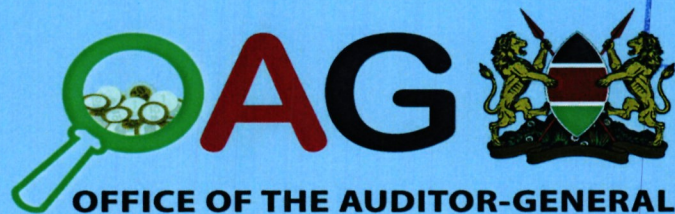


REPUBLIC OF KENYA



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TABLED BY:	<u>LOM</u>
CLERK-AT THE-TABLE:	<u>C. Ndlovu</u>

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA FORESTRY RESEARCH
INSTITUTE**

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2020

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

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KENYA FORESTRY RESEARCH INSTITUTE

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I. KEY INSTITUTE INFORMATION AND MANAGEMENT

a) Background Information

Kenya Forestry Research Institute (KEFRI) is a state Institute established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013. The Institute's mandate is to carry out research in forestry and allied natural resources. It is under Environmental Protection, Water and Natural Resources Budgetary Sector. It has an obligation to generate and promote improved technologies for sustainable management, conservation and development of forests. KEFRI is ISO 14001:2004 certified thus operates in conformity with international standards on Environmental Management Standards (EMS) and relevant national legislations.

i) Our Vision

A world class Centre of Excellence in forestry and allied natural resources research for sustainable development

ii) Our Mission

To conduct research and provide information and technologies for sustainable development of forestry and allied natural resources for Socio-economic development

iii) Our Core Values

- Teamwork
- Healthy Environment
- Professionalism
- Partnership
- Innovation
- Creativity
- Customer focus

iv) Domicile

The Institute is domiciled in Kenya.

v) Principal Activities

The principal activities of the Institute are to conduct research in forestry and allied natural resources, dissemination of research findings and establish partnerships and cooperate with other research organizations and institutions of higher learning in joint research and training.



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Key Management

KEFRI'S day- to- day management is under the following key officers:-

- The Chief Executive Officer (The Director)
- The Senior Deputy Director- Research & Development
- The Senior Deputy Director - Corporate Services
- The Deputy Director –Forestry Research Support Services
- The Deputy Director - Forest Biodiversity and Environment Management
- The Deputy Director -Forest Products Development Research
- The Deputy Director - Social Economics Policy & Governance
- The Deputy Director - Forest Productivity & Improvement
- The Deputy Director -Corporate Affairs & Quality Assurance
- The Deputy Director - Human Resource Management
- The Deputy Director - Administration
- The Deputy Director - Finance
- The Deputy Director – Supply Chain Management
- Chief Internal Auditor – Internal Audit
- Corporation Secretary & Senior Legal Officer

vi) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were: -



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NO	DESIGNATION	NAME	
1.	The Chief Executive Officer	Joshua K. Cheboiwo (PhD)	
2.	The Senior Deputy Director- Research & Development	Dr. Jane W. Njuguna	
3.	The Senior Deputy Director - Corporate Services	Mr. George Otieno	
4.	The Deputy Director –Forestry Research Support Services	Dr. Ebby Chagala - Odera	
5.	The Ag. Deputy Director - Forest Biodiversity and Environment Management	Dr, James Ndufa	
6.	The Deputy Director -Forest Product Development Research	Dr. Joseph Githiomi	
7.	The Deputy Director - Social Economic Policy & Governance	Dr. Joram Kagombe	
8.	The Deputy Director - Forest Productivity & Improvement	Dr. James Kimondo	
9.	The Deputy Director -Corporate Affairs & Quality Assurance	Dr. Jackson M. Mulatya	
10.	The Deputy Director - Human Resource	M/s. Evelyn I. Oroni	
11.	The Deputy Director – Administration	Mr. Fredrick Odhiambo	
12.	The Deputy Director – Finance	M/s Rose B. Osoro	
13.	The Ag. Deputy Director – Supply Chain Management	Mr. Ngeny Kiprotich Tingos	
14.	The Chief Internal Auditor	M/s Karen N. Muka	
15.	The Corporation Secretary & Senior Legal Officer	Mr. Philip M. Kichana	

vii) Fiduciary Oversight Arrangements

KEFRI Board of Directors has established three oversight committees as required by Section 9, of the State Corporations Act, Cap 446, Laws of Kenya which states as follows:

“A State Corporation may establish committees consisting of members of the Board to deal with such matters as the Board may specify and notice of establishment of any committee in accordance with this section whether established before or after the commencement of this Act shall be served on the State Corporations Advisory Committee”.



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viii) KEFRI Headquarters

Off Nairobi/Nakuru Highway – Muguga
P.O. Box 20412 – 00200 Nairobi

ix) KEFRI Contacts

Tel: +254202010651/2
+254722157414
+254714259781/2
+254734251888
Email: director@kefri.org
Website: www.kefri.org

x) KEFRI Bankers

Kenya Commercial Bank Ltd
Sarit Centre Branch
P.O. Box 14959-00800, Nairobi

Co-operative Bank Ltd
Westlands Branch
P.O. Box 66589-00800, Nairobi

Commercial Bank of Africa Ltd
P.O. Box 30437-00100, Nairobi

xi) Independent Auditors

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

xii) Principal Legal Adviser

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



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II. THE BOARD OF DIRECTORS

DIRECTOR NAME & PHOTO	DIRECTOR'S DETAILS
 Dr Sammy C. Letema- Chairman, KEFRI BoD Professional/Academic qualification: Ph.D. Environmental Infrastructure	Date of Birth: 1st January, 1971 Work experience: Over 20 years Key Qualification: Consultant and lecturer Kenyatta university; Chairman of the Department of Environmental Planning and Management, Kenyatta University. He is a Member of Kenya Institute of Planners (KIP), Environmental Institute of Kenya (EIK) and a lead expert in Environmental impact Assessment (EIA). Dr. Letema is widely published in his area of specialization -Independent Director
 Mr. Julius Kamau Director The Chief Conservatoire of Forests (CCF) in the Republic of Kenya	Date of Birth: 20th October, 1975 Work experience: Over 17 years. Key Qualification: A professional forester and conservationist Currently, The Chief Conservatoire of Forests (CCF) in the Republic of Kenya. He also serves as the Deputy Director of the Rhino Ark Kenya Charitable Trust. 2015-2019: Executive Director of the East Africa Wildlife Society (EAWLS): 2012- 2014: He served as the Regional Program Manager at the Embassy of Sweden. 2008-2012: Forest Specialist at the Embassy of Finland from. 2002-2008: Environment & Forest Coordinator at Sotik Tea Companies. Executive Director Member- Research and Development committee.



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 Mr. Kevin Kihara Director Professional/Academic qualification: Master of International Public Policy	Date of Birth: 24th August 1975 Work experience: 22 years Key qualification: Finance & International Development & Accredited Mortgage Professional 2015-to date: Head of Strategy, Performance and market development at Habitat and Housing in Africa (Shelter-Afrique) 2011-2015: General Manager, Business Development at Housing Finance Company of Kenya Ltd 2010-2011: Senior Manager, Innovation and Strategic partnerships at Family Bank Ltd 2009-2010: Relationships Manager at Family Bank Ltd Independent Director Chairman, Research and Development Committee Member, Finance and Administration Committee
 Ms. Maureen Mwangovya Director Professional/Academic qualification: Masters in Project Planning & Management (UoN) BA Economics & Government UoN	Date of Birth: 10th October 1964 Work experience: 17 years Key qualification: Development Programmes Specialist in Strategic Planning, Policy Advocacy, Monitoring and Evaluation, and Management of International Donor Partnerships for sustainable Development. Currently, Ms Mwangovya is a Part-time lecturer at Technical University of Mombasa 2013-2015: Assistant Consultant for Kenya Ferry Services 2009-2012: Chief Executive Officer at Solidarity with Women in Distress (K) 2000-2007: Senior Programme Officer with Plan International Member, Finance and Administration, and Human Resource Committees



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 Dr. Lucy Wambui Ng'ang'a Director Alt. PS Ministry of Environment and Forestry.	Date of Birth: 29th September 1964 Work experience: 30 years in Agricultural and Environmental Management Policy. Key Qualification: Doctor of Philosophy (Ph.D) in Environmental Planning & Management -Kenyatta University (2017). Acting Director Multilateral Environmental Agreements Ministry of Environment and Forestry. Executive Director Member, Research and Development Committee
 Dr. Ali M. Mohamud Mohamed Director Professional/Academic qualification; MBA in Healthcare Management Concordia University, Doctor of Pharmacy (PharmD-USA) Degree.	Date of Birth: 15th June, 1973 Work experience: 15 years Key Qualification: Pharmacist. 2013-To date: President and Chief Executive Officer (CEO) Jambostar Properties Ltd 2010- 2012: International Customer Relations Director (Middle Eastern & Other Asia) Allina Health Care, MN-USA. 2006-2010: Clinical Pharmacist and Mentor's Coordinator -Allina Healthcare, MN-USA. 2004-2005: Teaching Associate University of Minnesota Independent Director Chairman, Human Resource Committee Member, Board Audit Committee



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 Naomi Apali Director Professional/Academic qualification: Land use Planner/Researcher	Date of Birth: 2nd February, 1969 Work experience: 21 years Key Qualification: Professional land use planner, environmentalist, gender consultant, trainer and researcher. Currently, Lecturer at Jaramogi Oginga Odinga University of Science and Technology (JOUST) 2015 -2018: Board Member of the Kenya Forest Service (KFS) 1998-2011: Ministry of Lands, Physical Planning Department, where she rose to the position of Chief Physical Planning Officer. 2011: Member Advisory Committees for Planning of Konza City and Formulation of Integrated Tourism Area Plans. Ms. Apali is a certified professional mediator for the Judiciary. She is a member of Kenya Institute of Planners (KIP), Environmental Institute of Kenya (EIK), the Organization for Social Research in Eastern and Southern Africa (OSSREA) and Soroptimist International (SI). Independent Director Chairperson, Board Audit Committee Member, Research and Development
 Dr. Anthony Njagi Getambu Director Professional/Academic qualification; PhD Entrepreneurship Education- University of Illinois	Date of Birth: 22 March 1951 Work Experience Over 20 years Key Qualification. He is a Business Development Services (BDS) Consultant in entrepreneurship and small business development specializing in Project Management, Value Chain Analysis, BDS Market Assessments and Project Evaluation. 2005- 2012: Team Leader of the World Bank (WB) funded Value Chain Matching Grant Fund under the Ministry of Industrialization. Technical Adviser to the Tanzania Income Generating Skills Project- United Nations Development Programme (UNDP) funded. Served as a Member of the Board of Kenya Tourist Development Corporation (KTDC) and the Kenya Safari Lodges and Hotels (KSLH) 2014 -2015: served as a Member of the Agriculture Fisheries & Food Authority (AFFA) Taskforce He has also served as a member of the Board for Utalii College. Chairman, Finance and Administration Committee Member, Human Resource Committee



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Dr. Roy B. Mugiira (PhD) Director Alt. Director General NACOSTI Professional/Academic qualification; Doctor of Philosophy (PhD) Degree in Molecular Plant Virology	Date of Birth: 25th May 1969 Work experience: Key Qualification: Doctor of Philosophy (PhD) Molecular Plant Virology- Zhejiang University China. Director of Scheduled Sciences at NACOSTI. Previously served as CEO of the National Biosafety Authority (NBA). Member, Research and Development Committee
 Mr. Felix Ateng' Director Alt. CS the National Treasury	Date of Birth: 21 July 1959 Work experience: 30 years Key Qualification: Procurement and Logistics 2014-to date: Director, Government Clearing Agency, Ministry of Transport, Infrastructure Housing and Urban Development 2011-2014: Deputy Director, Government Clearing and Forwarding Agency, Ministry of Finance 2010-2011: Assistant Director, Government Clearing and Forwarding Agency, Ministry of Finance Retired on 17th May 2020
 Dr. Joshua Kiplongi Cheboiwo Accounting Officer/Director KEFRI Professional/Academic qualification: PhD. Environmental Economics	Date of Birth 20th August 1958 Work experience: 34 years Key Qualification: Expertise in socioeconomics, policy and governance research.



