181	152,761
KMFRI Kisumu -Recurrent	1003023506000	903,875	1,525,026

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KMFRI Sagana- Recurrent	1003044552200	53,274	5,462
KMFRI Sangoro- Recurrent	1001023506100	23,653	734
KMFRI Nairobi -Recurrent	1003000906500	495,160	506,227
KMFRI SEED	1003007618800	505,606	12,609
KMFRI GOK SEED Kegati	1001034490900	1,061,565	551,292
KMFRI GOK SEED Kisumu	1003025165500	88,331	3,346
KMFRI Centre recurrent account	1003009032700	1,776,224	233,657
KMFRI Sangoro SEED	1003025162000	4,315	1,654,176
KMFRI Development Account	1003007622502	5,905	915,905
KMFRI Revenue Account	100307622500	21,320,828	17,971,437
KMFRI Kegati Revenue Account	1230035258900	29,427	329,757
KMFRI Kisumu Revenue Account	1003023735300	5,436	16,616
KMFRI Sagana Revenue Account	1003044652600	121,381	8,600
KMFRI Products & Services Account	1003066549100	21,505,871	16,861,294
KMFRI Shimoni Recurrent Account	1071007622500	2,592	-
Individual Donor Project Accounts			
A. Kenya Shilling Account			
KMFRI Project General Account	1003008646200	78,079,723	85,110,505
KMFRI Kisumu Micro Project	1003023652400	3,490,078	6,608,354
KMFRI IOI EAOP Project Acct	1003007613400	2,322,632	576,004
KMFRI Masma Cholera Project Acct	1003065804502	26,579	26,579
KMFRI MASMA MANGROVE Project Account	1003007622509	5,679,574	11,345,994
KMFRI CAMARV Projects Bank	1003065804501	2,887,353	2,406,553
KMFRI BLUE FOREST Project	1023072984800	1,346,763	2,280,740
KMFRI MASMA JUV CRAB Project Acct	1003065804500	5,955	5,955
KMFRI RADIO ISOTOPES Project	1003066009100	6,511,946	4,932,051
KMFRI Secure fish Project Account	1003007622510	-	153,795
KMFRI Artemia Project Account	1003066285200	9,600	9,600
KMFRI ICOAST Project Account	1001008646200	619,939	619,939
KMFRI INSFEED Project Account	1001044975700	642,583	13,030
KMFRI TEAM Project Account	1001103114800	2,545	1,107,070
KMFRI ESPA Spaces Project Account	1020008646200	126,909	421,684
KMFRI CS-APP BANK Sagana	01071217871600	0.60	460,330
KMFRI KCSAP 1 & 2 Sagana	01071225028200	766	10,978
KMFRI KCSAP 1 & 2 Sangoro	01071025162001	699	3,462,770
KMFRI KCSAP Kegati	01020231395400	0	1,329,526
B. Other Currencies Accounts			
Dollar Current Accounts (USD)			
KMFRI DOLLAR -Projects Account	2020007622500	14,759,914	5,734,049
KMFRI IOI DOLLAR Project	2003007613400	80,302	67,335
KMFRI Secure fish DOLLAR	2003007622508	6,235	5,228
Euro Current Accounts (Euro)			
KMFRI RECOMAP EURO Project Account	307622506	956,882	160,209
KMFRI TEAM Project Account	3001103114800	-	-
KMFRI Artemia Project Account (Euro)	3020066285200	861	698
Kenya Commercial Bank			
KMFRI Naivasha -Recurrent	1105266729	270,811	315,506

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KMFRI Turkana -Recurrent	1107150086	118,873	212,607
KMFRI Baringo- Recurrent	1202126979	4,355	18,512
KMFRI Turkana SEED Account	1157553184	2,659	77,118
Cash in Hand		168,814	186,243
Total Cash and Cash Equivalent		271,323,099	373,124,255

22) Current Receivables from Exchange Transactions

	2022-2023	2021-2022
	Kshs.	Kshs
Current receivables		
Other exchange debtors	43,629,865	31,420,126
Total current receivables	43,629,865	31,420,126

22a. Restatement of Financial Statements for FY 2021/2022

Staff and Non staff debtors reported in the financial statements for the year ended 30 June 2021/2022 has been restated following the recommendation by the 24th Report of the public investment committee on consideration of the auditor general's report on the audited accounts of the KMFRI financial year 2012/2013 to financial year 2018/2019. The effect of the restatement on the Institute's Financial statements is summarised below.

