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OF

THE AUDITOR-GENERAL

ON

**KENYA INDUSTRIAL RESEARCH AND
DEVELOPMENT INSTITUTE**

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





REPUBLIC OF KENYA



KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

REGISTRY

21 FEB 2024

RECEIVED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

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Research | Innovate | Commercialize

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
CS	Corporate Services

B: Glossary of Terms

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

Comparative Year- Means the prior period.

2. KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background Information

The Kenya Industrial Research and Development Institute (KIRDI) is a statutory research organization established under KIRDI Act (2022). KIRDI is the country's principal national institution responsible for industrial research and development and domiciled under the Ministry of Investments, Trade and Industry. It is mandated to carry out research and development in industrial and allied technologies including, civil engineering, mechanical engineering, textile technology, electrical engineering, mining, power resources, chemical engineering, industrial chemistry, food technology, ceramics, information and communications technologies (ICT). The Institute's mission is to undertake Industrial Research, Technology and Innovation and disseminate findings that will have a positive impact on national development.

(a) Principal Activities

The principal activity of the Institute is to undertake Industrial Research, Technology and Innovation and disseminate findings that will have a positive impact on national development.

(b) Key Management

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

- The Office of Director General
- Industrial & Allied Technology Research Directorate
- Technology Transfer and Extension Services
- Corporate Services Directorate
- Strategy and Planning Directorate
- Legal Services Directorate

(c) Fiduciary Management

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

Key Management

S/No.	Responsibility	Name
1	Director General	Dr-Ing. Calvin Onyango
2	Director - Industrial & Allied Technology Research	Dr. Martha Induli
3	Director- Technology Transfer and Extension Services	Dr. Francis Polong
4	Director - Corporate Services	Dr. Josephine N. Mandere,OGW
5	Director - Strategy, Planning and Compliance	Mr. Nicodemus Mutinda
6	Director - Legal Services & Corporate Secretary	Ms. Maureen Chogo
7	Assistant Director - Finance	Mr. Stanley Abonyo
8	Ag. Assistant Director Supply Chain Management	Mr. Mark Sichangi
9	Principal Human Resource Officer	Ms. Jane W. Kamenwa
10	Ag. Assistant Director Internal Audit	Mr. Thomas Kazungu

(d) Fiduciary Oversight Arrangements

The Board works through various sub-committees which include; The Research Technology and Innovation Committee, Finance and Special Projects Committee, Risk and Audit Committee, Human Resources and Administration Committee

NAME OF THE COMMITTEE	MEMBERS
Research, Technology and Innovation Committee	1. Prof. George Thiong'o (Chairperson) 2. Mr. Stephen Situma 3. Mr. John H. O. Ogwang' 4. Mr. Roy Getusi Nyangena 5. Ms. Joyce M. Njogu 6. Dr.-Ing. Calvin Onyango
Finance and Special Projects Committee	1. Dr. Eng. David Nduhiu (Chairperson) 2. Mr. Stanley Maina Kagera 3. Mr. Roy Nyangena 4. Ms. Catherine Bunyassi-Kahuria 5. Dr.-Ing. Calvin Onyango

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Risk and Audit Committee	<ol style="list-style-type: none"> 1. Mr. John H. O. Ogwang' (Chairperson) 2. Eng. Lucy Mutinda 3. Prof. George Thiong'o 4. Mr. Stanley Maina Kagera
Human Resource and Administration Committee	<ol style="list-style-type: none"> 1. Ms. Joyce Njogu (Chairperson) 2. Dr. Eng. David Nduhiu 3. Ms. Catherine Bunyassi-Kahuria 4. Dr.-Ing. Calvin Onyango 5. Eng. Lucy Mutinda 6. Mr. Stephen Situma

Research Technology and Innovation Committee

This Committee consisted of six members. The Committee was chaired by Prof. George Thiong'o. Other members of the Committee included Mr. Stephen Situma, Mr. John H. O. Ogwang', Mr. Roy Getusi Nyangena, Ms. Joyce M. Njogu and Dr.-Ing. Calvin Onyango. It had a responsibility to oversee the Institute's research project plans, Technology and Research. It also reviewed project proposals.

Finance and Special Projects Committee

This Committee consisted of five members. The Committee was chaired by Dr. Eng. David Nduhiu. Other members of the Committee included Mr. Stanley Maina Kagera, Mr. Roy Nyangena, Ms. Catherine Bunyassi-Kahuria and Dr.-Ing. Calvin Onyango. This Committee had oversight on all financial issues including budgets, financial reporting process and controls, and procurement. It also reviewed proposals for Capital Developments. In addition, the Committee appraised capital budgets for recommendation to the Board.

Risk and Audit Committee

This Committee consisted of four members. The Committee was chaired by Mr. John H. O. Ogwang'. Other members of the Committee included, Eng. Lucy Mutinda, Prof. George Thiong'o, Mr. Stanley Maina Kagera. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations therein.

Human Resources and Administration Committee

This Committee consisted of six members. The Committee was chaired by Ms. Joyce Njogu. Other members of the Committee included Dr. Eng. David Nduhiu, Eng. Lucy Mutinda, Ms. Catherine Bunyassi-Kahuria, Mr. Stephen Situma and Dr.-Ing. Calvin Onyango. It was responsible for human resource matters including recruitment, succession management, monitoring and appraising the performance of senior management, including the Director-General, review of the Human Resources policies, review of general administrative and procurement policies and oversight of corporate communication policies.

- e) Institute's Headquarters**
P.O. Box 30650 00100
KIRDI South C Campus
Popo Road, off Mombasa Rd
NAIROBI, KENYA

Institute's Contacts

Telephone: (254) 0202388216
E-mail: directorgeneral@kirdi.go.ke
Website: www.kirdi.go.ke

f) Institute's Bankers

1. National Bank of Kenya
KEBS South C, Popo Road Branch
NAIROBI, KENYA
2. Absa Bank of Kenya
Bunyala Road Branch
NAIROBI, KENYA



g) Independent Auditors




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



h) 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

DIRECTOR	PROFILE
 <p>Dr. Dinah Mwinzi, PhD, CBS - Chair of the Board of Directors</p>	<p>Dr. Mwinzi was Appointed on 8th October 2021 for a three-year term.</p> <p>Dr. Mwinzi holds a Doctorate of Philosophy in Educational Communication & Technology, a Master's Degree in Philosophy and Religion and a Bachelor of Education (Arts) Degree. She is a member of the Kenya Association of Public Administration and Management (KAPAM). Currently, she serves as the Vice Chancellor of KAG East University.</p> <p>With extensive experience in leadership and management roles within the Public Sector, Dr. Mwinzi has demonstrated expertise and dedication throughout her career. Previously, She has held positions including Principal Secretary and Director State Department of Vocational & Technical Training, Director of Youth Training, Lecturer, Deputy Dean of Students and Assistant Dean of Students at Moi University as well as a High School Teacher.</p>
 <p>Mr. Roy Getusi Nyangena Alternate Member to the Principal Secretary, State Department of Industrialization</p>	<p>Mr. Nyangena was Appointed as Director on 2nd March 2022, for a three year term as Alternate to the Principal Secretary, Ministry of Industrialization</p> <p>Mr. Nyangena holds a Masters Degree in Rural Economics and a Bachelor of Commerce. He serves as the Deputy Director of Industries at the State Department for Industry, within the Ministry of Investments, Trade and Industry.</p> <p>Throughout his career, Mr. Nyangena has demonstrated expertise and leadership in various roles. He has previously served in the East African Community Affairs, overseeing Continental Free Trade Area Affairs and represented the State Department for Industry in bilateral matters.</p>

DIRECTOR	PROFILE
 <p>Ms. Catherine Bunyassi - Kahuria Alternate to the Attorney General</p>	<p>Ms. Bunyassi-Kahuria was Appointed as Director on 4th July 2022 for a three year term as Alternate to Attorney General</p> <p>Ms. Bunyassi-Kahuria holds a Masters degree in Intellectual Property from Africa University Mutare, Zimbabwe, a Masters Degree of Arts in International Studies from the Institute of Diplomacy and International Studies from the University of Nairobi, a Bachelor of Laws degree (LLB) from the University of Pune, India. Currently she holds the position of Chief State Counsel in the International Law Division of the Office of the Attorney General and Department of Justice.</p> <p>With over 23 years' experience, Ms. Bunyassi-Kahuria is a seasoned professional in insolvency law, international relations and diplomacy and Intellectual property law.</p>
 <p>Mr. Stanley Maina Kagera Alternate to the Principal Secretary, The National Treasury & Economic Planning</p>	<p>Mr. Kagera serves as Alternate to the Principal Secretary, National Treasury & Planning</p> <p>With a Masters Degree in Economic Policy Management and a Bachelor of Arts in Economics, Mr. Kagera brings a wealth of knowledge to his role. He also holds a Certificate in Project Management, Productivity Management from U.S.A, and a Young Professional Course Certificate on Macro Economic research from KIPPRA among other certificates.</p> <p>Throughout his career, Mr. Kagera has held key positions, including Economist roles in various Government offices such as Deputy Director at the National Treasury and Planning, Ministry of Health and Policy Analyst in the Office of the Prime Minister.</p>
 <p>Mr. Stephen Mukhebi Situma Alternate to Director-General NACOSTI</p>	<p>Mr. Situma was Appointed on 8th May 2023, for a three year term or until the term of the current board expires.</p> <p>Mr. Situma holds a Master of Science in Applied Chemistry, Bachelor's degree in Education and a Postgraduate Diploma in Monitoring and Evaluation. He is a Member of Kenya Chemical Society, Evaluation Society of Kenya and is a NEMA Lead Expert and member of Environment Institute of Kenya.</p> <p>With over 20 years' experience in research and management, Mr. Situma has served in various</p>


DIRECTOR	PROFILE
 <p>Ms. Joyce M. Njogu Designated Representative of Kenya Association of Manufacturers.</p>	<p>organizations and research institutions. Currently, he holds the position of Senior Research Analyst at the National Commission for Science, Technology and Innovation (NACOSTI).</p> <p>Ms. Njogu was Appointed as Director on 24th August 2022 for a three year term.</p> <p>Ms. Njogu holds a Master of Business Administration (Strategic Management) from the University of Nairobi and Bachelor of Education Arts from Moi University. Additionally, she possesses a Post graduate diploma from the Chartered Institute of Marketing and she is a certified Accountant (ACCA). She is a member of several professional organizations including the Institute of directors, Marketing society of Kenya, Association of Sustainability Practitioners of Kenya (ASPK) and the Kenya Institute of Management.</p> <p>She has over 20 years' experience in business development, marketing and sustainability. Ms. Njogu currently serves as the Head of Consulting and Business Development at Kenya Association of Manufacturers.</p>
 <p>Eng. Lucy Wanjiku Mutinda Designated Representative of Consumer Federation of Kenya.</p>	<p>Eng. Mutinda was as Director appointed Director on 23rd August 2022 for a three year term</p> <p>Eng. Mutinda holds a Bachelor of Technology (Production Engineering) from Moi University as well as a Certificate in International Leadership & Management and a Diploma in Sustainable Business & Responsible Leadership.</p> <p>As an Environment Engineering and project Management expert, Eng. Mutinda has demonstrated leadership and expertise in her field. She is the founder and CEO of Ecocycle Limited, where she leads initiatives aimed at promoting sustainability and responsible business practices.</p>