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Mr. Philip M. Kichana
Corporation Secretary

ICPSK NO. 1451

Professional/Academic qualification:

CPS, Advocate of High Court of Kenya

Date of birth: 26th July 1971

Key Qualification: Master of Laws degree LL.M (Public International Law) Bachelor of Laws degree (LL.B)
Diploma (Kenya School of Law)
Membership: ICPSK & LSK



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III. THE KEFRI MANAGEMENT TEAM

1. Dr. Joshua K. Cheboiwo Professional/Academic qualification: Ph.D. Environmental Economics.		Director KEFRI
2. Dr. Jane W. Njuguna Professional/Academic qualification: Ph.D – Forest Science		Senior Deputy Director-Research & Development
3. Mr. George Otieno Professional/Academic qualification: MBA – Finance CPA (K) Member of ICPAK and The Institute of Internal Auditors		Senior Deputy Director – Corporate Services
4. Dr. Ebby Chagala-Odera Professional/Academic qualification: Ph.D – Forest Genetics and Tree Breeding		Deputy Director – Forestry Research Support Services (FRSS).



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5. Dr. James Kamiri Ndufa Professional/Academic qualification: Ph.D – Biological Sciences		Ag. Deputy Director – Forest Biodiversity and Environment Management
6. Dr. Joseph Githiomi Professional/Academic qualification: Ph.D – Forestry		Deputy Director – Forest Products Development
7. Dr. Joram Kagombe Professional/Academic qualification: Ph.D – Environmental Studies		Deputy Director – Socio-economics, Policy and Governance
8. Dr. Jackson M. Mulatya Professional/Academic qualification: Ph.D – Tree Ecology and Agroforestry system interactions and management		Deputy Director – Corporate Affairs and Quality Assurance
9. Mrs. Evelyn I. Oroni Professional/Academic qualification: MBA – HRM HND – Human Resource Management		Deputy Director – Human Resource Management



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10. Mr. Fredrick Odhiambo Ochieng Professional/Academic qualification: BA – Public Administration and Sociology HND- in Human Resource		Senior Administrative Officer
11. FCPA Rose B. Osoro Professional/Academic qualification: MBA Strategic Management CPS (CS), FCPA (K) Member of ICPAK No. 4555		Deputy Director- Finance
12. Ngeny Kiprotich Tingos Professional/Academic qualification: BBM – Purchasing and Supplies Management Licensed practitioner in Supply Chain Management KISM No. 62894		Ag Deputy Director - Supply Chain Management
13. Mrs Karen N. Muka Professional/Academic qualification: MBA Finance, CPA (K), CPS (K), CISA. Membership: ICPAK, ISACA & IIA		Chief Internal Auditor
14. Mr. Philip M. Kichana Professional/Academic qualification: CPS, Advocate of High Court of Kenya. Master of Laws degree LL.M (Public International Law). Bachelor of Laws degree LL.B Diploma (Kenya School of Law) Membership: ICPSK & LSK		Corporation Secretary & Senior Legal Officer



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IV CHAIRMAN'S STATEMENT

It is with great pleasure that I submit to you on behalf of the Board of Management, Kenya Forestry Research Institute (KEFRI) Annual Report and Financial Statement for the year ended 30th June, 2020 in accordance with the provisions of Section 28 of the Science and Technology Cap 250 of the Laws of Kenya which has since been repealed by the Science and Technology and Innovation Act of 2013.

The report gives an account of the achievements of the Institute in her core business of research, capacity building and service delivery. I am pleased to report the Institute's performance during the Financial Year and share the achievements made to firmly place KEFRI on the path to excellence. During the period the Board was fully constituted after being appointed as the Chairman of the Board by the Cabinet Secretary, Ministry of Environment & Forestry, Hon. Keriako Tobiko, SC, CBS, on 3rd May 2019 through Kenya Gazette Notice No. 4373. Further to that, the CS appointed 5 (five) Independent Members on 1st June 2019 for a period of three years up to 30th June 2022 to bring their experience in various sectors of the economy to enrich KEFRI. The independent Members joined 5 (five) others who represent the Government's interests through their respective institutions to make the new Board. The Minister inaugurated the Board on 10th July 2019 as the 10th KEFRI Board.

The 10th KEFRI Board of Directors has steered the Institute towards the achievement of its mandate by ensuring systems, work plans and programmes were in place for the achievement of performance targets as outlined in the Institute's Performance Contract and the Institute's Strategic Plan 2018-2022.

During this period, the Board through its duly constituted committees, deliberated on requisite policy matters and performance contracting of Institute's targets for the year under review. The Board Committees includes: - Research and Development Committee which is the anchor committee that mainly deals with forestry research issues; the Finance Committee which deals with finance matters, Human Resource and Administration Committee which deals with human resource and administrative issues; and the Audit Committee which deals with audit and risk management issues.

The Institute has engrained corporate governance as the pivotal institutional framework, through which strategic objectives of the Institute are set, attained and its performance monitored. The Board has wholly embraced corporate governance to direct, control and be held to account by the stakeholders. Governance dictates the *modus operandi* of engagement and interaction between the Board, Management and Regulators for the sustainable benefits to stakeholders. In addition, the Institute has complied with the *Mwongozo; The Code of Governance for State Corporations* that promotes efficient deployment and accountability in the management of public resources. Further the Institute maintained its improved Performance Contracting and maintained *Very Good* status in the evaluation.



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The current Board continued with the implementation of the 6th Strategic Plan (2018-2022) which is aligned to National Government Big Four Agenda, Vision 2030 Flagship Projects and the accelerated achievement of 10% tree cover by 2022 through doubling efforts in tree seed collection, distribution and establishment & maintenance of high quality seed sources. The Strategic Plan aims at diversifying and increasing stakeholders' access to high quality forest products and services including food, feed & fibre and providing quality raw materials for cottage industries, pharmaceuticals and nutraceuticals industries, manufacturing and housing sector and consequently improving livelihood.

In the period under review, though incapacitated by the Covid-19 cessation on movement and lockdown towards the end of quarter 2, the Board oversaw the establishment of 45.5 ha of seed stands, raising planting materials for species that are difficult to propagate and sensitized KEFRI partners and communities for adoption and upscaling of forestry technologies for environmental conservation and livelihood improvement.

The Board oversaw the dissemination of Forestry Technologies to the public through exhibitions, print and electronic media and also by organizing field days.

Funding and resource mobilization has decreased due to budget cuts especially on exchequer development. Only a quarter of the development funds were released to the Institute. On National recurrent expenditure, the Government of Kenya financed over 90% of the Institute's budget. Internally generated funds and resources mobilized from Development partners/Donors, accounted for only 10%. The Board intends to enhance establishment of strategic linkages and partnership to increase its resource mobilization capacity.

In conclusion, I take this opportunity to most sincerely thank the Board of Directors for their steadfast support and for always participating and assisting me in providing overall leadership to the Institute.

The Board is also grateful to the Director and CEO, KEFRI and all staff for their invaluable effort and commitment in serving the Institution and creating value that is evident by the performance that we are celebrating today. I am confident that they will spare no effort to attain and surpass the targets we have set for the new Financial Year 2020-2021.

Dr. Sammy C. Letema

CHAIRMAN - KEFRI BOARD OF DIRECTORS

Date: 16/05/2021



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V. REPORT OF CHIEF EXECUTIVE OFFICER



The Kenya Forestry Research Institute (KEFRI) is a State Corporation which was established in 1986 under the Science and Technology Act (Cap 250), which has since been repealed by the Science, Technology and Innovation Act No.28 of 2013, as a lead agency in carrying out research in forestry for development.

This year was a very successful one for KEFRI despite the challenges presented due to COVID-19 pandemic. The year saw the Institute continue to register remarkable progress towards fulfilling her national mandate. The Institute has four key mandates namely: conducting research in forestry and allied natural resources, dissemination of the information and technologies generated to stakeholders; building capacity of the stakeholders and cooperating with other research organizations and institutions of higher learning in joint research and trainings.

The Forestry sector plays a key role in Kenya's social and economic development and forestry research is a major driver in the whole process. In order to continue fulfilling its mandate, the Institute launched its 6th Strategic Plan during the year under reference. The 5-year Strategic Plan (2018 - 2022) will guide the Institute in its mission to conduct research and provide information and technologies for sustainable development of forestry and allied natural resources for socio-economic development. The Plan is supported by five technical strategic themes; namely: Forest Productivity and Improvement (FPI), Socio-economics, Policy and Governance (SPG), Forest Biodiversity and Environment Management (FBEM), Forest Products Development (FPD), Forestry Research Support Services (FRSS), supported by Corporate Services (CS), and Corporate Affairs and Quality Assurance (CA&QA). The Strategic Plan will facilitate the Institute to achieve its two main goals: to effectively contribute to the national minimum target of 10 percent tree cover; improve livelihoods for communities and households through sustainable forest management. The plan is also the framework to the Government's Big Four Agenda.

Financial Performance

During the financial year 2019/2020, the Institute received **Kshs.1,462,980,997** as recurrent grants and development grant of **Kshs. 92,053,850**. The funds were transferred to the Institute and were fully utilized for the approved projects and activities. The Institute collected **Kshs. 140,314,648** as Internally Generated Revenue and Donor grants amounted to Kshs. **106,851,398**. The Institute's funding has remained stagnant and this has affected the implementation of research activities. Only a quarter of the development funds were released by the exchequer making a huge funding gap in the Institute. Some



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commitments had to be moved to the next financial year as a first charge, affecting the performance of the current year. We are however resilient as we await normalcy after the Covid-19 pandemic.

The Institute continues to expand its linkages and partnerships to improve resource mobilization and technical capacity.