	Effect in FY 2021/2022
	Kshs.
Dr. Staff Debtors	3,042,300.00
Dr. Non-Staff Debtors	562,500.00
Cr. Accumulated Surplus/Deficit	3,604,800.00

23) Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs.	Kshs
Other debtors (non-exchange transactions)		Restated
Staff Debtors	6,949,221	5,724,104
Medical Advance	3,371,315	5,133,038
Non-Staff Advance	686,242	686,242
GOK Recurrent grants receivable	173,488,598	316,722,378
Total current receivables	184,495,376	328,265,762

24) Inventory

Description	2022-2023	2021-2022
Inventory	Kshs.	Kshs
Library Books	20,969,469	20,969,469
Total Inventory	20,969,469	20,969,469

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25) Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 June 2021	336,500,000	822,684,259	187,057,788	60,973,087	74,187,998	1,329,544,310	55,142,837	2,866,090,279
Additions		1,396,030	-	506,899	6,921,488		13,898,666	22,723,083
Disposals/ Assets writeoff			(5,182,970)					(5,182,970)
Transfers/adjustments	-	8,735,940	(32,030,508)	-		-	(8,735,940)	(32,030,508)
As at 30th June 2022	336,500,000	832,816,229	149,844,310	61,479,986	81,109,486	1,329,544,310	60,305,563	2,851,599,884
Additions			18,870,000	4,099,210	30,000	9,762,540	59,576,773	92,338,523
Donations	1,000,000					1,000,000		2,000,000
Disposals/ Assets writeoff			(10,463,300)					(10,463,300)
Transfer/adjustments		31,324,670				10,613,343	(41,938,013)	-
As at 30 June 2023	337,500,000	864,140,899	158,251,010	65,579,196	81,139,486	1,350,920,193	77,944,323	2,935,475,107
Depreciation and impairment								
At 1 June 2021		(142,235,199)	(166,211,075)	(38,115,987)	(63,654,248)	(656,374,113)	-	(1,066,590,621)
Depreciation		(20,820,406)	(11,328,712)	(5,085,400)	(9,130,180)	(155,120,187)		(201,484,884)
Disposals			5,182,965					5,182,965
Transfers/adjustments			32,030,508					32,030,508
As at 30 June 2022	-	(163,055,605)	(140,326,314)	(43,201,387)	(72,784,428)	(811,494,300)	-	(1,230,862,033)
Depreciation		(21,603,523)	(14,235,501)	(5,088,494)	(5,113,348)	(157,792,172)	-	(203,833,038)
Disposals/ Assets writeoff		-	10,463,300	-	-	-	-	10,463,300
As at 30 June 2023	-	(184,659,128)	(144,098,515)	(48,289,881)	(77,897,776)	(969,286,472)	-	(1,424,231,771)
Net book values								-
As at 30 June 2023	337,500,000	679,481,771	14,152,495	17,289,315	3,241,710	381,633,721	77,944,323	1,511,243,337
As at 30 June 2022	336,500,000	669,760,625	9,517,996	18,278,599	8,325,058	518,050,010	60,305,563	1,620,737,852

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25a. Restatement of Motor Vehicles

Included in the Property, Plant and Equipment schedule for the financial year 2021/2022 was Kshs 32,030,508 being the value for Motor vehicles which had already been transferred to other agencies. The financial statements have therefore been restated to correct the figure with the value for the Motor vehicles. The effect of the restatement on the Institutes financial statements is summarised below;

		Effect in FY 2021/2022
		<u>Kshs</u>
Dr	Accumulated Depreciation	32,030,508
Cr	PPE (Motor Vehicle)	32,030,508

25b. Restatement of Library Books

Included in the Property, Plant and Equipment schedule for the financial year 2021/2022 was the value for Library Books of kshs 20,969,469 which was wrongly classified in the financial statements for the year ended 30th June 2022 and has now been corrected. The effect of the restatement on the Institutes financial statements is summarised below.