DIRECTOR	PROFILE
 <p>Mr. John Henry Onyango Ogwang' Designated Representative of Kenya Industrial Property Institute.</p>	<p>Mr. Ojwang' was appointed Director on 4th July 2022 for a three year term.</p> <p>Mr. Ojwang' holds a Master's degree in Business Administration from Strathmore Business School and a Bachelor of Commerce Degree from the University of Nairobi. Additionally, He has completed the advanced Management Programme course at IESE Business School, International Graduate school of management, university of Navarra Spain. Mr. Ojwang' is a Member of Kenya Institute of management and Institute of Directors.</p> <p>With a wealth of experience in leadership, management and Intellectual property matters, Mr. Ojwang' has served as a Board member for the Anti-Counterfeit Authority and participated in various committees. Currently, he holds the position of Acting Managing Director at the Kenya Industrial Property Institute (KIPI).</p>
 <p>Prof. George Thiongo Independent Member of the Board of Directors</p>	<p>Prof Thiongo was appointed as Director on 8th October 2021 for a three year terms.</p> <p>He holds a Doctorate in Chemistry, a Masters of Science Degree in Chemistry and a Bachelor of Education Degree in Science. Throughout his career, Prof. Thiongo has held various esteemed positions including Professor, Lecturer, Church Leader, Principal and Dean at the University. He has also served as Chairman of a department within the University and on the Board of the Institute of Environment and Energy Technology.</p> <p>Prof. Thiongo is renowned for his contributions to academia, including the development of new academic programs. He has received academic honors such as recognition in 'Who is Who in Science and Engineering in the World, 2001', the Association of Commonwealth Staff Scholarship from August-December 1999 and Teaching Assistantship Awards from Kenyatta University, 1982-1988.</p>



DIRECTOR	PROFILE
 <p>Dr. Eng. David Nduhiu Independent Member of the Board of Directors</p>	<p>Dr. Eng. Nduhiu was appointed Director on 29th October 2021 for a three year term.</p> <p>He holds a Doctorate of Business Administration (DBA) Honoris Causa from the Commonwealth University, a Masters in Leadership and Management and a Bachelor of Science in Civil Engineering. Dr. Eng. Nduhiu has a rich history of leadership and entrepreneurship, having served as Chairman of Devcon Group Limited since 2003 and as the founder of Kirethi Construction Company Limited in 1980. Additionally, he has contributed to the health care sector as Vice Chairman of the Kenya Medical Training College. He is also a member of the European Federation of National Engineering Association.</p>
 <p>Dr. -Ing. Calvin Onyango Director-General / Secretary to the Board</p>	<p>Dr.-Ing. Calvin Onyango was appointed Director-General on 6th June, 2022</p> <p>Dr.-Ing. Calvin Onyango holds a PhD in Bioprocess Engineering from the Institute of Food Technology and Bioprocess Engineering, Technische Universitaet Dresden, Dresden, Germany; he also earned Masters and Bachelor's Degrees in Food Science and Technology from the University of Nairobi, Kenya.</p> <p>With extensive research experience in Food Science and Technology, Dr.-Ing. Onyango has made significant contributions to the field. He has authored numerous publications in peer reviewed scientific journals and has been an active participant in research conferences and workshops. His ability to secure funding for research projects through compelling proposals is noteworthy, having successfully fundraised extensively.</p>
	<p>Dr.-Ing. Onyango research work has garnered wide recognition, evidenced by its extensive citation and numerous awards received in appreciation of his contributions to the body of research in food science and technology.</p>

DIRECTOR	PROFILE
 <p data-bbox="215 752 627 842">Ms. Grace Maureen Chogo Corporation Secretary/Director Legal Services</p>	<p data-bbox="667 286 1541 521">Ms. Chogo is a highly qualified professional with a diverse educational background. She holds a Master's degree in Business Administration from University of Nairobi, a Bachelor of Laws degree from Moi University and a Post Graduate Diploma from the Kenya School of Law. Additionally, she is a certified Public Secretary and a Certified Trustee.</p> <p data-bbox="667 562 1541 797">As an Advocate of the High Court of Kenya and Corporation Secretary, Ms. Chogo possesses extensive knowledge and over 15 years of Professional experience in the practice of Law. Throughout her career, she has held various leadership positions in the public sector, demonstrating her exceptional skills and expertise in legal matters.</p> <p data-bbox="667 837 1541 1037">Ms. Chogo is actively involved in professional organizations, including the Institute of Certified Secretaries of Kenya (ICSK), the Law Society of Kenya and the East African Law Society, where she contributes to the Legal community and stays abreast of industry developments.</p>

4. MANAGEMENT TEAM 2022/2023

MEMBER	PROFILE
 <p data-bbox="215 1827 619 1917">Dr. -Ing. Calvin Onyango Director-General / Secretary to the Board</p>	<p data-bbox="667 1323 1575 1391">Dr.-Ing. Calvin Onyango was appointed Director-General on 6th June, 2022</p> <p data-bbox="667 1424 1575 1626">Dr.-Ing. Calvin Onyango holds a PhD in Bioprocess Engineering from the Institute of Food Technology and Bioprocess Engineering, Technische Universitaet Dresden, Dresden, Germany; he also earned Masters and Bachelor's Degrees in Food Science and Technology from the University of Nairobi, Kenya.</p> <p data-bbox="667 1666 1575 1906">With extensive research experience in Food Science and Technology, Dr.-Ing. Onyango has made significant contributions to the field. He has authored numerous publications in peer reviewed scientific journals and has been an active participant in research conferences and workshops. His ability to secure funding for research projects through compelling proposals is noteworthy, having successfully</p>

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	<p>fundraised extensively.</p> <p>Dr.-Ing. Onyango research work has garnered wide recognition evidenced by its extensive citation and numerous awards received in appreciation of his contributions to the body of research in food science and technology.</p>
 <p>Dr. Martha K. Induli Director Research Technology and Innovation</p>	<p>Dr. Induli holds a Doctor of Philosophy (Natural Products Chemistry) from Makerere University, a Master's of Science (Chemistry) from University of Nairobi and a Bachelor of Science (Chemistry) degree from Moi University. She is a member of the Natural Products Research Network for Eastern and Central Africa (Kenya Chapter).</p> <p>She is an expert in Plant and Microbial Natural products research and has over 20 years' experience in the field.</p>
 <p>Dr. Francis Polong Director, Technology Transfer and Extension Services</p>	<p>Dr. Polong holds a PhD in Climate Systems and Climate Change from Nanjing University of Information Science and Technology, China; a Masters in Environmental Health from Moi University; and a Bachelor's Degree in Chemistry from the University of Nairobi, Kenya. He has also undertaken a number of specialized training courses in Kenya, China, the Netherlands, and Malaysia. His research interests include land-hydrology-ecosystem-climate interaction, land surface processes, watershed modeling, climate change, watershed hydrology, integrated watershed management, and Environmental Sustainability.</p>
 <p>Mr. Nicodemus Mutinda Director, Corporate Services</p>	<p>Mr. Mutinda holds a Master's of Business Administration (MBA) in Strategic Management from Kenyatta University, Bachelor of Technology in Textile Engineering from Moi University and is a certified Quality Management Systems auditor.</p> <p>He has more than 15 years of experience in Business Processes Re-engineering, Product Development, Quality Management Systems, Performance Management and Project Management.</p>



Dr. Josephine N. M. Akama, OGW
 Director Corporate Services

Dr. Akama Holds an Honorary Doctorate Degree in Humanities from Graduate College and Seminary International (USA), a Masters of Business Administration (MBA) in Strategic Management from University of Nairobi and B. Com (Finance option) from Catholic University of East Africa.

She is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK), Kenya Institute of Certified Public Secretaries (ICS) and Association of Women Accountants of Kenya (AWAK). She is also a trained Chaplain. She has a wide experience in Finance, Accounting, Management & Governance having served in various leadership and managerial positions in both public and private sectors.



Ms. Grace Maureen Chogo
 Corporation Secretary/Director
 Legal Services

Ms. Chogo is a highly qualified professional with a diverse educational background. She holds a Master's degree in Business Administration from University of Nairobi, a Bachelor of Laws degree from Moi University and a Post Graduate Diploma from the Kenya School of Law. Additionally, she is a certified Public Secretary and a Certified Trustee.

As an Advocate of the High Court of Kenya and Corporation Secretary, Ms. Chogo possesses extensive knowledge and over 15 years of Professional experience in the practice of Law. Throughout her career, she has held various leadership positions in the public sector, demonstrating her exceptional skills and expertise in legal matters.



Ms. Chogo is actively involved in professional organizations, including the Institute of Certified Secretaries of Kenya (ICS), the Law Society of Kenya and the East African Law Society, where she contributes to the Legal community and stays abreast of industry developments.



Mr. Abonyo holds a Masters of Accounting and Business Statistics degree from Rajasthan v. University India and a Bachelor of Commerce (Accounting Option) degree from the same University. He is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK) and also a Certified Pension Fund Trustee (Kenya). He has also attended several continuing professional development programmes including leadership and integrity training, public finance management and Senior Management Course from Kenya School of Government (SMC).

He has over fifteen (15) years' experience in finance and Accounting gained in public and private sector.

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<p>Mr. Stanley Abonyo Assistant Director-Finance</p>	
 <p>Mr. Thomas S. Kazungu Ag. Assistant Director, Internal Audit</p>	<p>Mr. Kazungu holds a Master's degree in Business Administration (MBA) in Finance option from Jomo Kenyatta University of Agriculture and Bachelor of Business Management degree (Accounting Option) from Moi university. He is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK). He has attended Senior Management Course from Kenya School of Government (SMC).</p> <p>He has over fifteen (15) years' experience in finance and Accounting gained in public sector.</p>
 <p>Ms. Jane Kamenwa Principal Human Resource Officer</p>	<p>Ms. Kamenwa holds a BBA (HR) from the Kenya Methodist University (KEMU) and a Diploma in Business Management (ABE-UK). She is a member of Institute of Human Resource Management and an Associate Member of Association of Business Executives (UK).</p> <p>She has undergone several short-term training programmes during her work experience including Senior Management Course (SMC). She is a Certified Human Resource Practitioner.</p>

5. CHAIRPERSON'S STATEMENT

On behalf of the KIRDI Board of Directors, I am delighted to present the KIRDI Statement of Accounts for Financial Year 2022/2023. During the financial year KIRDI played a key role in driving the manufacturing agenda of Kenya Vision 2030. Specifically, KIRDI developed technologies for value addition to agricultural and natural materials and transferred these technologies for commercial utilization by Micro, Small and Medium Enterprises. With access to the new technologies developed by KIRDI, MSMEs were able to manufacture high value, high quality and competitive products for both domestic and foreign markets.

The impact of technology development and transfer is increase in income for the MSMEs as well as producers of raw materials. During the Financial Year, KIRDI played a key role in job creation through transfer of industrial technologies to support the manufacturing sector. The Institute supported 633 industrial clients through business incubation and common manufacturing facilities; the institute trained 393 industrial clients and upgraded their skills in production of various products. A total of 282 industrial clients were supported to ascertain products and processes quality through provisions of laboratory services.