Technical Performance

KEFRI has aligned its strategic focus to include the Big Four Agenda Initiative, Vision 2030 Flagship Project and Sustainable Development Goals through; developing technologies for Rehabilitation of water towers; control of invasive species; production of tree seed species for increased tree cover, food security, health and creation of green jobs; Bamboo conservation and development for raising planting materials for difficult to propagate indigenous tree species for afforestation and industrial use; increased tree seed source acreage to achieve at least 10% tree cover by 2022; and dissemination of forestry technology and information for adoption and up scaling of forestry development.

Human Capital

The Institute has continued to attract, motivate and retain competent human capital in order to ensure efficiency and effectiveness in its service delivery. At KEFRI, we pride in the belief that the employee is the "boss". If you take good care of the employee, then you unleash their great potential to deliver superb performance and excellent customer service.

Forestry Research Institutional Capacity and Infrastructural Improvements

The Institute through its corporate plan of 2018-2022 Strategic Plan Objective Number Six, (Strengthen Institutional Capacity for Research and Development) is keen on increasing its presence and coverage to regions and Counties to adequately address forestry and allied natural resource research gaps and provide forestry technologies to various stakeholders.

During the year under review, the Institute expanded its presence and impact to Laikipia, Narok, Garissa, Wajir and Hola Counties. This was achieved through launching of infrastructural development projects such as construction of a tree nursery house in Rumuruti and Taita Taveta, construction of a bamboo treatment plant in Migori and installation and commissioning of a Fire Hydrant and Water Reticulation System in Marigat.

To enhance security of KEFRI Land, fencing was undertaken in Rumuruti, Kitui, Kibwezi, Tiva and Taita Taveta while improvement of facilities was done at KEFRI Headquarters, Migori, Taita Taveta, Marigat, Londiani and Turkana Centres. These facilities provide office space to over one thousand KEFRI employees and students on attachment and internship as well as meeting rooms, training



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and accommodation facilities which make it possible to conduct research and disseminate research findings to various stakeholders.

In the third and fourth quarters of the financial year 2019/2020, COVID-19 Pandemic affected some of the project timelines due to the requirements to downscale on staff as well as movement restrictions and acquisition of supplies by the contractors. A case in point is the delay in delivery of a fire pump set for the water reticulation project in Marigat as it was being imported from Belgium which was also experiencing the slow-down of operations due to the global impact of the pandemic. We are however keen to complete all the ongoing projects despite the disruption.

Development Partners

In the year under review, the Institute received donor funds from the JICA-Capacity Development Project for Sustainable Forest Management in Kenya (CADEP), National Research Fund (NRF), INBAR, FAO, NORAD, World Bank, European Union and GATSBY International that boosted the Institute's financial and research capacity.

Challenges

In the year under review, the Institute was faced with the following challenges:

- i) Lack of legislative support mechanism such as Forestry Research Policy and Act to guide forestry research in the country.
- ii) Covid -19 Pandemic that disrupted implementation of programmes and unplanned expenditures to combat the pandemic.
- iii) Budget cuts and delays in disbursement of funds from the National Treasury especially towards the end of the year.
- iv) Inadequate policy on institutional and legal framework on forestry research especially in respect to access to gazzeted forest land, experimental plots and seed sources.
- v) Extended ban on logging that has affected research in experimental plots.
- vi) Ban on use of plastic potting tubes hindering the raising of adequate seedlings.
- vii) Changes in weather patterns which affected the raising and planting of seedlings as many regions of the country were hit by floods.

We are committed to the implementation of the Strategic Plan (2018-2022) but are alive to the fact that we have a new normal with Covid-19. Nevertheless, the strategic objectives and focus ensures that we continue engaging in improving our service delivery, providing new and innovative forest technologies and products, enhancing and reengineering our processes and operations and building strategic relations with our stakeholders.



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In conclusion, I would like to thank the Board of Directors for continued strategic direction and oversight, our clientele, for relentless support, our service providers for their continued collaboration and loyalty, and last but not least, dedicated and talented staff, without which our objectives could not have been achieved. I also extend our gratitude to the Government of Kenya, The National Treasury, the Ministry of Environment and Forestry, Development Partners and all other stakeholders for their cooperation and support in accomplishing the Institute's mandate.

A handwritten signature in blue ink, appearing to read 'Joshua K. Cheboiwo', is written over a dotted line.

Joshua K. Cheboiwo (PhD)

DIRECTOR, KEFRI

Date: 16/5/2021



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VI. REVIEW OF KENYA FORESTRY RESEARCH INSTITUTE'S PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

KEFRI has seven (7) strategic pillars and objectives within its Strategic Plan for the FY 2018/19-2022/23. These strategic pillars are as follows;

- Pillar 1: Forest Productivity and Improvement
- Pillar 2: Forest Biodiversity and Environment Management
- Pillar 3: Forest Products Development
- Pillar 4: Socio-Economics, Policy and Governance
- Pillar 5: Forest Research Support Services
- Pillar 6: Corporate Services
- Pillar 7: Corporate Affairs and Quality Assurance

KEFRI develops its annual work plans based on the above 7 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 2019/2020 period for its 7 strategic pillars as indicated in the diagram below;

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Forest Productivity and Improvement	To enhance production of superior germplasm for priority tree species for different agro-ecological zones	No .Kgs of high quality tree seeds collected	Produce 54,000 Kgs of tree seeds from various species from all the eco-regions	38,000 kg of tree seeds were collected from various tree species
		No of tree seed source acreage	Increase tree seed source acreage by 46 ha	27 ha of seed orchards and 19 ha of seed stands were established



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	To generate technologies for establishing and managing forest plantations and trees on-farm	No. of technologies developed	To develop new forestry technologies; and refine ongoing forestry technologies	21 new forestry technologies were established; 4 ongoing technologies were refined
Pillar 2: Forest Biodiversity and Environmental Management	To generate technologies for sustainable forest landscapes, wetland and riparian ecosystems	No. of forestry technologies developed	To develop new forestry technologies for wetland and riparian ecosystems	12 new forestry technologies were developed for sustainable management and conservation of wetland and riparian ecosystems
Pillar 3: Forest Products Development	To develop technologies for efficient processing and utilization of wood and non-wood forest products	No. of new tree products developed	To develop Soap from mangrove leaves; to develop Guava jam	2 new products were developed
		No. of tree products refined	To refine the following products: Lotion from Ximenia seed oil, Animal feed form cactus pods, Soap from sandalwood oil and detergent from <i>Sesbania sesban</i>	4 tree products were refined
		Number of protocols developed	To develop protocols for: Amarula jam and Acacia gum shoe polish	2 protocols were developed
Pillar 4: Socio-economics, Policy and Governance	To formulate policies for improved livelihoods and sustainable forest management	No. of policy documents developed	i. Develop draft KEFRI policy and bill ii. Finalize bamboo policy iii. Finalize commercialization of forestry policy iv. Participate in review of National Forest Policy 2016 v. Participate in review of Forest Conservation and Management Act 2016	1) Development of Participatory Natural Resources Management PNRM training manuals. 2) Ecosystem services Valuation of Mau complex, Cherangany and Mt. Elgon, Kenya Forest Ecosystem 3) Development of protocols for Payment of ecosystem services (PES), Development of framework for tracking timber in Kenya



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Pillar 5: Forest Research Support Services	To disseminate forestry technologies and enhance research capacity	No. of field days carried out	To organize field days to demonstrate forestry technologies for adoption	40 field days were conducted as below: CHERP-8, DERP-7 RVEP-7, CERP-8 NFPRP-4, LVERP-6	4) Economic valuation of woodlots as an investment options in the various region of Kenya
		No. of publications produced	To produce peer reviewed journal papers, technical notes, guidelines and policy briefs	28 publications were developed as below: peer review- 14 technical notes-3 guidelines – 8 policy briefs - 3	
		No. of resource mobilization concepts developed	To develop resource mobilization concepts to fundraise for purposes of research and capacity building of stakeholders to enhance livelihoods	15 resource mobilization concepts were developed and submitted for funding	
		No. of reports	To carry out staff Training Needs Assessment	Training needs assessment was conducted	
Pillar 6: Corporate Services	To strengthen institutional capacity for Research & Development		To execute interventions to address the identified skills gaps and training needs through recruitment, Outsourcing, capacity building/training	Trainings, recruitment and outsourcing were done to address the identified skill gaps	
			To undertake staff performance appraisal	Staff appraisal was done	
		No. of facilities improved	Installation of Water hydrants in Marigat Centre	The installation done	
		No of infrastructural works at the centres	Construction of Ramp in, Taita Taveta , nursery houses in Rumuruti and Migori Centre,	Construction of one(1) ramp, two (2) nursery houses	



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Pillar 7: Corporate Affairs and Quality Assurance			No. of Seed units	Upgrading of seed processing units in Kakamega, Kitui, Nyeri, Maseno and Londiani	Construction of drying beds (4), extraction and storage chambers(5) in the centres
			No of greenhouses constructed	Construction and rehabilitation of Greenhouses/glass houses in Muguga , Maseno, Londiani and Kitui	Constructed three(3) green houses and rehabilitated of one (1) glass house in Kitui
			No. of equipment and vehicles procured	Purchase of lab equipment Purchase of motor vehicles	Procured lab equipment for all eco-region programmes and purchased five (5) motor vehicles
	To enhance communication with stakeholders and publicity of the Institute		No. of publicity activities carried out	Dissemination of forestry technologies through exhibitions, print and electronic media	The following publicity activities were done: ASK shows- 5 Radio talks – 6 TV talks – 2 Choir presentations – 3 Newsletters – 4
			No. of national and international forums participated	To participation in National and International Environmental and Forest forums	Participated in the following forums: - National Tree Planting Day - World Environment Day (WED) - International Day of Forests (IDF) - World Food Day (WFD) - International Union of Forest Organizations (IUFRO)



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VI CORPORATE GOVERNANCE STATEMENT

The KEFRI Board operates under the Science Technology & Innovation Act No. 28 of 2013, the Forest Conservation & Management Act, 2013 and the State Corporations Act, Cap 446 Laws of Kenya. The Board embraces the principles of good governance espoused in Article 10 of the Constitution 2010 which include fostering a culture of integrity, accountability and transparency. The Institute is managed under the oversight of the Board of Directors whose responsibility is to supervise the operations of Management and ensure that the interests of the organization and all its stakeholders are promoted and protected. The Board derives further guidance from Mwongozo: The Code of Governance for State Corporations that came into effect in May 2015. The Board also conforms to Government Circulars and seeks advice from the State Corporations Advisory Committee (SCAC) whenever required. The Board performs its role through its Committees which among other roles, oversee the corporate governance, advise Management in developing financial plans, and determines the strategic direction, goals and objectives as well as evaluating Management's performance in pursuing and achieving those goals.

a) The Board Size, Composition and Independence

The Board of Directors consists of a non-executive Chairman and eleven (11) directors out of which 6 (six) are independent non-executive directors appointed by the Cabinet Secretary in charge of the Ministry of Environment and Forestry. The other six members are appointed by various government ministries and agencies in accordance with the law. The Board Members are of diverse skills and competencies which are essential for efficient and effective decision making.