		Effect in FY 2021/2022
		<u>Kshs</u>
Dr	Library Books	20,969,469
Cr	PPE (Library Books)	1,411,829
Cr	Accumulated Surplus	18,845,825
Cr	Depreciation Expense	711,815

Notes on Work in Progress

The Institute has previously undertaken various capital expenditures that were capitalised in the FY under review. This comprised capitalization of the E-Board Software, Mutonga Gate and Chain link, Mutonga Office block and Turkana Solar. The total capitalization of the complete projects was Ksh. 45,590,613 i.e. WIP Intangible assets (Ksh. 3,652,600) and WIP Capital assets (Ksh. 41,938,013). The balance of Ksh. 100,958,561 under WIP (WIP Capital Assets Ksh. 77,944,323 and WIP Intangible Assets Ksh. 23,014,238) represents capital expenditures that are yet to be capitalised. This comprise of the ERP, Kisumu Laboratory, Shimoni Hatchery, RV equipment, Mombasa Solar and Mutonga Septic & Tower.

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Property, Plant and Equipment includes the following assets that are fully depreciated.

Description	Cost or valuation	Normal Annual Depreciation
	Kshs.	Kshs
Motor Vehicles	139,381,015	42,807,881
Furniture and Fittings	24,871,246	3,108,906
Computers	69,666,838	20,900,051
Plant and Equipment	17,736,428	2,217,054
Research Vessels and Equipment	139,580,351	17,447,544

26) Intangible Assets

Description	2022-2023	2021-2022
	Kshs.	Kshs
Cost		
At beginning of the year	19,742,925	19,742,925
Additions	-	-
Total	19,742,925	19,742,925
Additions–internal development	3,652,600	-
At end of the year	23,395,525	19,742,925
Amortization and impairment		
At beginning of the year	16,890,927	14,751,927
Amortization	3,234,780	2,139,000
At end of the year	20,125,707	16,890,927
At beginning of the year	2,851,999	4,990,998
Net Book Value A	3,269,818	2,851,999
WIP Beginning of year	20,304,568	16,540,110
WIP within the year	6,362,270	3,764,458
Total WIP within the year B	26,666,838	20,304,568
Transfers C	(3,652,600)	-
Total Intangible (A+B+C)	26,284,056	23,156,567

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 (b) Schedule of fully depreciated intangible assets

Description	Cost or valuation	Normal Annual Depreciation charge
	Kshs.	Kshs
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
Total	12,612,925	2,368,977

27) Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs.	Kshs
Trade payables	122,961,557	270,167,105
Third-party payments	5,447,141	2,120,540
Other payables	13,454,130	19,587,026
Total trade and other payables	141,862,828	291,874,671

28) Cash Generated from Operations

	2022-2023	2021-2022
	Kshs.	Kshs
Surplus for the year before tax	(189,716,986)	(113,682,043)
Depreciation	207,067,818	204,290,775
Donations in Kind	(2,000,000)	(276,538)
Net cash flow from operating activities	15,350,832	90,332,194
Working Capitals adjustments		
Increase/Decrease in Receivables	131,560,647	(135,199,891)
Increase/Decrease in Payables	(150,011,840)	157,738,605
Net cashflows from/(used in) operating activities	(3,100,363)	112,870,908

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29) 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

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 2023	Kshs	Kshs	Kshs	Kshs
Receivables from exchange transactions	184,495,376	184,495,376	-	-
Receivables from non-exchange transactions	43,629,865	43,629,865	-	-
Bank balances	271,377,000	271,377,000	-	-
Total	499,502,241	499,502,241	-	-
As at 30 June 2022			-	-
Receivables from exchange transactions	328,265,762	328,265,762	-	-
Receivables from non-exchange transactions	31,420,126	31,420,126	-	-
Bank balances	373,124,255	373,124,255	-	-
Total	732,810,143	732,810,143	-	-

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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30 June 2023	Kshs	Kshs	Kshs	Kshs
Trade payables	122,961,557			122,961,557
Total	122,961,557			122,961,557
As at 30 June 2022				
Trade payables	270,167,105			270,167,105
Total	270,167,105			270,167,105

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.