One of the key projects that the board continued to implement during the financial year 2022/2023 is construction of KIRDI Techno Centre in Nairobi County. This project however experienced a challenge with financing during the year thus hampering progress with implementation. The completion level remained at 80%. We look forward to venture into the emerging technological fields such as Nano-technologies, 3D printing, Internet of Things (IoT), bioengineering among others.

Having achieved the enactment of the Kenya Industrial Research and Development Institute Act, 2022 in the financial year 2021/2022; the Institute embarked on the process of operationalizing the Act. The Director General is now supported by five directorates key. This has continued to strengthen capacity of the Institute in executing its mandate. The Institute is committed to constitutionalism, governance and integrity. To this end the Institute continued to review and align its policies and programmes with KIRDI Act 2022. During the financial year the Institute initiated review and remodeling of the Strategic Plan 2021-2026 to aligned it with the Bottom-Up Economic Transformation Agenda (BETA) and Medium Term Plan IV (MTP) The 2023-2027 Strategic Plan that will guide the operations for the next five years.

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The Institute hosted the Prime Minister of Spain while on his tour to Kenya during the year in recognition of successful implementation of BIAWE Project. The Institute also hosted the Council of Governors in preparation for the launch of the County Aggregation and Industrial Parks (CAIPS).

A major challenge that the Institute faced was financial constraints to fund implementation of planned activities. The allocated recurrent budget was only able to take care of staff salaries and therefore the Institute had challenges in funding the research and development activities as well operations and maintenance. The Institute also faced challenges of lack of adequate technical staff occasioned by staff departure through retirement, resignation and natural attrition.

Despite the financial challenges, I am happy to report that the future of the Institute is very bright. The quality and quantity of research outputs as well as number of enterprises being created or expanded by the Institute will go up significantly and contribute to national social economic development.

Signature.....
DR. DINAH MWINZI, PHD, CBS

Date: 20/02/24

6. REPORT OF THE DIRECTOR GENERAL

I am delighted to present the KIRDI Financial Report for the 2022/2023 Financial Year. During the year, the Institute continued to implement programmes aligned to the Bottom-Up Economic Transformation Agenda (BETA) in particular supporting value addition and promotion of MSME growth and development. The following programmes were implemented during the financial year.

(a) Value Addition Technology Development and Transfer

The Institute developed and transferred 46 new technologies for value addition in agro and natural products, textile, leather and blue economy priority sectors. The Institute also developed and transferred technologies for production of renewable energy, industrial waste water treatment and solid waste management, mushrooms and mushroom based products and building materials.

(b) Upgrade of Locally Produced Industrial Products

During the financial year the Institute upgraded 66 industrial products that are locally manufactured to attain global competitiveness through product development and improvement.

(c) Industrial Technology Start Up Enterprise Support

The Institute supported 1,308 industrial technology start-up enterprises through incubation, provision of common manufacturing facilities, product development, training and consultancy services.

(d) Infrastructure Development

The institute achieved construction completion level of 80% for KIRDI Techno-Centre.

(e) Externally funded projects

The Institute implemented the following externally/donor funded projects: -

- a) Developing the microbial biotechnology industry from Kenya's soda lakes in line with The Nagoya Protocol
- b) Development of milkfish (*Chanos chanos*) and kimarawali (*Stolephorus delectatus*) solar drying-cool technology, value addition and quality assurance (Solcooldry Project).
- c) Banana Paper: Commercializing eco-Friendly packaging and sanitary Towels.
- d) Establishment and operationalization of the Information and Best Practice Platform (IBPP) on waste-to-energy technologies in Kenya.

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- e) Surveillance of the Quality of improved biomass cookstoves (ICS) in the Kenyan market (GIZ-GCF EnDev Project).
- f) Aquaculture of seaweeds and fish: Opportunities for blue economic empowerment and COVID-19 resilience of fisher women in Kenya (Blue Empowerment Project).
- g) Fortified Flour-Based Seaweeds and Orphan Crops for Improved Health and Livelihoods in Kenya (SEA-FORT).
- h) Scaling-up solar drying to reduce post-harvest losses in Kenya- Opportunities for inclusive climate-action enterprises.
- i) Establishing real-world values of thermal efficiency for traditional and charcoal Stoves in Africa.
- j) Production of polyphenol and gama-amino butyric acid enhanced tea from Kenyan tea, varieties for mitigation against cancer, diabetes and high blood pressure.
- k) Innovative approaches to value-addition and commercialization of climate-smart crops for enhanced food security and nutrition in Africa and beyond).

Going forward the Institute will put more effort in supporting upgrade of locally produced goods so as to expand the local manufacturing sector and ultimately create jobs and spur industrialization and economic development.

Signature:  Date: 20.02.2024
DR. -ING. CALVIN ONYANGO
DIRECTOR-GENERAL

7. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES FOR FY 2022/2023

KIRDI has three (3) strategic pillars and supported by five (5) strategic objectives within the current Strategic Plan for the FY 2021/22 - 2025/26. These strategic pillars are as follows: -

Strategic Pillar1: Market driven industrial research, development and technology transfer

Strategic Pillar 2: Organizational capacity development

Strategic Pillar 3: Strategic partnerships and knowledge management

KIRDI develops its annual work plans based on the above three pillars. 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 2022/23 period for its three strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Strategic Pillar 1: Market Driven Industrial Research, Development and Technology Transfer	To undertake market driven industrial research and development	No. of technologies/prototypes developed	Develop technologies to address identified technology gaps	46 new technologies developed to address priority areas against a targeted 25 technologies during the period
		No. of intellectual property rights granted	Apply for registration of Intellectual properties from developed technologies	Registration on one IP initiated during the period.
		No. of MSME's products upgraded	Upgrade of MSME's products through product improvement	66 MSME's products upgraded against a target of 60 in priority sectors as follows; Agroc processing (38), Chemical and Allied products (16), Textile (2) Leather (4), Engineering (6) during the financial year
		No. of publications done	Publications in scientific journals	Eighteen (18) scientific papers published in various research journals
	To transfer technologies that support	No. of technologies transferred	Transfer industrial technologies	46 new technologies developed & transferred to MSME's

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	growth of the manufacturing and MSMEs sector		to MSMEs	
		No. of MSME's supported	Provide Incubation, Common Manufacturing Facilities, Capacity Building and Laboratory Services to MSMEs	1,308 industrial enterprises supported against a targeted 940 during the period.
		No. of additional MSME's accessing Kisumu and Nairobi leather facilities	Optimize operational capacity for the KIRDI Kisumu and Nairobi leather research laboratories and CMF	Sixteen (16) additional leather enterprises supported through capacity building and provision of common user facilities
		Programme framework on CAIP's support done	Support the establishment of County Aggregation and Industrial Parks	Held engagement forum with three County Governments: Laikipia, Uasin-Gishu and Embu counties on the establishment of CAIPs and developed a programme support framework.
Strategic Pillar 2: Organizational Capacity Development	To strengthen organizational capacity	Increase in amount of A-I-A generated (KES Million)	A-in-A generation	Generated A-in-A of KES 21.07 million against a target of KES 26 million
		Amount received from development partners (KES. in Million)	Mobilize resources from development partners	Generated KES 66.6 million for implementation of dono funded projects
		Percentage (%) Completion on Construction of Industrial Research Laboratories at Nairobi, South B	Complete construction of Industrial research laboratories at Nairobi, South B	The project completion level for industrial research laboratories at Nairobi, South B remained at 80% as it was at the beginning of the financial against a

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				target of increasing it to 85% due to inadequate funding.
		No. of CSR activities undertaken	Undertake Corporate Social Responsibility	Participated in tree planting exercise in collaboration with Olekesasio Vocational Centre at Rongai, Kajiado County. The Institute collaborated with the TVET to take care of the 1,000 trees planted.
		Customer Satisfaction Level (%)	Undertaking Branding & Promotion, Marketing outreach	Attained 80 per cent total customer satisfaction rate an improvement from 74.8 per cent in 2021.
		Number of infomercials and press briefs developed and published/aired		Twelve (12) news features done with various TV stations, featured in one (1) local radio station, six (6) interviews/talk shows on TV, prepared and disseminated two (2) newsletters and mentions in four (4) daily newspapers.
		Number of marketing outreach activities undertaken		Exhibited at Pre Madaraka Expo (26 th - 30 th May 2023), Turbo Farmers Expo and Trade Fair, Kibuye Market Local Leather Traders Value Addition Program, Changamka festival (1 - 5 th November 2022), BIAWE beneficiaries programme launch (by Spain Ambassador and Prime Minister Government of Spain)
		No. of Management Systems Reviewed and Implemented	Review and Implement Management Systems	Re-engineered business incubation, laboratory testing service and common manufacturing

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				service delivery process and reduced service delivery timelines by 20 per cent;
		Training Report	Undertake Training Needs Assessment	Training Needs Assessment done and approved for implementation
		No. of staff trained	Undertake staff training as per training programme report	Trainings affected by budgetary constraints; 4 staff underwent senior management training and fifty (50) staff sensitized on knowledge management by the National Quality Institute.
Strategic Pillar 3: Strategic Partnerships and Knowledge Management	To forge and strengthen strategic partnerships with industry and other stakeholders	No. of stakeholder's forums held	Organize and participate in research seminars and workshops for dissemination of research outputs	Organised three (3) stakeholder workshops and four (4) research seminars during the period: - <ul style="list-style-type: none"> • Linking Research to Industries - supporting the milling sector to enhance food quality and security in Kenya; • Workshop on Waste to Energy Biogas Technology, Biogas - IBPP workshop at KIRDI South B (29th - 30th November 2022); • Launch of the Solar Cooling and Drying Technology (SolCoolDry) in
				Mwazaro, Kwale County on 8 th February 2023 in partnership with KMFRI, Innotech, TUM and FraunhoferISI
				• ATDC - JICA funded training programme

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	To facilitate knowledge management within the Institute	Operational Knowledge Management System	Develop and implement a Knowledge Management System	(20 th - 23 rd March 2023) Undertook benchmarking with KEMRI on KM and prepared a draft knowledge management policy and submitted to senior management.

8. CORPORATE GOVERNANCE STATEMENT

The Board and Management of KIRDI are dedicated to upholding the highest standards of corporate governance. This statement outlines KIRDI's governance principles and practices which are rooted in the Institute's corporate values and ethics aimed at fostering growth and value for all stakeholders.

a) Role of the Board of Directors

The Board of KIRDI exercises its role collectively. It is responsible for defining the Institute's mission, vision, purpose and core values. Additionally, the Board sets and oversees the overall strategy, approves policies ensures alignment between strategy is Institutional purpose, and safeguards and the legitimate interests and expectations of shareholders and other stakeholders. Moreover, the Board ensures that the Institute's strategy aligns with long term sustainability goals, preserving the ability of future generations to meet their own needs. Furthermore, the Board approves the organizational structure, annual budget and monitors performance to ensure sustainability. It also enhances the corporate image, secures adequate resources, appoints the Director-General and senior management, and facilitates effective communication with stakeholders.

b) Composition of the BOD

The Board consisted of one (1) executive and eleven (10) non-executive Directors. The composition and the diverse experience and expertise of the Directors are detailed on pages **Vii to xi**.

c) Board Meetings

A schedule of Board and Committee meetings was provided to the Board in advance during the financial year.

in the year ending 30th June 2023, the Board convened as follows; six (6) Full Board meetings, three (3) Special Full Board meetings related to senior staff recruitment, four (4) RTI committee meetings, four (4) Finance, Strategy and Special Projects committee meetings, four (4) Risk and Audit committee meetings, four (4) HRA committee meetings, and four (4) Ad Hoc Committee meetings. Additionally, the Board held two special finance, strategy and special projects committee meetings, one special risk and audit committee meeting, and received visits from the Spanish President, Governors and Principal Secretary. Individual attendance at these meetings is outlined in the table below.