The non-executive directors are independent of management and have not worked for Government in the last five years. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control framework set by the Board.

b) Board Meetings Held in the Year

The Board normally meets at least once in every quarter or more in accordance to the requirement of the business to be conducted. Furthermore, the Board Work Plan and calendar of meetings is prepared in advance. Adequate notice is given for each Board meeting except Special Board Meetings; the agenda of each meeting and the Board papers are normally circulated in good time.

The table below details Board membership and attendance as per scheduled Board meetings during the year;



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No	Board Member	Designation	Meetings attended	Meetings held	Status
1.	Dr. Sammy Letema	Chairman	65		Independent
2.	Maureen Mwangovya	Chairperson-Audit Committee	54		Independent
3.	Kevin Kihara	Chairman- Finance Committee	33		
4.	Dr. Naomi Apali	Chairman Human Resource and Administration Committee	26		Independent
5.	Dr. Anthony Getambu	Member Finance Committee	28		Independent
6.	Dr. Ali Mohamed	Chair, Research & Development	45		
7.	Dr. Lucy Ng'ang'a	Member Research and Development	9		Alternate
8.	Dr. Roy Mugiira	Member, Research and Development	6		Alternate
9.	Mr. Julius Kamau	Member Research and Development Committee	6		CCF
10.	Mr. Chrislogus Makokha	Finance Committee	30		Alternate
11.	Felix Ateng	Member-Audit and Finance Committee	27		Alternate Treasury
12.	Henry Obino	Member- Finance Committee	29		Alternate-
13.	Mr. Patrick Kariuki	Member Research and development	6		Alternate
14	Dr. Joshua K. Cheboiwo	KEFRI Director			Secretary to the Board
15.	Philip Kichana	Corporation Secretary			

c) Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations. The Committees assist the Board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management.

The Board Committees include: -

i. Research and Development Committee

This Committee offers policy guidelines and strategic direction in forestry research and technologies for sustainable development of forestry and allied natural resources for socio-economic development.



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ii. Finance and Administration Committee

The Committee ensures prudent financial management through reviews of the annual budget and financial reports and ensures availability of adequate resources for the achievement of the organization's objectives. The committee also provides oversight on infrastructural development, repair and maintenance, security services and transport.

iii. Human Resource Committee

The Committee provides strategic inputs on human resources management issues such as recruitment, human resources development and training, promotion, performance management, succession planning and staff welfare.

iv. Audit Committee

The Committee assists in enhancing internal controls and risk management in order to improve efficiency, transparency and accountability; ensures compliance with regulatory framework and ethical guidelines; reviews audit issues raised by Internal and External Auditors; resolve unsettled and outstanding/unimplemented audit issues; enhance communication between Management internal and external audit and fostering effective internal audit function.

d). Roles and Functions of the Board

The Board offers strategic guidance, leadership and control of the Institute by defining the strategic intent of the Institute, its objectives and values; reviews this strategic direction and adopts work plans proposed by Management. With retention of full and effective control over the Institute, the Board monitors Management's implementation of the plans and strategies, ensures ethical behaviour and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures and the Code of Ethics.

The Board evaluates performance of Management against targets and objectives and benchmarks performance of the Institute against best international practices. The Board considers and approves the Institute's overall budget, annual procurement plan and specific proposals for capital expenditure.

Further, it reviews succession planning for the Management team and approves senior executive appointments and their remuneration in accordance with the Salaries & Remuneration Commission (SRC) Guidelines and oversees organisational changes.

The Board Chairman constitutes and reviews composition of Board Committees in accordance with Government Circulars.

The Board and approves reports and performance of each Board Committee. It further approves the quarterly and annual financial statements.



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e). Induction

Upon appointment to the Board, new Directors embark on a detailed programme to familiarize themselves with the Institute's research activities and operating environment. Corporate literature is provided and meetings arranged with senior Management team. Visits to Eco- Regions are also organized. There is also a Board induction that is carried out by the Corporate Section involving all Board members and the KEFRI senior Management team.

f). Continuous Professional Development

During the year, the Directors undertook various training and development programmes to ensure they update their skills and knowledge, as well as keep abreast of the developments in corporate governance.

g). Board Evaluation

The Board conducts an annual evaluation of its Committees and individual members to gauge performance. This is done by the Board itself in accordance with guidelines provided by the State Corporations Advisory Committee (SCAC).

h). Conflict of Interest

Every Director is under a legal obligation to disclose to the Board real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Institute has been observed by the Board. All business transactions with all parties, directors or related parties are carried out at an arms' length. The directors sign a declaration of interest register during every meeting to maintain a written record of their interest or lack of interest as the case may be.

The Directors acknowledge that should it come to the attention of a Director that a matter concerning the Institute may result in a conflict of interest, it obligates the Director to declare the same and exclude oneself from any discussion or decision over the matter in question.



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VII. MANAGEMENT DISCUSSION AND ANALYSIS

a) OPERATIONAL AND FINANCIAL PERFORMANCE

i) Operational Performance

During Financial Year 2019/2020, the Institute implemented various projects and programmes that focused on development of forest technologies, dissemination of research findings to the stakeholders and improved infrastructural facilities. The programmes and projects were mainly funded through government grants, development partners and internally generated funds. Funds from the Government were mostly used for personnel emoluments, capital projects and maintenance services. Donor funds were used for development of research technologies as per partnership agreements. Internally generated funds were used to cater for utility bills within the Institute.

Due to the outbreak of the covid-19 pandemic that covered most of Quarter 2 of the FY, the Institute introduced basic principles to help keep staff and customers safe within the protocols pronounced. KEFRI has implemented the following measures arising from recommendations from the Ministry of Health and continuous guidance from the Office of the President: -

- Enforced regular hand washing with safe water and soap.
- Provide alcohol rub/hand sanitizer or chlorine solution.
- Daily disinfection and cleaning of surfaces.
- Provided water, sanitation and waste management facilities.
- Promoted social distancing by splitting into different work team working alternatively.
- Limited large groups of people coming together e.g. for meetings and travels out of regions.

b) Financial performance

i) Income Trends

Over the years the Institute financial performance has remained relatively unchanged. The following is a summary of the income the Institute has received in the last three financial years:-

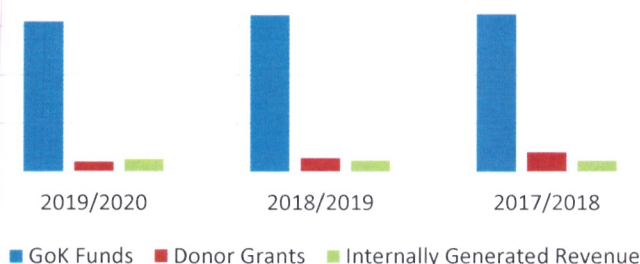
Source of Funds	2019/2020	2018/2019	2017/2018
	Kshs.	Kshs.	Kshs.
GoK Funds	1,555,034,847	1,620,623,377	1,630,743,695
Donor Grants	89,662,908	145,338,285	206,315,381
Internally Generated Revenue	140,314,648	126,177,683	121,685,564



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SOURCE OF FUNDS



ii) Absorption rate

During the year, the Institute absorbed the budgeted and received funds from government grant, donor grant and internally generated revenue at the rate of 99%.

iii) Employee costs

The Institute's management strategy focuses on driving a culture of performance and creating a productive workforce by developing a strong, skilled and proactive team to sustain the organization. As at 30th June 2020 the Institute had 854 employees compared to 910 the previous year. Most of the exits were due to retirement. The employee costs decreased marginally during the year from Kshs 1,178,546,081 to Kshs 1,170,506,714. The decrease was due to increased employees' retirement.

The trend is as shown below:-

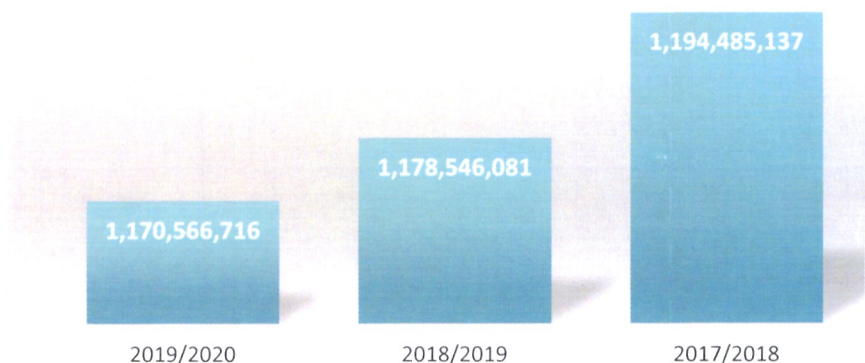
Particulars	2019/2020	2018/2019	2017/2018
No of Permanent Employees	854	910	956
Costs (Kshs.)	1,170,506,714	1,178,546,081	1,194,485,137



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Employee Costs



iv) Operating and Maintenance costs

Operating costs cater for research materials including supplies for production, chemicals and laboratory materials, electricity, water and conservation, telephone, telex and mobile communication expenses, traveling and accommodation, advertising & publicity, training expenses, Insurance of motor vehicles, cost of conference and seminars, clinic drugs and dressings, library expenses, stationery, computers, sanitary and cleaning materials and fuel and lubricants.

Repairs and Maintenance caters for maintenance of laboratory equipment, vehicles, plant and machinery, furniture, offices, roads, minor alterations, computer software, water supplies and sewerage.

This item also catered for the purchase of masks and sanitizers and provision of handwashing facilities to combat Covid-19 Pandemic. These expenses increased from Kshs. 521,214,660 to Kshs. 613,024,565 as a result of increased expenditures occasioned by expenses to combat COVID_19 pandemic.

The trend is as shown below: -

Particulars	2019/2020	2018/2019	2017/2018
Operating and Maintenance Expenses (Kshs.)	613,024,565	521,214,660	583,905,815



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Operating and Maintenance Expenses



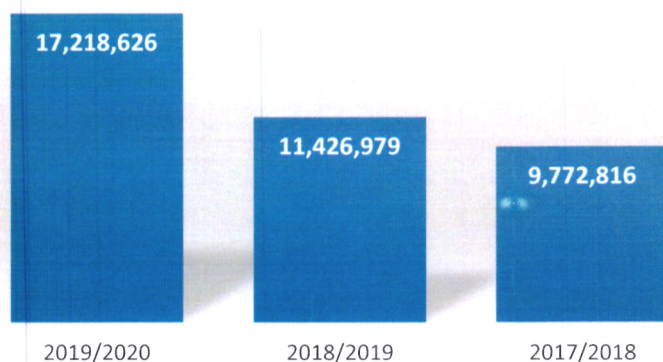
v) Board of Management Expenses

The expenses cater for allowances, meetings expenses and medical insurance. The increase was as a result of the appointment of the full board and increased activities.