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 has dollar and euro bank accounts hence its affected by currency movement. The Institute also has transactions currency exposures which arises through purchases of goods and services that are done in currencies other than the local currency. Invoices dominated in foreign currency are paid using a conversation at the time of payment is done using the prevailing exchange rate.

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.

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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:

	2022-2023	2021-2022
	KShs	Kshs
Capital Fund	584,810,971	584,810,971
Donations reserve	345,364,707	345,364,707
Revaluation reserve	537,997,254	537,997,254
Accumulated Surplus	447,909,442	637,626,428
Total funds	1,916,082,374	2,105,799,360
Total borrowings	-	-
Less: cash and bank balances	271,323,099	373,124,255
Net debt/ (excess cash and cash equivalents)	(271,323,099)	(373,124,255)
Gearing	%	%

30) Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the 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;

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	2022-2023	2021-2022
	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	14,166,739	13,649,288
Purchase of water from govt service providers	3,382,642	3,986,254
Rent expenses paid to govt agencies	524,000	260,000
Training and conference fees paid to govt. agencies	1,183,260	3,849,424
Total	19,256,641	21,744,966
b) Grants /Transfers from the Government		
Grants from National Govt	1,357,900,000	1,393,999,980
Grants for Marine Fish Crew Training	785,492,082	408,000,000
Total	2,143,392,082	1,801,999,980
c) Expenses incurred on behalf of related party		
Payments for Marine stock assessment	856,653,266	479,663,217
Total	856,653,266	479,663,217
d) Key management compensation		
Directors' emoluments	5,495,200	4,038,000
Compensation to key management	32,282,625	31,735,143
Total	37,777,825	35,773,143

31) 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.

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32) Contingent Assets and Contingent Liabilities

Contingent Assets

	2022-2023	2021-2022
	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 & un-surrendered imprest	2,428,898	2,428,898
KMFRI Vs L.N. Momanyi Adv. - Breach of contract	4,500,000	4,500,000
Dr. Khyria Swaleh Karama – Breach of bonding contract	2,833,590	2,833,590
Total	17,084,973	17,084,973

Contingent liabilities

	2022-2023	2021-2022
	Kshs.	KShs
Industrial court award for former Director Dr Ezekiel Okemwa	81,411,205	81,411,205
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
Industrial case No 235 of 2013 Joseph Onderi vs KMFRI	-	30,000,000
Total	97,988,612	130,872,292

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33) Capital Commitments

	2022-2023	2021-2022
	Kshs.	Kshs.
Authorised & contracted for under Property Plant and Equipment	75,530,142	60,305,563
Authorised & contracted for under Intangible Assets	24,651,437	20,304,568
Total	100,181,579	80,610,131

34) 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 2023 Nil) and hence no remittance to the Consolidated Fund.

35) Events after the Reporting Period

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

36) Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Mining, Blue Economy and Maritime Affairs.

37) Currency

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

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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 - In charge of Administration	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	Mr. Abraham Kagwima – Director, Corporate Services	Not resolved	At the discretion of PIC.

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		to invest the same in an 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. The Institute later transferred the funds into the institute's development account and closed the fixed deposit account following the government directive that non regulatory institutes to not engage in investment of public funds.			
3.1	Cash Count Certificate for Mombasa and Baringo revenue offices		Nabwire Elizabeth – Ag. Head of Finance	Not resolved.	Request for writeoff already submitted to The National Treasury for consideration
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.

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4.0	Government Grants	Kindly note that the amount of grants received 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 with details of the transfers made to facilitate reconciliations.	Nabwire Elizabeth – Ag. Head of Finance	Not resolved.	The issue to be handled jointly with the office of the Auditor General.
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

DIRECTOR GENERAL

Date.....28/2/24.....