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d) 2022/2023 BOARD AND BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

	Board Member	Full Board	Special Full Board	Spain President visit	PS Tour	Visit by Governors	RTI	Special RTI	HR&A	Special HR&A	RAC	Special RAC	Finance & Special Projects	Special F & SP	AD-HOC Sout B
1	Dr. Dinah Mwinzi, CBS	6	3	1	1	1	0	0	0	0	0	0	0	0	0
2	Mrs. Omari Jane Bisieri	5	2	1	1	1	3	0	4	2	2	0	0	0	4
3	Prof. George Thiong'o	6	3	1	0	1	4	0	0	3	3	1	0	0	0
4	Dr. Eng. David Nduhiu	4	3	1	1	1	0	0	4	3	0	0	4	2	3
5	Mr. Roy Getusi Nyangena	6	3	1	1	1	4	0	0	0	0	0	4	2	0
6	Mr. Stanley Maina Kagera	5	2	0	1	1	0	0	0	0	4	1	3	2	3
7	Ms. Catherine Bunyasi	6	3	1	1	1	0	0	3	5	0	0	4	2	4
8	Mr. John Henry Onyango	6	3	0	0	1	2	0	0	0	4	1	0	0	0
9	Mr. J K Wang'ombe	3	1	1	1	1	0	0	0	0	0	0	0	0	0
10	Eng. Lucy Mutinda	5	2	1	1	1	0	0	3	5	1	1	0	0	4
11	Ms. Joyce M. Njogu	5	2	1	0	1	4	0	3	5	0	0	0	0	0
12	Prof. Walter Oyawa	1	0	0	0	0	1	0	0	0	0	0	0	0	0
13	Mr. Stephen Situma	0	1	0	0	0	0	0	0	0	0	0	0	0	0

BOARD COMMITTEES AND THEIR COMPOSITION

The Board committees, composition and mandate is as below:-

Research Technology and Innovation Committee

As the core mandate of the Institute, this committee addresses all matters pertaining to research, technology and innovation policies, guidelines and management.

The members of the committee were:

1. Prof. George Thiongo' (Chairperson)
2. Mr. Stephen Situma
3. Mr. John H. O. Ogwang'
4. Mr. Roy Getusi Nyangena
5. Ms. Joyce M. Njogu
6. Dr.-Ing. Calvin Onyango

The committee had the responsibility to monitor and evaluate research, technology, and innovation projects within the Institute. It defined and recommended to the Board the scope of research, technology and innovation areas relevant to the Institute, additionally it developed policy guidelines for managing the Institute's research, technology, innovation portfolio and oversaw the extent of research, technology, innovation and development, comparing it with the world best practices.

Finance and Special Projects Committee

This Committee served as the primary mechanism through which the Board ensured that the Institute's decisions, policies and practices concerning finance, procurement, infrastructural development and all special projects complied with relevant policies and statutory requirements.

The members of the committee were:

1. Dr. Eng. David Nduhiu (Chairperson)
2. Mr. Stanley Maina Kagera
3. Mr. Roy Nyangena
4. Ms. Catherine Bunyassi-Kahuria
5. Dr.-Ing. Calvin Onyango

The Committee was tasked with advising and making recommendations to the Board of Directors on all aspects of financial strategy, including fundraising initiatives. It reviewed financial performance against budget and plans, considered proposals for major capital expenditure projects and monitored progress during implementation. Furthermore, the Committee requested and received reports from other committees on any matter having a financial implication, ensuring that adequate A-in-A was raised, providing oversight of the arrangements for safeguarding institutional assets and making recommendations to the Board as appropriate.

Risk and Audit Committee

The Risk & Audit Committee oversaw risk management and audit matters. The internal audit unit within the institute was responsible for conducting internal audits and provided secretariat to the Risk & Audit Committee of the Board.

The members of the Committee were:

1. Mr. John H. O. Ogwang' (Chairperson)
2. Eng. Lucy Mutinda
3. Prof. George Thiongo
4. Mr. Stanley Maina Kagera

The Committee's responsibility encompassed reviewing the activities, resources and the operational effectiveness of internal audit office; this included appointment, replacement, and dismissal of the Internal Auditor, and made recommendations to the Board as necessary. Additionally the Committee, reviewed the scope of work and audit plans of the internal audit office, major findings and investigations reports; and ensured appropriate action was taken. It monitored management's responsiveness to internal audit findings, reviewed external auditors Management letters and responses and addressed any reservations that arose during the audits. The Committee reported its actions and recommendations to the Board and performed other relevant duties assigned by the Board related to audit and investigation.

Human Resources and Administration Committee

This Committee ensured the adequacy and effectiveness of the Institute's Human Resource Management and Administration activities.

The Members of the Committee were:-

1. Ms. Joyce Njogu (Chairperson)
2. Dr. Eng. David Nduhiu
3. Eng. Lucy Mutinda
4. Ms. Catherine Bunyassi-Kahuria
5. Mr. Stephen Situma.
6. Dr.-Ing. Calvin Onyango

The Committee's role involved reviewing, monitoring and making recommendations to the Board on human resources strategy and policies pertaining to staffing, compensation, benefits, and other strategic issues impacting the institute's ability to recruit, develop and retain highly-qualified staff. It deliberated on promotions, terminations, dismissals, and staff development requests and it also received reports from other committees on matters with human resource implications and performed other duties assigned by the Board related to Human Resource and Administration.

Directors' Remunerations

Details of remuneration paid to the Directors are provided in the Remuneration Report on Page 15.

Risk Management and Internal Control

The Board is responsible for the Institute's system of risk management and internal control, which is designed to manage rather than eliminate the risk of failure to achieve Institute's objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Risk and Audit Committee. The Board received regular reports from the Chairman of the Risk and Audit Committee on its activities during the year and in addition considered a report from the Audit Committee on the conduct of and the findings and agreed actions from the annual assessment of risk management and internal control.

Board Performance Evaluation

Under the guidelines issued by State Corporations Advisory Committee (SCAC), and the Performance Management office, the Board is responsible for ensuring that rigorous evaluation is carried out of its performance, and that of its committees and individual directors. The evaluation is conducted annually and the results of the evaluation are provided to the Ministry of Investments, Trade and Industry, SCAC and office of the President on Performance Contracting. The Board obtained an average score of 90.2% rated as very good performance.

Institute's Conduct Guidelines

The Guidelines set out KIRDI's commitment to the highest standards of integrity. They have been circulated to employees across the Institute and are also available on the Institute's website www.kirdi.go.ke. A range of measures were developed to ensure that employees in the Institute remained aware of the guidelines and of the general need to ensure that all institute's activities were conducted in a compliant and ethical manner.

Ethical Policies

The values of the Institute are customer focus, innovativeness and creativity, integrity and professionalism, quality, partnerships and teamwork and environmental protection. The Board carries out its legal duties in accordance with these values and having appropriate regard to the interests of KIRDI's stakeholders. Policies and codes of conduct have been established by the Board and management to support the Institute's objectives, vision and values.

Statement of Professional Practice

The Institute's code of ethics, known as the KIRDI Code of Conduct, sets standards of behavior required of all employees and Directors including:

- To act properly and efficiently in pursuing the objectives of the Institute;
 - To avoid situations which may give rise to a conflict of interest;
 - To know and adhere to the Institute's Equal Employment Opportunity policy and programs;
 - To maintain confidentiality in the affairs of the Institute and its stakeholders;
- and

- To be absolutely honest in all professional activities.
- These standards are regularly communicated to the Institute's staff.

Going Concern

The Institute's activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Chief Executive's officer on pages xv to xvii. The financial position of the Institute, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 1 to 23.

Having assessed the relevant operational risks, the Directors believe that the Institute is well placed to manage its operational risks successfully. The Directors have a reasonable expectation that the Institute has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Workplace Responsibilities, Behaviors and Compliance

The Institute is strongly committed to maintaining an ethical workplace and to complying with its legal and ethical responsibilities. The Institute has a number of policies relating to workplace responsibilities, behaviors and compliance that apply to and must be observed by staff. The Institute has a system in place which allows staff to report (and remain anonymous if they wish) suspected fraud or corrupt, unlawful or improper conduct.

9. MANAGEMENT DISCUSSION AND ANALYSIS

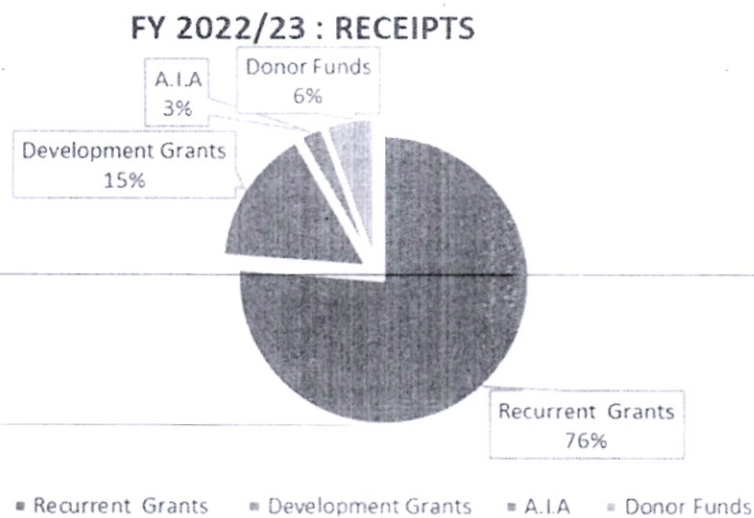
SECTION A: Operational and Financial Performance

KIRDI's budget is funded by the National Government for operations channelled through the State Department of Industry. The annual budget is approved by the Board of Directors. During the financial year 2022/2023, approved budget for KIRDI was KES 1,143,430,00. The budget breakdown consists of recurrent budget KES 643,430,000 and development budget KES 500,000,000. However, during supplementary the Institute budget was rationalised reducing the development budget to KES 125,000,000 and increased recurrent budget to KES 621,720,000. However only KES 580,730,000 was disbursed to the Institute. This negatively affected the Institute cash flow status and project completion timelines for KIRDI Techno Centre. The table shows analysis of actual recurrent and development expenditure trends for the last three years

Actual Expenditure	FY 2020/21	FY 2021/22	FY 2022/23
GoK Recurrent	617,290,693	617,430,000	580,730,000
A-i-A	23,074,229	21,312,546	21,066,056
Development	360,469,000	448,000,000	125,000,000
Total	1,000,833,922	1,086,742,546	726,796,056

Analysis of financial performance

During the FY 2022/23, KIRDI received KES 580,730,000 from the exchequer as recurrent disbursements. Development funds received during the year totalled to KES 125,000,000. The Institute further targeted to raise KES 26 million as A.I.A and KES 50 million for implementation of donor funded research projects. The figure below shows a summary of receipts during the financial year.