The trend is as shown below: -

Particulars	2019/2020	2018/2019	2017/2018
Board of Directors Costs (kshs.)	17,218,626	11,426,979	9,772,816

Board of Directors Costs





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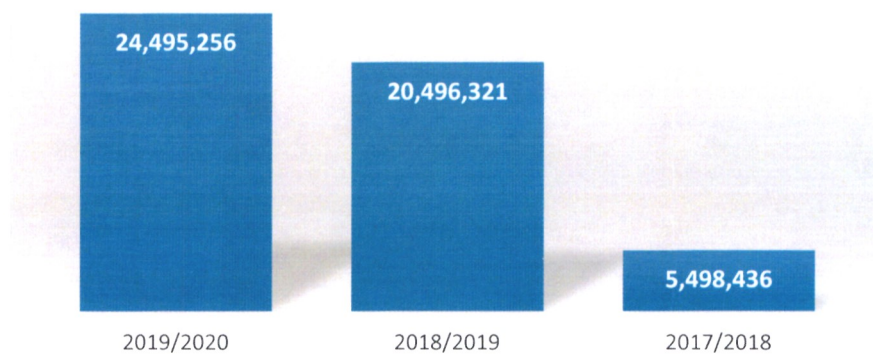
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vi) Sinking Fund

The Institute sets aside a determined amount of money every year from its internal sources to the fund account for the purpose of purchasing and maintenance of capital assets. The cash funds that backup the sinking funds account may be invested to boost the fund with interest earned. The balances of the fund are as follows:-

Period	2019/2020	2018/2019	2017/2018
Sinking Fund (Kshs.)	24,495,256	20,496,321	5,498,436

Transfer to Sinking Fund



vii) Surplus/ (Deficit)

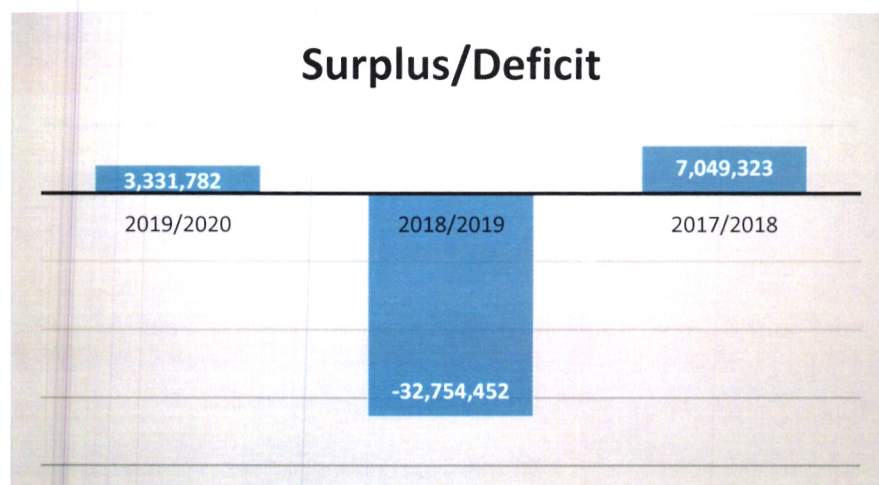
During the year, the Institute had a surplus of Kshs.3,331,782 up from a deficit of 32,754,452. This was as a result of reduced activities due to interruptions caused by Covid-19 Pandemic.

The trend is as shown below: -

Period	2019/2020	2018/2019	2017/2018
Surplus/Deficit	3,331,782	(32,754,452)	7,049,323



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c) Supply Chain Management

Supply Chain facilitates the acquisition of goods and services required to meet the needs of achieving corporate and strategic objectives through the procurement process. The supply chain management targets have been attained using a legal framework and industry best practices. This makes supply chain management a significant cost and value driver in the delivery of the best prices, highest quality, and the best availability of requirements through the development of an agile supply base. The strategic focus is on procurement planning, procurement processing, inventory and asset management, logistics management, disposal, contract management and supplier relationship development.

d) Asset Management

The Institute has continued to make the best use of equipment, machinery, tools, and buildings to maximize value. This has been done through: -

i) Inventory Management:

The Institute has an automated system for maintaining and controlling its inventory. As at 30 June 2020, our asset book value was around Kshs. 6.144 billion down from 6.224 billion from the previous year.

ii) Repairs& maintenance

Activities geared towards restoring assets, equipment and tools to usable condition after damage or wear has been expedited. These activities include service contracts for specialized lab equipment, motor vehicles and minor alterations of buildings and stations.



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iii) Disposal of Assets

Disposal at the Institute is done in full conformity with the Public Procurement and Asset Disposal Act 2015 and Environmental Management Act.

e) Institute's compliance with statutory requirements

The Board has continued to make timely remittance of statutory deductions including; Pay As You Earn, National Hospital Insurance Fund, National Social Security Fund, Higher Education Loans Board and Pension Scheme in order to protect the welfare of its staff in retirement and hospital Insurance and, fully complied with statutory requirements during the year under review.

In addition, the Institute has adhered to the Public Finance Management Act, 2012 (PFM) and related regulations as well as Treasury Circulars issued from time to time.

f) Key projects the Institute is planning/ implementing

The goal of Kenya Forestry Research Institute (KEFRI) is to contribute to achieving the Vision 2030 Flagship Projects in line with MTP III and the Big Four Agenda by developing forest technologies for sustainable development and utilization of forest and allied natural resources to enhance/improve livelihood of communities and provide clean and healthy environment.

The key projects funded by the Government include:-

- i) Development of Forest Research Technologies;
- ii) Construction of Tree seed processing Units;
- iii) Construction Glass Houses at Regional Research Centres;
- iv) Construction of Farmers Resource Centres in Migori and TaitaTaveta;
- v) Installation of water/fire hydrant in Muguga, Marigat and Kitui;
- vi) Development of Tivaon station forest in Kitui ;
- vii) Securing land for forest research in Rumuruti, Narok and Wajir; and
- viii) KEFRI/JICA-Capacity Development Project for Sustainable Management (CADEP) in Kenya for Tree breeding and social forestry management (Counterpart funding)

Institute contributions to the Big Four Agenda are as follows: -

1. Universal Health Care

- i) Provision of clean and increased water flow for human consumption improves health and prevents disease occurrence.
- ii) Recharge of water aquifers with clean water mitigates pollution and reversal filtration of salty waters in our bore holes.
- iii) Contribution to the pharmaceutical industry through medicinal and herbal products



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- iv) Forest mitigates climate change thus reversing the conditions for disease bearing vectors e.g. mosquitoes.
- v) Forest act as wind break thus taming down dust and air drift that would otherwise cause diseases.
- vi) Forests has therapeutic effects on human beings particularly stress reducing effects

2. Food and Nutrition Security

- i) Forests assist in soil formation, soil health, protection, nutrient circulation and nitrogen fixation that improve soil fertility.
- ii) Grazing areas and fodder for animal production.
- iii) Forest food production that include bamboo, *prosopis* and indigenous fruits with high nutritional values.
- iv) Forest increases resilience and acts as safety nets during drought and lean times and substitutes foods for vulnerable groups.
- v) Habitat for bees for honey and bees wax production.
- vi) Habitat for birds, insects and other food crop pollinators.
- vii) Biodiversity conservation improves pest control leading to improved and sustainable farm production.
- viii) Wood energy for preparation and processing of food.
- ix) Agro forestry provides varied goods and services at the farms.
- x) Provision of water for domestic use.

3. Affordable Housing

- i) Forests provide raw materials such as timber, poles, ropes and grass.
- ii) Provision of raw materials including ceiling boards and veneers
- iii) Forest act as a source of red soil
- iv) Mangroves act as a source of building materials
- v) Environmental education to youth and communities on tree growing as sources of raw materials for housing

4. Industrialization, manufacturing and agro-processing

- i) Provision of raw materials for furniture, tools and utensils.
- ii) Provision of raw materials for cosmetics, wood processing, curing and seasoning.
- iii) Provision of employment to youth and women in Small and Medium Enterprises such as soap making, food stabilizers, briquette and Eco-stove.

g) Major risks facing the Institute

The Institute is committed to risk management as an integral part of its corporate governance and operations by developing strategies and systems to minimize risks.

The Institute is committed to:



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- i) Developing a 'risk aware' culture in which people are encouraged to identify risks and respond to them quickly and effectively
- ii) Ensuring our key stakeholders recognize that we manage risks responsibly
- iii) Developing consistent risk management practices
- iv) Organizational growth is cognizant of the inherent risks associated with strategy execution.

Key risks the organization is exposed to: -

i) Financial risk

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Institute's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute does not hedge against any risks.

- **Credit risk** refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Institute. The Credit risk also arises from bank balances, trade receivables and amounts due from related parties.
- **Market risk** is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises two types of risk: currency risk and interest rate risk. The Institute is exposed to market risk as a result of transactions in foreign exchange
- **Liquidity risk** is the risk that the Institute will not be able to meet its financial obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Institute's reputation. The Institute ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

ii) Operational Risk

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the Institute's processes, personnel, technology and infrastructure, external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Institute's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Institute's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the Institute.



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iii) Political/Legislation risk

This affects service delivery due to the uncertainty caused in every election cycle.

Change in Government legislation and policies affects organizations in implementing strategic objectives.

h) Material arrears in statutory/financial obligations

The Institute did not have any material statutory pending obligation as at the end of the financial year.

i) The Institute financial probity and serious governance issues

The Institute did not have any serious governance issues as at the end of the financial year.



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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Sustainability Strategy and Profile

KEFRI has continued to pursue in earnest, research and teaching in emerging forestry technologies. This has necessitated that partnerships and collaborations be forged through research centres and academia. Through continued funding from government KEFRI has managed to achieve the following:-

- i) Rehabilitation of water towers by establishment of 4 hectares (ha) model demonstration plots in Maasai Mau.
- ii) Developed a strategy (1) and two guidelines for control of invasive species.
- iii) Production of tree seed species (38,440kgs of quality seeds) for increased tree cover, food security, health and creation of green jobs.
- iv) Bamboo conservation and development for industrial use, housing and food security through sensitization of stakeholders (open days); commercialization, management and processing of training artisans and constructing a bamboo pilot processing unit in Migori.
- v) Increased tree seed source acreage to achieve at least 10% tree cover by 2022 as per the Presidential directive by establishing 45.5 ha of seed stands and orchards.
- vi) Raising planting materials for difficult to propagate indigenous tree species for afforestation to a tune of No.74, 741 propagates.
- vii) Dissemination of forestry technology and information for adoption and up scaling forestry development through dissemination activities including ASK shows, radio talks, Newsletters, Annual Reports, 34 publications were developed including peer review journals, technical notes, guidelines and policy briefs. Capacity building for KEFRI partners and communities for adoption and upscaling of forestry technologies for environmental conservation and livelihood improvement. 4 MOUs were signed.
- viii) 36 forestry technologies were developed.
- ix) 2 new forest products were developed and 4 refined forest products for quality assurance and linked to SMEs/ Communities for wealth creation.

b) Environmental Performance

The Institute maintains its focus on operational excellence with an emphasis on process improvement, development of operational standards, improved service delivery and quality audits across all functions.