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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 2022/2023				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY to which the Amounts Relate
	Recurrent Grants	18.08.2022	116,166,665	2022/2023
	Recurrent Grants	23.09.2022	116,166,665	2022/2023
	Recurrent Grants	01.10.2022	116,166,665	2022/2023
	Recurrent Grants	05.11.2022	116,166,665	2022/2023
	Recurrent Grants	05.12.2022	116,166,665	2022/2023
	Recurrent Grants	30.12.2022	116,166,665	2022/2023
	Recurrent Grants	07.02.2023	104,825,000	2022/2023
	Recurrent Grants	23.03.2023	104,825,000	2022/2023
	Recurrent Grants	14.04.2023	116,166,665	2022/2023
	Recurrent Grants	06.06.2023	116,166,665	2022/2023
	Recurrent Grants	30.06.2023	116,166,665	2022/2023
	Recurrent Grants	03.7.2023	102,750,015	2022/2023
	AIE	01.11.2022	300,000,000	2022/2023
	AIE	30.06.2023	415,000,000	2022/2023
	AIE	03.7.2023	70,492,082	2022/2023
		Total	2,143,392,082	
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

**Ag. Head of Finance
KMFRI**

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

Sign _____

Sign: _____

APPENDIX III: INTER-ENTITY TRANSFERS

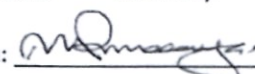
KENYA MARINE AND FISHERIES RESEARCH INSTITUTE				
Breakdown of Transfers from the State Department for Fisheries and the Blue Economy				
FY 2022/2023				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY to which the Amounts Relate
	Recurrent Grants	18.08.2022	116,166,665	2022/2023
	Recurrent Grants	23.09.2022	116,166,665	2022/2023
	Recurrent Grants	01.10.2022	116,166,665	2022/2023
	Recurrent Grants	05.11.2022	116,166,665	2022/2023
	Recurrent Grants	05.12.2022	116,166,665	2022/2023
	Recurrent Grants	30.12.2022	116,166,665	2022/2023
	Recurrent Grants	07.02.2023	104,825,000	2022/2023
	Recurrent Grants	23.03.2023	104,825,000	2022/2023
	Recurrent Grants	14.04.2023	116,166,665	2022/2023
	Recurrent Grants	06.06.2023	116,166,665	2022/2023
	Recurrent Grants	30.06.2023	116,166,665	2022/2023
	Recurrent Grants	30.06.2023	102,750,015	2022/2023
		Total	1,357,900,000	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	AIE	01.11.2022	300,000,000	2022/2023
	AIE	30.06.2023	415,000,000	2022/2023
	AIE	30.06.2023	70,492,082	2022/2023
		Total	785,492,082	
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.

Ag. Head of Finance & Accounting
KMFRI

Sign: 

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

Sign: 

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023
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	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferr ed Income	Receivables	Others - must be specific	
SDF & BE	18.08.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	23.09.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	01.10.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	05.11.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	05.12.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	30.12.2022	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	07.02.2023	Recurrent	104,825,000	104,825,000					104,825,000
SDF & BE	23.03.2023	Recurrent	104,825,000	104,825,000					104,825,000
SDF & BE	14.04.2023	Recurrent	116,166,665	116,166,665					104,825,000
SDF & BE	06.06.2023	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	30.06.2023	Recurrent	116,166,665	116,166,665					116,166,665
SDF & BE	03.7.2023	Recurrent*	102,750,015				102,750,015		102,750,015
SDF & BE	01.11.2022	AIE	300,000,000	300,000,000					300,000,000
SDF & BE	30.06.2023	AIE	415,000,000	415,000,000					415,000,000
SDF & BE	03.7.2023	AIE*	70,492,082				70,492,082		70,492,082
Total			2,143,392,082	1,970,149,98			173,242,097		2,143,392,082

Recurrent* and AIE* were receivable as at 30th June 2023 and were received in the Institute accounts on 3rd July 2023.