Utilisation of GoK recurrent funds was at 100 % during the year and was expended on personnel emoluments, research costs, specialized materials and supplies, board expenses and general expenses. The Institute also implemented donor funded research projects and consultancies attaining 100% utilisation.

SECTION B: Compliance

Entity's compliance with statutory requirements

The Institute has complied with the PFM Act 2012, Public Procurement and Asset Disposal Act, 2015 and other legal requirements such as submission of statutory deductions (i.e. timely remittance of NHIF, NSSF, PAYE, NITA, HELB, VAT and Income tax withholding).

Access to Government Procurement Opportunities (AGPO)

The Institute awarded a total of KES 20,852,444 to AGPO in line with the 30% allocation requirement. The annual target of KES 15,336,000 was surpassed.

Promotion of Local Content in Procurement

The Institute complied to the reservation of a minimum of 40% of the procurement budget towards locally produced goods and services and awarded KES 77,113,365.

SECTION C: Projects and Investments

Key projects and investment decisions the entity is planning/implementing.

The Institute's key capital project is the construction of KIRDI Techno centre which is fully funded by government and facilitates the upgrade and modernization of the institution's industrial research laboratories.

Other donor research projects under implementation include: -

1. Development of milkfish (*Chanos chanos*) and kimarawali (*Stolephorus delectatus*) solar drying- cool technology, value addition and quality assurance project (SOLCOOLDRY).
2. Banana paper project: (commercializing eco-friendly packaging and sanitary towels).
3. Seaweeds, amaranth and finger millet nutrients fortification of bakery products for improved health and livelihoods in Kenya (SEA-FORT).
4. Establishment of waste -to-energy (WTE) International Best Practice Platform (IBPP) for biogas in Kenya.
5. Aquaculture of seaweeds and fish: Opportunities for blue economic empowerment and COVID-19 resilience of fisher women in Kenya (A Blue-Empowerment Project).
6. National Biomass Stoves Surveillance GIZ-GCF Project.
7. Scaling-up solar drying to reduce post-harvest losses in Kenya- Opportunities for inclusive climate-action enterprises.

8. Establishing real-World values of thermal efficiency for traditional and charcoal stoves in Africa.

SECTION D: Risks

Major risks facing the entity.

The major risk facing the Institute is legal action due to breach of contract for the KIRDI Techno Centre Project. The project has run behind completion schedule due to low funding and the project has started incurring cost overruns. Currently the project has accumulated pending bills amounting to KES 1.02 billion arising from the main contractors pending certificates of KES 647.31 million and final accounts of KES 370.9 million. Management will take necessary measures with the parent ministry and National Treasury to mitigate this risk in the medium term.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Our mission is to undertake industrial research and transfer innovative technologies for socio-economic development. To have an impact on national development it is important for KIRDI to undertake relevant and quality industrial research.

Sustainability strategy and profile

KIRDI's role in the manufacturing sector is not limited to spurring industrial competitiveness but also enhancing sustainability. Our sustainability guiding agenda is echoed in the strategic plan which has first and foremost ensured that activities are aligned and contribute to the realisation of the national development agenda and international obligations. The institute's sustainability agenda for the plan period is based on three pillars: market driven industrial research, development and technology transfer; organizational capacity development and; strategic partnerships and knowledge management.

During the plan period the KIRDI Bill was enacted and then established KIRDI as a corporate body with perpetual succession. The Act has taken into account emerging technologies, promotion of inventions and innovations through compensation and establishment of industrial research infrastructure. In addition, the management undertook continuous improvement of business operations and attained re-certification under ISO 9001:2015 management systems and also facilitated accreditation of laboratories in ISO/IEC 17025:2017. This is expected to increase credibility of laboratory tests, as well as efficiency and effectiveness in service delivery.

~~Notable challenge in implementation of sustainability strategies was reduction in allocated resources which affected implementation of planned activities. As a solution, management enhanced collaborations with the private sector, development partners and government agencies to ensure service delivery continued unaffected.~~

i) Environmental performance

During the plan period, the Institute spearheaded measures to protect the environment, mitigate climate change and improve the national forest cover by undertaking sensitization workshop on environment protection and climate change

mitigation for staff and MSME's participating in the institute's incubation and common Manufacturing Facilities.

Further KIRDI partnered with Technical University of Denmark (DTU) in a pilot project that sought to demonstrate the economic and environmental benefits of enabling Ruaraka-based companies to exchange wastes and by-products through Industrial Symbiosis (i.e. companies come together and exchange resources - waste product from one industry is a raw material for another industry (instead of disposal). Through the project, (Green and Circular Innovation for Kenyan Companies (GECKO), KIRDI developed a screening tool to quantify input, output, waste and by-product for the companies in Ruaraka industrial cluster; used the screening tool to undertake material, water, and energy flow assessments; determined potential of each company to engage in circular economy; and developed a database, basis for negotiated waste and by-product exchange.

ii) Employee welfare

The Institute has an approved Human Resource Policies and Procedures manual (2022) that guides the recruitment process. The regulations take into consideration recruitment, selection, appointment, promotion and transfer matters in KIRDI. This also take into account the gender rule and PWD's. During the plan period, management initiated review of the HR instruments to take into consideration the new KIRDI Act. In addition, the human resource department spearheaded the following activities for employees;

- a) Carried out a staff training needs assessment, and implemented its gaps through training of staff. In addition, performance appraisal for all staff was done and recommendations forwarded to senior management for implementation.
- b) Sensitizing staff on disability and gender mainstreaming. Development of the gender based violence policy was initiated and a draft submitted to senior management for approval.
- c) Sensitized all staff, interns and attachees on road safety and facilitated training of two drivers on defensive driving at Kenya Institute of Highways and Building Technology (KIHBT).
- d) Provided support to employees at risk and to those with substance use disorders by facilitating one staff member affected by drug and substance through the EAP programme and is currently undergoing post-rehabilitation support programme.

The management has in place Safety, Health and Environment policy in compliance with Occupational Safety and Health Act of 2007.

iii) Market place practices

a) Responsible supply chain and supplier relations

The Institute commits to ensure timely payments of suppliers within 30 days of submission of claim documents as indicated in the service delivery charter. Through

the supply chain department, the organisation undertakes advertisement of tenders and awards and accords opportunities to respective categories without discrimination.

b) Product stewardship

KIRDI is instrumental in supporting clients to upgrade their products to improve their competitiveness through research and quality control. During the financial year a total of 66 products were upgraded to attain certification.

iv) Corporate Social Responsibility

As part of marking World Environmental Day on 6th June, 2023. KIRDI Staff and Management planted 1,000 trees at Olekasasi Vocational Training Centre in Kajiado County.



Figure 1: KIRDI Management and Staff at Olekasasi VTC during planting and after the tree planting session

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2023 which show the state of the Institute's affairs.

i. Principal activities

The principal activity of the Institute is to undertake research, development and innovation in industrial and allied technologies.

ii. Results

The results of the entity for the year ended 30th June, 2023 are set out on page 1 to 23 of this report.

iii. Directors

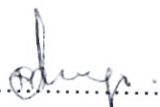
The members of the Board of Directors who served during the year are shown on page on xxxi & xxxii of the report.

iv. Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 227 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

Signature:.....



Date:

20/02/2024.....

**MS. GRACE MAUREEN CHOGO
CORPORATION SECRETARY**

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30th, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

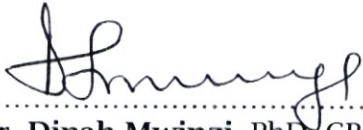
The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30th, 2023, and of the Institute's 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 Institute's financial statements as well as the adequacy of the systems of internal financial control.

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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 Kenya Industrial Research and Development Institute's Financial Statements were approved by the Board of Directors on 20th day of September 2023 and signed on its behalf by:



.....
Dr. Dinah Mwinzi, PhD, CBS
CHAIRPERSON OF THE BOARD



.....
Dr. -Ing. Calvin Onyango
DIRECTOR-GENERAL

REPUBLIC OF KENYA

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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE 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 the 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 Industrial Research and Development Institute set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance,

Report of the Auditor-General on Kenya Industrial Research and Development Institute for the year ended 30 June, 2023

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 Industrial Research and Development Institute as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Science, Technology and Innovation Act, 2013 and the Kenya Industrial Research and Development Institute Act, 2022.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial performance reflects a net loss for the year of Kshs.255,633,032 (2022: Kshs.78,374,639). Further, the statement of financial position shows that Institute's current liabilities exceeded the current assets by Kshs.754,966,857 an indication of negative working capital for the Institute. However, the financial statements have been prepared on a going concern assumption, the Institute is technically insolvent and its ability to continue as a going concern is dependent upon support from the National Government and its creditors. Further, Management and Board of Directors has not disclosed in these financial statements material uncertainty related to going concern.

In the circumstances, the going concern of the Institute could not be confirmed.

2. Inaccuracies in Unused Project Funds

The statement of financial position and as disclosed in Note 21 of the financial statements reflects unused project funds balance of Kshs.27,357,793. However, the project cash book reflects a balance of Kshs.2,843,142 resulting in an unexplained variance of Kshs.24,514,651.

In the circumstances, the accuracy and completeness of the unused project funds balance of Kshs.27,357,793 could not be confirmed.

3. Lack of Revaluation of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflects a balance of Kshs.6,250,219,967 in respect to property, plant and equipment which includes an amount of Kshs.39,625,000 in respect to original cost of motor

vehicles as at 30 June, 2023. However, as previously reported, all motor vehicles were fully depreciated although they were still in use by the Institute. Further, the other Institute's assets were last valued forty-three (43) years ago in 1980. This was contrary to Paragraph 49 of the International Public Sector Accounting Standard (IPSAS) No. 17 on property, plant and equipment which provides for revaluation of property, plant and equipment every three to five years. In addition, Management did not provide logbook for one (1) vehicle for audit review.

In the circumstances, the accuracy and fair value of the property, plant and equipment could not be confirmed.

4. Unsupported Insurance Expenses

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects a balance of Kshs.143,490,390 in respect to use of goods and services which includes insurance of property amount of Kshs.8,222,760 paid to Insurance Brokers. The amount includes Kshs.6,080,625 paid in respect to additional scope of cover to include property under construction at KIRDI South B. However, no supporting documents including contract and policy were provided for audit review.

In the circumstances, the authenticity and accuracy of the premium of Kshs.6,080,625 paid could not be confirmed.

5. Unsupported Retentions

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.106,914,373 in respect to retentions. However, no evidence of retentions bank account was provided by Management for audit review. Further, the retentions balance has been reported as a non-current liability. This is contrary to Paragraph 80(a) of the Public Sector Accounting Standards (IPSAS) 1, which states that a liability shall be classified as current when it is expected to be settled in the entity's normal operating cycle.

In the circumstances, the accuracy and completeness of the retentions as at 30 June 2023 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Industrial Research and Development 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls Risk Management and Governance which have remained unresolved as at 30 June, 2023.