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KEFRI has been certified to two ISO standards namely, ISO 9001 & 14001:2015. Implementation of Environmental and Quality Management Systems as an integrated system kicked off in 2016 July and expired in July 2019 and was recertified in 2020.

For reference and records tracing, KEFRI has developed and maintained all the required documentation. Management commitment to the same is evidenced in the Environment and Quality policy. The key highlights in the policy include:-

- i) The commitment to establish, implement and review quality and environmental objectives on annual basis.
- ii) Satisfaction of customer requirements and compliance with relevant legal and other applicable requirements
- iii) Conduct its activities in a manner that enhances environmental protection and enhance proper waste management strategies

Areas of focus are:

- i) Compliance to Quality Management ISO 9001:2015
- ii) Compliance to Environment Management ISO 14001:2004
- iii) Waste management mechanisms to reduce environmental impacts.
- iv) Safety and Health
- v) Awareness and Training
- vi) Safety Promotions and Campaigns
- vii) Safety and Health Inspections and Audits
- viii) Business Continuity and Disaster Preparedness Planning
- ix) Emergency Preparedness and Response

Employee Welfare

The Institute has continued to attract, motivate and retain competent human capital in order to ensure efficiency and effectiveness in its service delivery. At KEFRI, we pride on the belief that the employee is the "boss". If you take good care of the employee, then you unleash their great potential to deliver superb performance and excellent customer service. KEFRI successfully developed and received approval of its four human resource instruments from State Corporations Advisory Committee (SCAC) namely: Grading and organization structure, Staff establishment, Career Progression Guidelines and Human Resource Management Policies and Procedures Manual.

The Institute made concerted efforts to fill staffing gaps in its staff establishment through appointment of 26 new staff, staff rationalization, training and development, mentorship programmes and engagement of 26 interns. Staff have been motivated through promotions (31 staff) and other awards for very good to excellent performance, job enrichment and through development programmes. During the period, two



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(2) Principal Research Scientists graduated with Doctor of Philosophy bringing the total number of PhD holders to 31 for the Institute while the Institute invested in development programmes of 141 employees. The Institute also enhanced its medical insurance cover for its staff from an annual premium of KES.56M to KES. 76M which translated to enhanced medical benefit package for all employees.

Market place Practices

The Institute ensures that its procurement processes are guided by the PPADA 2015, its Regulations PPADR 2020 and best market practices in sourcing for goods, services and works to meet the strategic objectives and deliver its mandate. The systems in place ensure effective procurement system that is open, accountable, efficient, and transparent and within the Kenyan laws.

The Institute uses performance based specifications to describe its requirements to allow all known and unknown suppliers to compete without any prejudice in terms of preferences and tests, in that any bidders who meet the technical requirements can bid.

Further, the Institute applies the threshold matrixes in choosing the various alternative procurement methods allowable in law. However in most cases, the Institute applies the Open tender method, where an advert is placed in the local dailies, the Institute website & the government portal and any bidder who qualifies is invited to quote.

The Institute enters into contracts with various service providers/contractors upon recommendation of award from the various adhoc evaluation committees and the contracts drafted in line with the applicable legislation and it indicates the deliverables as per the tender documents, the contract duration, dispute resolutions and payment terms.

The Institute ensures that the contracts are fully monitored to ensure quality, adherence to timelines and the payments are made within 60 days from the date of invoicing as per public procurement laws.

Community Engagements

Corporate Social Responsibility (CSR) is a concept in which the management of an organization undertakes an obligation to integrate decisions and actions that will contribute towards the community and benefit the organization. CSR reflects an organization's commitment towards improving the society's wellbeing and it also serves to enhance the organization's image.

Objectives of CSR Activities

- i) To enhance KEFRI's image and services to the public.
- ii) Position KEFRI as a responsible government agency paving the way for a clean and healthy environment.
- iii) Give back to the communities that KEFRI works with.
- iv) To support ongoing government initiatives.



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In line with its vision, mission and core values the Institute focused its CSR activities along initiatives that seek to promote a clean and healthy environment and reach out to the less privileged in society to assist, both in material and non-material ways through the corporate affairs office

i) Tree Planting

In partnership with local communities, schools and other Government Institutions, KEFRI seeks to increase tree cover in the country through tree planting initiatives. The Institute donates seeds and seedlings and technical expertise towards this activity.



The Ministry of Environment and Forestry led its state agencies namely KEFRI, KFS, KWTa, Netfund, NECC and NEMA in planting 10 million seedlings of indigenous species in the Mau in a bid to rehabilitate the Maasai Mau water tower. The seeds were provided by KEFRI.





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KEFRI carried out aerial seeding of 1.8 tonnes of seeds.

Tree Planting in Kaptagat

The activities culminated with tree planting in Kaptagat forest led by CS Keriako Tobiko and joined by various state agencies, representatives of Elgeyo Marakwet and Usain Gishu counties and community members. 105 hectares had been earmarked for restoration and that so far 70 hectares have been planted. The importance of Kaptagat forest is re-enforced as its waters drain into two major lakes, Turkana and Victoria. A total of 18,000 seedlings were planted in the two-day event.

Tree Planting at Karima Hills

KEFRI in partnership with Rural Electrification and Renewable Energy Corporation (REREC) adopted Karima hill as part of their CSR activities and in a bid to achieve 10% tree cover in the country by 2022. The event was attended by the Ps Ms. Betty Maina who represented the CS Ministry of Environment and Forestry during the launch of the campaign which took place at Gatumbiro Primary School and Nyadegwa Secondary school. A total of 200 seedlings were planted.



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Tree planting in Gatumbiro Primary School and Nyadegwa Secondary School

KEFRI joined the world in marking World Wetlands Day on 2nd February 2020 at Enapuiyapui swamp, Kiptunga Forest Nakuru County. The theme of this year's celebrations was "Restoring Wetlands to Better Our Lives". The three-day event kicked off with community sensitization baraza where locals were educated on the importance of conserving and preserving the wetlands by planting the correct tree species. The climax of the event was planting of indigenous bamboo species at the swamp. A total of 2200 bamboo was planted with some trees donated to the local community for planting in their respective homesteads.



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*Tree planting
at Enapuiyapui
Swamp, Kiptunga
Forest*

ii) Charitable Giving

KEFRI donated food stuffs to families affected by floods and Covid-19 in Elgeyo Marakwet



The Director KEFRI donating food stuff to families that were displaced as a result of landslide in Elgeyo Marakwet County.

iii) Provision of health services to staff and their extended families



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The Institute's well equipped clinics manned by trained health officers look after the wellbeing of staff and their extended families. The neighboring communities are also welcome to receive treatment at these facilities. The Institute's health officers also participate in National Government health campaigns

Ms. Catherine Gitonga, KEFRI nurse, administering polio vaccines at Gichuru Dispensary during the five-day polio vaccination campaign in Kiambu County

iv) Participation in charity events

KEFRI also participates in charity events such as marathons and walks to raise funds to help the less fortunate in society. KEFRI participated in the First Lady Beyond Zero Marathon (FLBZM)



KEFRI staff display their medals upon completion of 10 kilometers of the Beyond Zero Nairobi Marathon.

v) Participation in environmental awareness activities

KEFRI joins the rest of the world in marking global environmental days such as World Environment Day, World Food Day and International Day of Forests amongst others.



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KEFRI staff and local community members in the cleanup exercise to a healthy environment

KEFRI Director Dr. Joshua Cheboiwo kicking off the cleaning event at Zambezi.





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vi) Donations to communities

The Institute donated seedlings to the Schools in Taita Taveta for planting in their school compound in for the benefit of the environment club.





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IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2020 which show the state of the Institute's affairs.

Principal activities

The principal activities of the Institute are to conduct research in forestry and allied natural resources, disseminate research findings and establish partnerships and collaborate with research organizations and institutions of higher learning in joint research and trainings as provided in legislation.

Results

The results of the Institute for the year ended 30th June, 2020 are set out on page 1-35.

Directors

The members of the Board of Directors who served during the year are shown on page vii to xi.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June, 2020. The audit for the year ended 30th June, 2020 has not been carried out

By order of the Board.

PHILLIP M. KICHANA
CORPORATION SECRETARY

Date: 16/5/2021



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 and 15 of the State Corporation Act 446, 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 and the operating results of the Institute for the year. 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 ended on 30th June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair 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 judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended 30th June, 2020, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained in the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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



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Approval of the Financial Statements

The Institutes financial statements were approved by the Board on 28/09/2020 and signed on its behalf by:

Dr. Sammy C. Letema

CHAIRMAN- KEFRI BOARD OF DIRECTORS

Date 16/05/2021

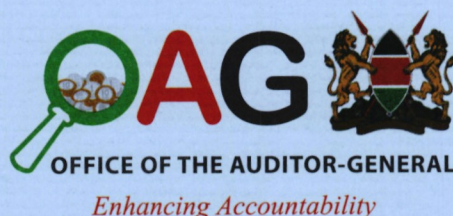
Joshua K. Cheboiwo (PhD)

DIRECTOR - KEFRI

Date 16/05/2021

REPUBLIC OF KENYA

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Forestry Research Institute set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Forestry Research Institute as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Property, Plant and Equipment

As previously reported, the statement of financial position reflects Kshs.5,750,406,850 (2019: Kshs.5,752,762,412) in respect to property, plant and equipment. However, the balance excludes the value of buildings and properties on various parcels of land totalling 2,847 hectares across the country on which the Institute has put up developments. These include parcels of land owned by Kenya Forest Service, Maseno University, Ministry of Agriculture, Kitui, Lamu and Migori County Governments. The balance also excludes the value of its Headquarters which is built on land under the name of the Ministry of Environment and Natural Resources. Further, title deeds for twenty one (21) parcels of land were not provided for audit review.

In addition, the property, plant and equipment includes a balance of Kshs.58,149,496 relating to motor vehicles. However, log books for twenty two (22) motor vehicles were not provided for audit review.

In the circumstances, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.5,750,406,850 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Forestry Research Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

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

Board Expenses

The statement of financial performance reflects Kshs.17,218,626 in respect to Board expenses incurred on payment of sitting allowances and reimbursement of other expenses to Board members. However, as reported in the previous year, the members of the Board of Directors were not issued with appointment letters contrary to the provisions of Section 1.1(11) of the Code of Governance for State Corporations (Mwongozo) which states that each Board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter be issued, and Board members shall signify their acceptance of the appointment in writing.

Consequently, the propriety and legality of the Board expenses balance of Kshs.17,218,626 for the year ended 30 June, 2020 could not be ascertained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Absconding from Duty and Irregular Salary Payments

As previously reported, three officers absconded duty and were irregularly paid salaries amounting to Kshs.2,739,360 in the year 2015/2016. They had been sponsored for overseas training. To date, the Institute has not recovered that money from the concerned officers. Efforts to recover the money through the Ministry of Foreign Affairs have not yielded positive results.