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 matter 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. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.643,430,000 and Kshs.735,495,333 respectively resulting in an over-expenditure of Kshs.92,065,333 or 14% of the budget.

Further, the statement of comparison of budget and actual amounts: Development reflects final expenditure budget and actual on comparable basis of Kshs.125,000,000 and Kshs.143,899,968 respectively resulting in an over-expenditure of Kshs.18,899,968 or 15% of the budget.

This was contrary to Section 12 of the State Corporations Act, Cap 446 of the Laws of Kenya which states that "No state Corporation shall, without the prior approval in writing of the Minister and the Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved in accordance with Section 11".

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

2. Delay in Completion of Project

The Institute contracted a local construction company for implementation of the proposed Techno Centre (Research, Technology and Innovation Laboratories and related infrastructure) in South B, that commenced on 25 February, 2013 at an estimated contract

sum of Kshs.3,933,008,763 and was to take one hundred and fifty-six (156) weeks, with an initial completion date of 3 March, 2016. The project period was however extended by 82 weeks for the fourth time bringing the total cumulative project period to 507 weeks with a new completion date of 25 November, 2022 at a revised contract sum of Kshs.5,455,099,842. However, review of the project records at the time of audit in January, 2024 established that the contract was terminated on 15 September, 2022 with the project completion rate estimated at 80% and works amounting to Kshs.4,121,243,494 having been cumulatively certified through Certificate No. 55 of 7 December, 2022. In addition, an arbitration had been undertaken which was concluded with a certified settlement dated 1 November, 2022 of Kshs.487,700,497. The entire cumulative amount incurred on the project was totalling Kshs.5,025,527,320 as at 30 June, 2023.

However, the project had not been completed and was not in use ten (10) years after the commencement date of 25 February, 2013.

In the circumstances, the value for money on this project has not been realized.

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- 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 to 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, SBS
AUDITOR-GENERAL

Nairobi


09 May, 2024

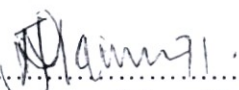
Kenya Industrial Research and Development Institute (KIRDI)
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For the year ended 30th June 2023


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

	NOTES	2022/2023 KES.	2021/2022 KES.
REVENUE			
Income from non-exchange transactions			
Transfers from Government	4	580,730,000	777,604,547
Grants and subsidies from Donors	5	80,302,432	39,169,935
		661,032,432	816,774,482
Income from exchange transactions			
Rendering of services	6	18,564,639	19,183,028
Rental revenue	7	720,472	0
Other income	8	1,780,945	2,129,518
		21,066,056	21,312,546
Total revenue		682,098,488	838,087,028
EXPENSES			
Use of goods and Services	9	143,490,390	87,283,902
Employee Costs	10	546,311,493	605,522,968
Board expenditure	11	13,751,253	15,232,197
Repairs and maintenance	12	31,942,197	22,819,096
Depreciation and Amortization	13	149,291,548	160,174,547
Grants and Subsidies	14	52,944,639	25,428,958
		937,731,520	916,461,667
SURPLUS/(DEFICIT) FOR THE YEAR		(255,633,032)	(78,374,639)

The Kenya Industrial Research and Development Institute's financial statements set out on page 1 to 28 were approved on ...20th... day of ...September...2023 and signed on its behalf by:


.....
Dr. -Ing. Calvin Onyango
DIRECTOR-GENERAL


.....
Dr. Josephine Akama, OGW
DIRECTOR CS,
ICPAK No. 9950


.....
Dr. Dinah Mwinzi, PhD, CBS
CHAIRPERSON OF THE BOARD

20-02-2024
.....
Date

20/02/2024
.....
Date

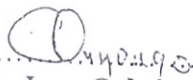
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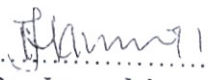
Kenya Industrial Research and Development Institute (KIRDI)
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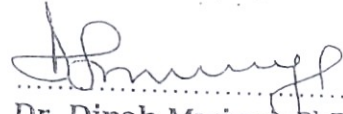
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	NOTES	2022/2023 KES.	2021/2022 KES.
CURRENT ASSETS			
Cash and Cash Equivalents	15	13,391,324	24,359,954
Receivables (non-exchange transactions)	16	7,458,803	280,451,647
Stores and inventory	17	863,203	3,635,173
Total		21,713,330	308,446,774
NON-CURRENT ASSETS			
Property, Plant and Equipment	18	6,250,219,967	5,721,961,694
R & D Projects	19	160,424,504	160,424,504
Total		6,410,644,471	5,882,386,198
TOTAL ASSETS		6,432,357,801	6,190,832,972
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	20	745,264,394	200,172,024
Unused Project Funds	21	27,357,793	13,740,977
Provisions	22	4,058,000	3,358,000
Total		776,680,187	217,271,001
NON-CURRENT LIABILITIES			
Retentions	23	97,512,729	257,123,009
TOTAL LIABILITIES		874,192,916	474,394,010
Net Assets		5,558,164,885	5,716,438,962
Capital/Development funds	24	6,423,537,990	6,298,537,990
Accumulated deficit	25	(865,373,105)	(582,099,028)
TOTAL NET ASSETS & LIABILITIES		6,432,357,801	6,190,832,972

The Kenya Industrial Research and Development Institute's financial statements set out on page 1 to 28 were approved on 20th day of September 2023 and signed on its behalf by:


Dr. -Ing. Calvin Onyango
DIRECTOR-GENERAL


Dr. Josephine Akama, OGW
DIRECTOR-CS
ICPAK No. 9950


Dr. Dinah Mwinzi, PhD, CBS
CHAIRPERSON OF THE BOARD

20.02.2024
Date

20/02/2024
Date

20/02/24
Date

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Capital/ Development Funds KES.	Retained earnings/ (Deficit) KES.	Total KES.
As at 30th June 2021	6,010,712,537	(488,666,869)	5,522,045,668
G.O.K Grants (net increase)	448,000,000		448,000,000
Amortization	(160,174,547)		(160,174,547)
Prior year adjustments		(1,316,543)	(1,316,543)
Surplus/(Deficit) for the year		(78,374,639)	(78,374,639)
Unutilized Donor funds		(13,740,977)	(13,740,977)
As at 30th June 2022	6,298,537,990	(582,099,028)	5,716,438,962
G.O.K Grants (net increase)	125,000,000		125,000,000
Prior year adjustments		(283,252)	(283,252)
Surplus/(Deficit) for the year		(255,633,032)	(255,633,032)
Unutilized Donor funds		(27,357,793)	(27,357,793)
As at 30th June 2023	6,423,537,990	(865,373,105)	5,558,164,885

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17. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/2023 KES.	2021/2022 KES.
CASH FLOW FROM OPERATING ACTIVITIES			
Operating surplus/(deficit)		(255,633,032)	(78,374,639)
Adjustment for items not involving movements of cash:			
Deferred grant income		-	(160,174,547)
Depreciation expenses	13	149,291,548	160,174,547
prior year adjustments	26	(283,252)	(1,316,543)
Project funds surplus	21	(27,357,793)	(13,740,977)
Surplus/Deficits before working capital changes		(133,982,529)	(93,432,159)
WORKING CAPITAL CHANGES			
Increase/Decrease in inventories	17	2,771,970	1,554,785
Decrease/ (increase) in Accounts receivable	16	272,992,844	(147,615,458)
Increase (decrease) in provisions	22	700,000	700,000
Decrease (increase) in Accounts payable	20&23	385,482,090	121,971,797
Changes in Working capital		661,946,904	(23,388,876)
Net cashflow generated from Operating Activities		527,964,375	(116,821,035)
Cash Flow in Investing Activities:			
Additions to Property, plant and Equipment (Net)	18	(677,549,821)	(613,556,617)
Cash flow from financing:			
Capital grants		125,000,000	448,000,000
Donor project funds increase/(decrease)	21	13,616,816	(4,509,803)
Net cash generated from financing activities		138,616,816	443,490,197
Net increase/ decrease in cash and cash equivalents		(10,968,630)	(286,887,455)
Cash at the beginning of the year		24,359,954	311,247,409
Cash at the end of the year	15	13,391,324	24,359,954

8. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Recurrent Budget

	Original Budget	Adjustment	Final Budget	Actual on comparable basis	Performance difference	variance	note
Revenue	KES.	KES.	KES.	KES.	KES.	%	
Rendering of services	26,000,000	-	26,000,000	21,066,056	(4,933,944)	-19	i
Government grants	617,430,000	-	617,430,000	580,730,000	(36,700,000)	-6	
Total income	643,430,000		643,430,000	601,796,056	(41,633,944)	-6	
Expenditure	KES.	KES.	KES.	KES.	KES.	%	
Use of Goods and services	75,630,000	-	75,630,000	143,490,390	(67,860,390)	-90	ii
Compensation of Employees	551,800,000	-	551,800,000	546,311,493	5,488,507	1	
Board expenditure	7,000,000	-	7,000,000	13,751,253	(6,751,253)	-96	iii
Repairs and maintenance	9,000,000	-	9,000,000	31,942,197	(22,942,197)	-255	
Total Expenditure	643,430,000	-	643,430,000	735,495,333	(92,065,333)	-14	
Surplus/(Deficit)	-			(133,699,277)			

Budget Variances

i) **Rendering of services**

The shortfall in revenue targets was a result of the low funding on the operations and due to reduced budgetary allocation.

ii) **Use of goods and services**

The negative variance of KES. 67.8 million is a result of underfunding of the recurrent budget to sustain normal operations.

iii) **Remuneration of Directors and Board expenses**

The negative variance of KES.6.7 million was due to inadequate funding of the line item with unanticipated increase in activities that demand the attention of the Board including approving the policy instruments.

iv) **Repairs and maintenance**

The expenditure was necessitated by rehabilitation of the machinery and equipment to restore to proper working condition.

Kenya Industrial Research and Development Institute (KIRDI)
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Development Budget

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - DEVELOPMENT BUDGET 2022/2023

	Original Budget	Adjustment	Final Budget	Actual on comparable basis	Performance difference	variance	nc
Revenue	KES.	KES.	KES.	KES.	KES.	%	
Development grants	500,000,000	(375,000,000)	125,000,000	125,000,000	-	0	
Expenditure	KES.	KES.	KES.	KES.	KES.	%	
Construction of Buildings	495,000,000	(375,000,000)	120,000,000	140,732,056	(20,732,056)	-17	
Rehabilitation and Renovation of plant Equipment/machinery	5,000,000	0	5,000,000	3,167,912	1,832,088	37	
Total	500,000,000	(375,000,000)	125,000,000	143,899,968	(18,899,968)		

Budget Variances

V) Development grants

The National Treasury released KES. 125.0 million during the year against an initial budget of Kes.500 million.

vi) Construction of buildings

The main contractor had raised additional fee notes for main works for South B Project during the year. An additional sum of KES. 487,700,497 was raised in favor of the Main Contractor on the South B project, being approval for idle equipment resulting from an arbitration award which had not been anticipated in the financial year.

Vii) Rehabilitation and Renovation of plant, Machinery and Equipment

The Positive variance is due to late disbursement of funds and changes in approved budget which had not been anticipated as per plans

19. NOTES TO THE FINANCIAL STATEMENTS

Note 1. General Information

The Kenya Industrial Research and Development Institute (KIRDI) is a statutory research organization which was established under the Science and Technology Act Cap 250, 1979 (later repealed and replaced by the Science, Technology and Innovation Act 2013) and currently under KIRDI Act 2022. KIRDI is the country's principal national institution responsible for industrial research and development and domiciled under the Ministry of Industry, Trade and Co-operatives. It is mandated to carry out Research and Development in industrial and allied technologies including, Civil Engineering, Mechanical Engineering, Textile Technology, Electrical Engineering, Mining, Power Resources, Chemical Engineering, Industrial Chemistry, Food Technology, Ceramics, Information and Communication Technologies (ICT) and Ceramics. The Institute's mission is to undertake Industrial Research, Technology and Innovation and disseminate findings that will have a positive impact on national development. As well, its vision is to be a Centre of Excellence in Industrial Research, Technology & Innovation.

Note 2. Statement of Compliance and Basis of preparation

The financial statements have been prepared on historical cost basis except for measurement at re-valued amounts of certain items of property plant and equipment, and impaired assets at their estimated recoverable amounts and 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 the management to exercise judgement in the process of applying the Institute's accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 of the financial statements.

The Financial statements have been prepared and presented in Kenya shillings which is the functional currency and reporting currency of the Institute.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3. Significant Accounting Policies

a) 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 the Institute'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 the Notes. 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.

The financial Statements have been prepared in accordance with International Public Sector Reporting standards (IPSAS) under the historical cost convention except where otherwise stated in the Accounting policies below. In compliance with Public Finance Management Act 2012, the established Public sector accounting standards Board, PSASB published the Standards which took effect for the financial year ended 30th June 2014. The Financial Statements are prepared on accrual basis. Where necessary, comparative figures for the previous financial year have been reconfigured to conform to required changes in presentation.

(b) Currency

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

(c) Property, Plant and Equipment

The fixed assets are stated at cost or as revalued on existing use basis from when the institute started self accounting, i.e. 1st July, 1980.

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Gains and losses on disposal of property, plant and Equipment are determined by reference to their carrying amount in determining operating surplus. On disposal of revalued assets, the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Depreciation

Provision is made for depreciation on the straight-line method designed to write off the original cost or valuation of fixed assets

other than land, and work in progress over the actual life of the asset. A whole year's depreciation is charged on assets acquired nine months or more prior to the closure of the financial year and none to those acquired

three months or less to the end of the financial year. The annual rates for this purpose are: -

1.	Building	2%
2.	Machines	12.5%
3.	Motor vehicles	25%
4.	Office furniture & equipment ...	12.5%
5.	Computers	30%

(e) Revenue

The major source of income of this institute are the grants from the Government and the nominal charges of analysis fees from industrial manufacturers, potential entrepreneurs who need laboratory reports on their products and charge services offered to micro, small and medium enterprises. Income is recognized on an accrual basis.

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.

(f) Bad Debts

Bad debts may be written-off on approval by the Board as guided by the institute's Finance Policies and Procedures and the regulation of The PFM Act, 2012.

(g) Stores and Inventory

Stock and inventories is measured at the lower of cost or net realisable valuation with the exception of donations which is reported at revaluation. Loose tools acquired as donation are amortized annually at a uniform rate over the period of their expected useful life.

(h) Insurance cost

Annual insurance costs are accounted for wholly in the year of commencement of covers that expire within two months after end of financial year and prorated otherwise.

(i) Retirement Benefits/Gratuity

The Institute operates a Retirement Benefit Scheme which is managed by Trustee Board under the Retirement Benefits Regulations (RBA) regulations. Further monthly remittances are made to a custodian for staff serving on Contract Terms which is eventually paid as gratuity at the expiry of the Contract.

(j) Government grants

Recurrent and Development grants have been accounted for in the Statement of Financial Performance in the year received. Capital grants are accounted for over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

(k) Accounts receivable

Accounts receivable are stated at anticipated realizable value.

(l) Accounts payable

Accounts payable are stated at nominal value.

(m) Budget information

The annual budget is prepared on accrual basis, and all planned costs and income are presented in separate statements as recurrent and development budgets to determine the operating needs of the Institute.

The basis difference in preparation and presentation would require reconciliation between actual and comparable amounts and the amount presented as separate additional financial statement in the statement of comparison of budget and actual amounts.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances includes amounts held at commercial banks at the end of the financial year.

(o) 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:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset

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.

(p) Unused Project grants

Unused project fund surpluses are transferred to revenue reserves after completion of the projects.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4. Transfers from Government

	2022/2023	2021/2022
	KES.	KES.
Unconditional grants		
Recurrent grants-operational	580,730,000	617,430,000
Deferred grant income	0	160,174,547
Total	580,730,000	777,604,547

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

Entity sending the Grant	Amount recognized to statement of financial performance	Amount recognized in Capital fund	Total transfers 2022/2023	2021/2022
	KES.	KES.	KES.	KES.
State Dept for Industry	580,730,000	125,000,000	705,730,000	1,065,430,000
Total	580,730,000	125,000,000	705,730,000	1,065,430,000

Note 5. Grants & Subsidies from Donors

	2022/2023	2021/2022
	KES.	KES.
Project fund receipts	66,561,455	20,919,155
Deferred grant income	13,740,977	18,250,780
Total	80,302,432	39,169,935

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6. Rendering Services

	2022/2023	2021/2022
Services fees	KES.	KES.
Analysis fees and consultancy	18,564,639	19,183,028

Note 7. Rental revenue

	2022/2023	2021/2022
	KES.	KES.
Operating lease receipts	720,472	0
Total	720,472	0

Note 8. Other income

	2022/2023	2021/2022
Sundry income	KES.	KES.
Commission and fees	1,780,945	2,129,518
Increase in stock (stores gain)	-	-
Total	1,780,945	2,129,518

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Note 9. Use of goods and Services

	2022/2023	2021/2022
	KES.	KES.
Transport operation expenses	5,577,250	3,586,844
Postal and telecom expenses	3,274,934	2,508,378
Telephone expenses	3,718,901	2,806,748
Official entertainment	7,831,847	5,380,650
Electricity	10,263,728	9,578,843
Gas purchase	2,618,366	2,914,928
Water and conservancy	2,459,326	1,093,345
Travelling and subsistence	19,155,190	0
Publishing and printing	2,953,660	1,843,728
Purchase of consumables	5,239,817	5,551,601
Uniform and clothing	291,566	0
Library expenses	2,129,583	2,387,785
Purchase of stationery	6,699,815	5,293,129
Advertising and publicity	2,380,538	3,171,606
Show expenses and market research	2,806,191	1,392,251
Rent and rate(non-residential)	4,197,105	1,382,385
Training expenses	4,699,941	0
Computer expenses	7,188,314	4,553,404
Misc. and other charges	847,974	1,059,647
Contribution to other bodies	1,469,906	708,022
Insurance of property	8,222,760	2,142,455
Provision for audit fee	700,000	700,000

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Laboratory chemicals	7,299,661	6,229,136
Contracted guards & cleaning services	19,077,581	13,667,564
Contracted professional services	1,751,020	1,969,390
Decrease in stock (Note 16)	2,771,970	1,554,785
Research feasibility studies & projects	7,863,446	5,807,278
Totals	143,490,390	87,283,902

Note 10. Employee Costs

	2022/2023	2021/2022
	KES.	KES.
Basic salary	284,834,571	314,389,529
House allowance	96,453,027	93,949,157
Other personal allowance	35,025,604	39,548,098
Medical risk Allowance	9,815,190	10,229,236
Medical insurance	49,505,171	37,315,524
Passage and Leave	7,722,084	4,829,000
Training Expenses	0	4,740,230
Group life & personal accident(GPA)	4,372,342	1,607,262
Fees commission and Honoraria	1,978,900	8,698,700
Pension, Gratuity and NSSF	56,604,604	65,179,025
Travelling and Subsistence	0	25,037,207
TOTAL	546,311,493	605,522,968

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Note 11. Board expenditure

	2022/2023	2021/2022
	KES.	KES.
Sitting Allowance	4,980,000	6,020,000
Travel costs	1,586,238	2,372,121
Hospitality costs	1,977,632	1,475,139
Conferences and seminars	2,554,783	926,840
Daily subsistence	1,692,600	3,731,000
Remuneration & honoraria	960,000	707,097
Totals	13,751,253	15,232,197

Note 12. Repairs and Maintenance

	2022/2023	2021/2022
	KES.	KES.
Maint. of office, furniture & equip.	10,433,736	5,938,990
Maint. of build. & stations-non residential	11,997,860	7,346,429
Maint. of plant machinery & equip.	6,595,985	5,886,296
Maint. expense-motor vehicles	2,914,616	3,647,380
TOTAL	31,942,197	22,819,095

Note 13. Depreciation and amortization

	2022/2023	2021/2022
	KES.	KES.
Property, Plant and Equipment	149,291,548	160,174,547

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Note 14. Grants and Subsidies

	2022/2023	2021/2022
	KES.	KES.
Donor project funds utilized	52,944,639	25,428,958

Note 15a Cash and Cash Equivalents

	2022/2023	2021/2022
	KES.	KES.
Current Account		
National bank of Kenya	6,474,622	11,958,064
Absa Bank	6,667,859	588,316
Others		
Mpesa Account	248,843	11,813,574
	13,391,324	24,359,954

Note 15b Analysis of Cash and cash equivalent

	Account	2022/2023	2021/2022
	number	KES.	KES.
National bank of Kenya-HQ main Account	01003000903200	464,889	8,590,072
National bank of Kenya-LDC A/c	01003002829200	131,693	383,243
National bank of Kenya-EDSC A/c	01003002832800	392,010	121,115
National bank of Kenya-Kisumu A/c	01003000903202	2,590,941	1,570,141
National bank of Kenya-LSC A/c	01003005406800	51,948	847,597
Absa Bank A/c	0708004898	6,667,859	588,316
National bank of Kenya-NIIC Account	01003005406700	2,843,141	445,896
Mpesa	681725	248,843	11,813,574
TOTAL		13,391,324	24,359,954

Note 16(a) Receivables from Non-exchange transactions

	2022/2023	2021/2022
	KES.	KES.
Ministry of Industrialization	2,326,000	226,326,000
Traveling imprest (overseas)	0	1,346,409
Temporary imprest	71,000	265,900
Provision for doubtful debts	4,703,665	4,703,665
Electricity deposit-Kisumu	308,138	308,138
Electricity deposit-South C & Eldoret	50,000	50,000
Advance payment to Contractors	0	47,451,535
TOTAL	7,458,803	280,451,647

Note 16(b) Reconciliation for impairment on Receivables (non exchange)

	2022/2023	2021/2022
	KES.	KES.
At the beginning of the year	280,451,647	132,836,189
Additional provision in the year	71,000	227,039,929
Recovered during the year	(273,063,844)	(79,424,471)
Written off during the year	-	-
At the end of the year	7,458,803	280,451,647

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C) Aging analysis for Receivables

Duration	2022/2023		2021/2022	
	KES.	%	KES.	%
Under one year	71,000	1%	227,938,309	81%
1-2 years	7,387,803	99%	52,513,338	19%
Total	7,458,803		280,451,647	

Note 17. Stores and Inventories

	2022/2023	2021/2022
	KES.	KES.
General Stores-Consumables	863,203	3,635,173
Loose tools-spare parts	-	-
Total	863,203	3,635,173

Decrease in stock for general stores held was KES. 2,771,970 as stock adjustment.