In the circumstances, the situation is indicative of weak internal controls within the Institute and it was not possible to determine whether the Institute have an effective recovery mechanism to ensure that public resources are safeguarded.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Institute 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Institute monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and sustainability of services, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENED 30TH JUNE 2020

	Note	2019-2020 Kshs.	2018-2019 Kshs.
REVENUE			
Revenue from non-exchange transactions:			
Government Grants	3	1,642,248,013	1,480,753,334
External Grant for Research	4	89,662,908	145,338,285
Deferred Income from Donors	5(b)	24,014,149	26,831,046
Revenue from exchange transactions:			
Other Income	6	140,314,648	126,177,683
TOTAL REVENUE		1,896,239,718	1,779,100,348
EXPENSES			
Employee Costs	7	(1,170,506,714)	(1,178,546,081)
Operating Expenses	8	(613,024,565)	(521,214,660)
Board of Directors Expenses	9	(17,218,626)	(11,426,979)
Establishment Cost(Sinking Fund)	10(a)	(4,000,000)	(15,000,000)
Depreciation	5(a)	(84,397,518)	(81,574,755)
Amortization on Intangible Asset	11	(3,109,734)	(3,488,958)
TOTAL EXPENSES		(1,892,257,157)	(1,811,251,434)
OTHER GAINS/(LOSSES)			
Gain on Sale of Fixed Assets	12	-	491,351
Exchange Gain/(Loss)	12(b)	(650,779)	(1,094,717)
		(650,779)	(603,366)
Surplus/(Deficit) for the Year		3,331,782	(32,754,452)



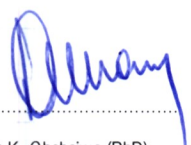
KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020.

		2019-2020 Kshs.	2018-2019 Kshs.
ASSETS	Notes		
CURRENT ASSETS			
Cash and cash equivalents	13	316,838,433	381,133,474
Receivables from ex change transactions			
	14(a)	23,003,847	18,268,486
Receivables from non- ex change transactions			
	14(b)	3,178,600	56,139
Inventories	15	35,194,364	58,466,839
		378,215,244	457,924,938
NON-CURRENT ASSETS			
Property, Plant & Equipment	5(a)	5,750,406,850	5,752,762,412
Intangible Assets	11	12,438,938	13,955,832
		5,762,845,788	5,766,718,244
TOTAL ASSETS		6,141,061,032	6,224,643,182
LIABILITIES			
CURRENT LIABILITIES			
Payables from ex change transactions	16	6,293,886	2,477,771
Auditor General- accrued audit fee	16(c)	513,969	1,320,000
Payables from non-ex change transactions			
	16(d)	8,124,400	8,124,400
Unxpended External Donor Grants	4	157,302,625	139,998,262
Medical Scheme Funds	17	742,883	742,883
		172,977,763	152,663,317
NET ASSETS			
Government Grants for capital assets			
	18(a)	1,043,537,781	1,130,750,947
Deferred Income on Donated Assets	5(b)	535,954,008	559,968,157
Sinking Fund	10(b)	24,495,256	20,496,321
Revaluation Reserves	18(b)	4,467,199,488	4,467,199,488
Revenue Reserves	18(e)	(103,103,264)	(106,435,046)
		5,968,083,269	6,071,979,866
TOTAL NET ASSETS & LIABILITIES		6,141,061,032	6,224,643,182

The Financial Statements set out on pages 1-31 are signed on behalf of the Board of Management by:


 Joshua K. Cheboiwo (PhD)
 DIRECTOR KEFRI


 Mr. G.W. Otieno
 Senior Deputy Director CS
 ICPAK Member Number: 3285


 Dr. Sammy C. Letema
 Chairman: KEFRI Board of Directors
 ICPAK Member Number: _____

Date: 16/05/2021

Date: 16/05/2021

Date: 16/05/2021



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2020

	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2020				
	Deferred Income on Government Grants for Capital Assets	Deferred Income on Donated Assets	Revenue Reserves	Revaluation	Sinking Fund
	Kshs.	Assets Kshs.	Kshs.	Kshs.	Total Kshs.
Balance as at 1st July 2018	990,880,904	586,799,202	(73,418,709)	4,467,199,488	5,976,959,322
Prior period adjustment			(261,885)		(261,885)
As restated	990,880,904	586,799,202	(73,680,594)	4,467,199,488	5,976,697,436
Surplus/(Deficit) for the year	-		(32,754,452)		(32,754,452)
Adjustments	-				-
Transfers from Sinking fund					-
Sinking Fund expenses				(2,115)	(2,115)
Additions during the year	187,000,000			15,000,000	202,000,000
To Income & Expenditure	(47,129,957)				(47,129,957)
Deferred Income for the year		(26,831,046)			(26,831,046)
Balance as at 30th June 2019	1,130,750,947	559,968,157	(106,435,046)	4,467,199,488	6,071,979,866
Balance as at 1st July 2019	1,130,750,947	559,968,157	(106,435,046)	4,467,199,488	6,071,979,866
Prior period adjustment					
As restated	1,130,750,947	559,968,157	(106,435,046)	4,467,199,488	6,071,979,866
Surplus/(Deficit) for the year	-		4,185,884		4,185,884
Adjustments	-				-
Transfers from Sinking fund					-
Sinking Fund expenses				(1,065)	(1,065)
Additions during the year	92,053,850			4,000,000	96,053,850
To Income & Expenditure	(176,863,429)				(176,863,429)
Deferred Income for the year	-	(24,014,149)	-	-	(24,014,149)
Balance as at 30th June 2020	1,045,941,368	535,954,008	(102,249,162)	4,467,199,488	5,971,340,958



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020			
	NOTES	2019-2020 Kshs.	2018-2019 Kshs.
Cash Flows from Operating Activities			
Surplus(Deficit) for the Year		3,331,782	(32,754,452)
Adjustment for:			
Depreciation	5(a)	84,397,518	81,574,755
Amortization for Intangible Asset	11	3,109,734	3,488,958
Deferred Income	5(b)	(24,014,149)	(26,831,046)
KEFRI Surcharge		(310,669)	(244,611)
Commission Income		(217,092)	(217,827)
Adjusted Surplus		66,297,125	25,015,777
Working Capital Changes:			
Decrease (Increase) in Debtors	14	(7,857,822)	(1,973,285)
Decrease (Increase) in Stock	15	23,272,475	5,943,336
Increase (Decrease) in Creditors	16	20,348,047	(62,816,845)
Net Cash from operating activities		35,729,100	(58,846,794)
Cash Flows from Investing Activities:			
Purchase of Assets	5(a)	(82,041,956)	(38,134,966)
Purchase of Intangible	11	(1,592,840)	(866,768)
Establishment Cost(Sinking Fund)	10(a)	(4,000,000)	(15,000,000)
Proceeds from sale of assets	12	-	510,250
Net Cash from Investing activities		(87,634,796)	(53,491,484)
Cash Flows from Financing Activities:			
Development capital grants	3	(87,213,166)	139,870,043
Research Grants Received	4	106,851,398	94,916,928
Transfers/Adjustments		(9,016,884)	80,128,444
Research Grants Paid	4	(89,662,908)	(145,338,285)
Net Cash from Financing activities		(79,041,560)	169,577,129
Net Increase (Decrease) in Cash & Cash Equivalent		(64,650,132)	82,254,629
Opening Cash & Cash Equivalent		381,488,565	299,233,937
Closing Cash & Cash Equivalent		316,838,433	381,488,565
Cash & Cash Equivalent			
Bank balance	13(a)	316,838,433	381,133,474
Receivables from non- exchange transactions(staff debtors)	14(b)		
Travelling Imprest		41,100	-
Station/Special Imprest		3,131,500	30,000
Salary Advance		6,000	26,139
Closing Cash & Cash Equivalent		320,017,033	381,189,613



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020						
	Notes	Original budget	Adjustments/S supplementary	Full budget	Actual on Comparable	Budget Vs Actual %
		2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	
Revenue						
Recurrent Grants	3	1,462,980,997	-	1,462,980,997	1,462,980,997	57
Development Grants	3	213,600,000	-	213,600,000	92,053,850	2
Research Grants	4	91,000,000	-	91,000,000	89,629,308	0
Deferred Income from donors	5b	24,100,000	-	24,100,000	24,014,149	0
Other Income	6	100,000,000	39,000,000	139,000,000	140,314,648	(1)
Total Income		1,891,680,997	39,000,000	1,930,680,997	1,808,992,953	6
Development Grants: Income Recognised		35,000,000	-	35,000,000	84,809,579	0
NET TOTAL INCOME		1,976,680,997	39,000,000	2,015,680,997	1,893,802,531	
Expenses						
Employees Costs	7	1,247,510,000	(20,000,000)	1,227,510,000	1,170,506,714	5
Operation Expenses	8	610,150,000	-	610,150,000	613,024,565	0
Board Expenses	9	16,500,000	1,000,000	17,500,000	17,218,626	2
Establishment Cost(Sinking Fund)	10	14,000,000	(10,000,000)	4,000,000	4,000,000	-
Depreciation	5a	34,400,000	-	34,400,000	84,397,518	0
Amortization Expenses	11	3,110,200	-	3,110,200	3,109,734	0
Total Expenditure		1,975,670,200	(29,000,000)	1,946,670,200	1,892,257,157	
Other Gains/(Losses)						
Exchange Gain/(Loss)	12b	(650,000)	-	(650,000)	(650,779)	-
Surplus/(Deficit) for the period		(650,000)	-	(650,000)	(650,779)	
without capital assets		360,797	68,000,000	68,360,797	894,595	
Capital Expenditure		40,150,000	-	40,150,000	38,134,966	5
Notes.						
1. GoK : Development Grant						
Budget Estimates						Kshs
Less: Received from Exchequer						213,600,000
Not Received from Exchequer						(92,053,850)
2. Budget adjustment was done during internal reallocation of funds						121,546,150
3. Capital Expenditure comprises of funds from operating balance and other development partners funded projects						



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTE 1: GENERAL INFORMATION

a. Incorporation

Kenya Forestry Research Institute (KEFRI) is a state Institute established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Forestry Research.

b. Statement of compliance and basis of preparation - IPSAS 1

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 judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.(r.i)&ii) .