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Note 18 Property , Plant and Equipment

	LAND	WORK IN PROGRESS	BUILDINGS	MACHINERY & EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS & EQUIPMENT	TOTAL
Cost/ Value	KES.	KES.	KES.	KES.	KES.	KES.	KES.	KES.
As at 1/7/2021	26,865,000	3,996,660,548	1,088,221,014	863,856,365	39,625,000	51,375,564	88,671,668	6,155,275,159
Additions	-	354,484,863	-	251,687,339	-	475,240	150,650	606,798,092
Prior year Adjust.				5,809,546			1,393,104	7,202,650
As at 30/6/2022	26,865,000	4,351,145,411	1,088,221,014	1,121,353,250	39,625,000	51,850,804	90,215,422	6,769,275,901
Additions	-	674,381,909	-	-	-	881,940	2,285,972	677,549,821
As at 30/6/2023	26,865,000	5,025,527,320	1,088,221,014	1,121,353,250	39,625,000	52,732,744	92,501,394	7,446,825,722
Depreciation and Impairment								
As at 1/7/2021	1,535,144	-	185,510,284	565,084,409	29,925,000	38,521,468	65,419,230	885,995,535
Depreciation/Amortz	383,786	-	21,764,420	114,926,531	9,700,000	2,908,376	10,491,434	160,174,547
Prior year Adjust.				726,195			417,930	1,144,125
As at 30/6/2022	1,918,930	-	207,274,704	680,737,135	39,625,000	41,429,844	76,328,594	1,047,314,207
Depreciation/Amortz	383,786	-	21,764,420	113,369,958	-	2,941,952	10,831,432	149,291,548
As at 30/6/2023	2,302,716	-	229,039,124	794,107,093	39,625,000	44,371,796	87,160,026	1,196,605,751
Net book values								
As at 30/6/2022	24,946,070	4,351,145,411	880,946,310	440,616,115	-	10,420,960	13,886,828	5,721,961,694
As at 30/6/2023	24,562,284	5,025,527,320	859,181,890	327,246,157	-	8,360,948	5,341,368	6,250,219,967

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The capital work in progress expenditure relates to on-going RTI laboratories construction project in Nairobi South B.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18(b)

	Cost/ Value	Accumulated Depreciation	NBV
	KES.	KES.	KES.
Land	26,865,000	2,302,716	24,562,284
Buildings	1,088,221,014	229,039,124	859,181,890
Plant and Machinery	1,121,353,250	794,107,093	327,246,157
Motor Vehicles	39,625,000	39,625,000	-
Computers and related Equipment	92,501,394	87,160,026	5,341,368
Furniture, Office equipment and fittings	52,732,744	44,371,796	8,360,948

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

	Cost/ Valuation	Normal annual depreciation charge
Plant and Machinery	214,393,586	26,799,198
Motor Vehicles	39,625,000	9,906,250
Computers and related Equipment	55,376,326	16,612,897
Furniture, Office equipment and fittings	29,197,128	3,649,641
Total	338,592,040	56,967,986

Note 19. Research and Development Projects

These is composed of expenditure amounting KES. 160,424,504 transferred from Development vote to R & D on recognition that R & D projects will generate future economic benefits.

The Institute intends to patent its research discoveries which includes prototype development, designs and pilot plants.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 20. Accounts Payable

	2022/2023	2021/2022
	KES.	KES.
Payroll deductions	28,627,471	3,338,126
Miscellaneous deposits a/c	2,899,732	0
Other Creditors	704,335,547	196,833,898
Current F/y Retention	9,401,644	0
TOTAL	745,264,394	200,172,024

b) Aging analysis for Payables

Duration	2022/2023		2021/2022	
	KES.	%	KES.	%
Under one year	735,465,894	99%	200,172,024	100%
1-2 years	9,798,500	1%	-	-
Total	745,264,394		200,172,024	

Note 21. Unused Project funds

	2022/2023	2021/2022
	KES.	KES.
National Research fund	0	852,254
Sea weed project-Blue economy	1,784,705	1,784,705
ICIPE Project	409,115	409,115
Un-Foundation UNFS-Clean stove	41,356	160,004
Soda lake Project-KWS	2,251,860	2,251,860
GECKO Project-Denmark Tekniske Univ.	117,818	187,818
SolCool Dry Project-BMEL/BLE	2,102,269	52,047
UNIDO-IBPP Energy technologies	5,216,158	1,307,477
GIZ kenya - Agri jobs	-	24,812
Mycotile project - Mycelium & agri waste	97,860	198,940

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World bank Africa - ACE II PTRE	40,390	79,190
Institute of global food-Sea forth	196,957	2,021,831
LVCT Health project	89,400	89,400
ACTS-Blue empowerment	553,138	-
Approvecho Resea Ctr-stove efficiency	389,866	-
Giz-Clean stove surveillance	19,950	-
Donor collaborative projects	14,046,951	4,321,524
TOTAL	27,357,793	13,740,977

The net increase for project grants held in the year was KES. 13,616,816.

Note 22. Provisions

	2022/2023	2021/2022
	KSH	KSH
Provision for Audit fee at the beginning	3,358,000	3,358,000
Additional for the year	700,000	700,000
Provision utilised in the year	-	(700,000)
Balance at year-end	4,058,000	3,358,000

Note 23. Retention money

These are retention monies on bills settled for construction contracts which are held for more than a year pending projects completion and expiry of defects liability period. However, additional retention for the current period amounting to Kshs.9,401,644 has been considered as current liability while the balance of Kshs.97,512,729 Considered as non-current liability.

	2022/2023	2021/2022
	KES.	KES.
Balance at the beginning	257,123,009	242,301,310
Additions during the year	9,401,644	14,821,699
Transfer to payables	(159,610,280)	-
Closing balance	106,914,373	257,123,009

Note 24. Capital/ Development funds

The KES. 6,423,537,990 stated as Capital funds is the net accumulation of Development releases going way back to 1980 when the Institute began self -Accounting.

These represents grants received from the exchequer to finance acquisition of capital assets and other expenses related to research and development activities.

Note 25. Retained earnings/ Accumulated deficit

These represents the Institute's accumulated funds Account as balances brought forward for revaluation reserves and the accumulated deficit arising from the income and expenditure account.

Note 26. Prior year adjustments

Prior year adjustment are made against accumulated surplus/deficit of the retained earnings for expenses related to previous year.

Note 27. Recurrent and Development expenditure

The expenditure is financed by both recurrent and development funds received from Government of Kenya.

Note 28. Related party transactions

At the closing of the financial year the institute had not received KES. 41.6 million being part of the budgetary allocation for the year from the parent Ministry.

Note 29. Contingent liabilities

At the year-end there were no contingent liabilities and subsequent events foreseeable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 30. Cash generated/Used in operations

Description	2022/2023 KES.	2021/2022 KES
Surplus/(Deficit) for the year	(255,633,032)	(78,374,639)
Adjusted for :-		
Contribution to Provisions	700,000	700,000
Prior year adjustments	(283,252)	(1,316,543)
Working capital adjustments :		
Decrease/ (increase) in Receivables	272,992,844	(147,615,458)
Decrease in inventory	2,771,970	1,554,785
Increase in Accounts payable	385,482,090	121,971,797
Deferred grant income	<u>(13,740,977)</u>	<u>(18,250,780)</u>
Net cash flow generated/used in Operating Activities	<u>392,289,643</u>	<u>(121,330,838)</u>

Note 31 Financial risk management

The Institute has no significant risk attributed to accounts receivable. Services offered to clients are primarily on cash basis. Advances and prepayments are managed within approved policy parameters.

Note 32 Capital commitments

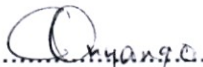
Authorised and contracted for is the proposed construction of RTI laboratories in Nairobi south B at a cost of KES. 5.5 Billion.

19 APPENDICES

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.

Ref. No on the External Audit Report	Issue/ Observation from Auditor	Management Comments	Focal Point Person to resolve the issue (Name and designation)	Status: (Resolved/ Not resolved)	Timeframe:(Put a date when you expect the issue to be resolved)
1.0	Basis of Qualification Recognition of Deferred Grant Income of KES. 160,174,547.	Ksh 160,174,547 deferred grant income are monies received as capital grants being amortized in respect of capital assets. The evidence provided is in the form of depreciation workings for individual assets.	D- CS	Resolved	Resolved
2.0	Lack of Revaluation of Motor Vehicles	Management committed to revalue the Institute Motor Vehicles	Procurement department	Revaluation has since been done.	Resolved
3.0	Poor Financial Performance	Management continuous to engage the National Treasury to prioritize funding the Institute operations and completion of South B project to support in generating revenue.	Director / Board of Directors	Management still continuity to engage with the National Treasury and Parent Ministry of improving the Institute Budget allocation	3 years
1.0	Basis of conclusion Lack of Risk Management Policy	A draft risk management policy is in place awaiting approval by the Board. It has been developed in line with the Treasury circular no. 3/2009 and PFM Act Regulations 2015	Director / Board of Directors	Waiting approval	To be Done in Quarter of FY 2023/24

Signature: .....

Dr. -Ing. Calvin Onyango
DIRECTOR - GENERAL

Date: 20-02-2024.....

APPENDIX II: PROJECTS IMPLEMENTED BY KIRDI

Project Title	Project Number	Donor	Period/ Duration	Donor commitment	Separate Donor reporting	Consolidated in the Financial statements
Construction of Industrial Research & Innovation Laboratories – KIRDI South B	1175101000	N/A	10 years	N/A	No	Yes

APPENDIX III: STATUS OF PROJECT COMPLETION

Project Name	Total Project cost (KES. Million)	Total expended to date	Completion % to date	Budget (KES. Million)	Actual (KES. Million)	Source of funds
Construction of Industrial Research & Innovation Laboratories – KIRDI South B	5,500	4,333	80	125	674.3	G.o.K

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APPENDIX IV: INTER-ENTITY TRANSFERS

Breakdown of Transfers from the State Department of Industry

MDA Transferring Funds	Date received as per Bank statement	Nature: Recurrent/ Development grants	Total Amount (KES)	Where Recorded /Recognized					Total Transfers
				Statement of Financial performance	Capital Fund	Deferred income	Receivables	Others	
State Dept for Industry	19/08/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	30/08/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	28/09/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	01/11/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	02/12/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	28/12/22	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	03/02/23	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	06/03/23	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	14/04/23	Recurrent	51,452,500	51,452,500					51,452,500
State Dept for Industry	05/05/23	Recurrent	39,219,166	39,219,166					39,219,166
State Dept for Industry	09/06/23	Recurrent	39,219,167	39,219,167					39,219,167
State Dept for Industry	24/06/23	Recurrent	39,219,167	39,219,167					39,219,167
State Dept for Industry	07/10/22	Development	125,000,000		125,000,000				125,000,000
Total			705,730,000	580,730,000	125,000,000				705,730,000

END