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

c. Adoption of new and revised standards

i. Relevant new standards and amendments to published standards effective for the year ended 30th June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard is not relevant to the Institute

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard is not relevant to the Institute
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

Standard	Effective date and impact:
	information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The standard is not relevant to the Institute
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the Institute has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements. The Financial Statements have therefore been prepared in accordance with the Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS)

(b) Property, Plant and Equipment- IPSAS 17

- i) All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Institute recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.
- ii) The Institute undertakes revaluation of its property (land, buildings and heavy machines including heavy vehicles) after every five years per category of property, plant and equipment subject to funds availability.
- iii) Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The annual rates in use are:

Assets	Rate
Land	-
/Buildings	2 ½%
Boreholes, Water Equipment & Plant	12 ½%
Loose Tools	12 ½%
Telephone Equipment, Apparatus & Instruments	12 ½%
Furniture and Fittings	12 ½%
Bicycles	12 ½%
Heavy Vehicles and Tractors	37 ½%
Motorcars and Mortocycles	25%
Computer, Photocopiers, Fax Machines, Calculators and IT Equipment	33 1/3%
Medical & Dental Equipment	12 ½%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

iii) Donated Assets - IPSAS 23

Donated Assets are deferred as income and recognized as such annually over their useful lives on a reducing balance method. This is as stipulated by IPSAS 23 for non-exchange revenue. Their useful lives are listed below: -



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Years
Assets	
Buildings	40
Water Equipment & Plants	8
Loose Tools	8
Telephone Equipment	8
Lab Equipment Apparatus & Electronics	8
Furniture & Fittings	8
Bicycles	8
Heavy Vehicles and Tractors	2.67
	4
Motorcars and Motorcycles	
Computer, Photocopiers, Fax Machines, Calculators	3
Medical & Dental Equipment	8

(c) i) Intangible Assets - IPSAS 31

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

Amortization is calculated on the reducing balance basis at the rate of 20% over the expected useful life of the intangible assets

ii) Research and Development costs

The Institute expenses research costs as incurred.

Development costs on an individual project are recognized as intangible assets when the Institute 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.



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(d) Income Recognition - IPSAS 23

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 Institute and can be measured reliably.

i) Grants from the Kenya Government are recognized when received. Development Grants received for specific purposes are treated as capital grants and credited to the statement of financial performance when the activities for which they were provided for have been undertaken. The development grants that are capital in nature are treated as deferred income and recognized as income annually over their useful lives on a reducing balance method. The development grants which are meant for research are expensed within the year received.

ii) Donor/ Projects Grants are treated as deferred income and credited to Income & Expenditure Account to the extent they have been spent, otherwise the unused balance is carried forward as unexpended grants.

iii) **Interest income** Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

The Institute's financial risk management objectives and policies are detailed below: -

i) Credit and market risk management

The Institute has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute's management based on prior experience and their assessment of the current economic environment.

e) Inventories - IPSAS 12

i) Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute.

ii) The Institute's Forests Plantations, are for research purposes (experiments) and not for commercial use. The change in forest plantations within the year is taken as cost of sale and netted to the expense account on purchase of research materials, specifically supplies for production.

iii) Seed & Seedlings

The change in the seed and seedlings within the year is taken as cost of sale and netted to the expense account on purchase of research materials, specifically supplies for production. .

(f) Employees Benefit Obligation: IPSAS 25

Retirement benefit plans

i) The Institute operates a defined contribution Retirement Benefit Scheme for all its employees on permanent and pensionable terms. The assets of the scheme are held in a separate trustee fund which is administered by the scheme's trustees. It is funded by contributions from both the Institute (sponsor) and employees. The Institute will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

ii) The Institute has a Medical Insurance cover for its employees.

(g) Taxation

The Institute is established in Kenya under the Science & Technology Act, Cap.250 and is exempt from the corporation tax.

(h) Foreign Currency Transaction

Transactions in foreign currencies during the year are converted into the functional currency i.e. Kshs using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions are recognized as such in the year of transactions.

i) Receivables

Receivables are recognized initially at fair value. A provision for impairment/Doubtful Debts is recognized in the comprehensive income statement in the year in which the recovery of the amount due as per original terms is doubtful. The provision is provided by identifying individual debtors who are likely to go bad given the age of the debt. Debtors who have been outstanding for more than one year are provided for 100% otherwise written off. Recoveries after write offs are recognized as incomes during the year received. Inter-departmental debts outstanding at the end of the financial year are all written off at the end of each year.

(j) Trade payables

Trade payables are not interest bearing and are stated at their fair value.

(k) Currency

The financial statements are presented in Kenya Shillings which is the functional and reporting currency of the Institute and all values are rounded to the nearest Shilling.

(l) Cash and Cash Equivalent

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers which were not surrendered or accounted for at the end of the financial year.

m) Financial risk management objectives: IPSAS 30

The Institute Funds' activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Institute's financial risk management objectives and policies are detailed below: -

i) Credit and market risk management

The Institute has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute's management based on prior experience and their assessment of the current economic environment.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Institute has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

The Institute has significant concentration of credit risk on amounts due from Receivables from exchange transactions. The board of directors sets the Institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Institute's reputation. The Institute ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the board of Management. All capital expenditures are funded by general reserves, grants from Government and our development partners.

The table below provides a contractual maturity analysis of the Institute's financial liabilities:

At 30 June 2020 Financial liabilities	2019-2020		2018-2019	
	1-6 months	6-12 months	1-6 months	
Trade payables	2,097,962	4,195,924	825,924	1,651,847
Auditor General- accrued audit fee	660,000	660,000	660,000	660,000
Payables from non-exchange	-	8,124,400	-	8,124,400
Unxpended External Donor Grants	-	157,302,625	-	139,998,262
Medical Scheme Funds	-	742,883	-	742,883
	2,757,962	171,025,832	1,485,924	151,177,393

iii) Market risk

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



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	2019-2020		2018-2019
	Fully performing	Past due	Fully performing
Cash at banks	316,838,433	-	381,133,474
Receivables from exchange	7,667,949	15,335,898	6,089,495
Receivables from non-exchange	1,059,533	23,462,909	18,713
Total	325,565,915	38,798,807	387,241,683

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Institute's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Institute's Internal Audit and Finance Departments are responsible for the development of detailed risk management policies (subject to review and approval by Board Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the Institute's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Institute has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Institute's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Euro - rate Ksh.117.80	Dollar- rate Ksh.106.54
At 30 June 2020			
Financial assets - cash	2,017,650	1,236	17,571



KENYA FORESTRY RESEARCH INSTITUTE

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The Institute manages foreign exchange risk from future commercial transactions and recognizes assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

At 30 June 2019	Ksh	Euro - rate Ksh.116.40	Dollar- rate Ksh.102.39
Financial assets - cash	3,852,768	579	36,970

b) Interest rate risk

Interest rate risk is the risk that the Institute's financial condition may be adversely affected as a result of changes in interest rate levels. The Institute's interest rate risk arises from bank deposits. This

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

exposes the Institute to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Institute's deposits.

Management of interest rate risk

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

Fair value of financial assets and liabilities

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Institute's capital risk management is to safeguard the Board's ability to continue as a going concern. The Institute capital structure comprises of the following funds:

	2019-2020 Kshs.	2018-2019 Kshs.
Revaluation reserve	4,467,199,488	4,467,199,488
Retained earnings	(103,103,264)	(106,435,046)
Capital reserve	1,603,987,045	1,711,215,425
Total funds	5,968,083,269	6,071,979,866



KENYA FORESTRY RESEARCH INSTITUTE

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

o) Impairment of cash-generating assets - IPSAS 26

An impairment loss of cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss shall be recognized immediately in surplus or deficit of the year and all other treatments shall be as permitted by the IPSAS.

p) Impairment of non-cash-generating assets - IPSAS 21

An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable serviceable amount. An impairment loss shall be recognized immediately in surplus or deficit the year and all other treatments shall be as permitted by the IPSAS.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Budget information: IPSAS 24

The original budget for FY 2017-2018 was approved by the Board of Directors on 4th August 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.



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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

(r) Significant judgments and sources of estimation uncertainty: IPSAS 1

The preparation of the Institute's financial statements in conformity with IPSAS 1 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

i) Judgments

In the process of applying the Institute's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Estimates and assumptions

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

Useful lives and residual values

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

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



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s) Comparative figures

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

t) Provisions: IPSAS 19

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

Where the Institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Contingent liabilities

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

(ii) Contingent assets

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

u) Subsequent events: IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended **June 30, 2020**.

v). Ultimate and holding entity



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The Institute is a state corporation under the Ministry of Environment and Forestry. Its ultimate parent is the government of Kenya

w). Sinking Fund

The Institute management shall establish a Sinking Fund Account for the replacement of worn out fixed asset in future. The amount to be contributed every year for this purpose shall be determined by the availability of funds.

x) Financial instruments: IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments:

Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition.



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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Institute has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- i) The debtors are experiencing significant financial difficulty
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition. All financial liabilities *are recognized initially at* fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.



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NOTES TO THE FINANCIAL STATEMENTS

		2019-2020	2018-2019
NOTE 3: GOVERNMENT GRANTS RECEIVED		Kshs.	Kshs.
Recurrent Grants		1,462,980,997	1,433,623,377
Development Grants		92,053,850	187,000,000
Totals		1,555,034,847	1,620,623,377
(b) Recognised Income			
Recurrent : Income & Expenditure		1,462,980,997	1,433,623,377
Development Grants: Income Recognised		179,267,016	47,129,957
To Income & Expenditure		1,642,248,013	1,480,753,334
Deferred Income -GoK Development Grants for capital assets		(87,213,166)	139,870,043
Totals		1,555,034,847	1,620,623,377



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: EXTERNAL DONOR GRANTS FOR RESEARCH 2019-2020

	KENYA														
	Various Projects (KSHS)	Water				KENYA Water Towers				KENYA Water Towers					
		US DOLLAR EURO A/C (KSHS)	MSB-UPP (KSHS)	ITK/IIED-GEDE (KSHS)	ITK/IIED-PROJECT A/C-HQTS (KSHS)	BAMBOO PROJECT (KSHS)	GIZ PROJECT LODWAR (KSHS)	KEFRI/REGIONAL TRAINING (KSHS)	TOWERS PROJECT HQTS (KSHS)	ADAPTATION FUND PROJECT (KSHS)	KENYA Water Towers PROJECT LONDIANI (KSHS)	NAS PEER PROJECT (KSHS)	TOWERS PROJECT MASENO (KSHS)	TOTAL (KSHS)	
Balance b/f July 2019	24,581,950	1,704,634	67,387	535,053	4,390	169,278	20,965	5,581	101,004	86,203,434	24,777,240	1,739,292	5,574	2,481	139,998,262
Adjustment						(31,894)									(31,894)
Received during the Year	73,647,492	2,206,649	22,147,048				-	3,490,597	866,793		4,492,819				106,851,398
Refund to the Donor															-
Inter account transfers	(1,287,760)					1,287,760									-
Transfer from Dollar A/C	2,187,920	(2,187,920)													-
Transfer from Euro A/C	2,569,905	-	(21,341,317)	-	-	1,435,762	17,335,650	-							(0)
Available during the Year	101,699,507	1,803,363	873,118	535,053	4,390	2,860,906	17,356,615	3,496,178	967,797	86,203,434	29,270,059	1,739,292	5,574	2,481	246,817,766
Spent during the Year	(57,982,383)	(79,070)	(727,530)	(4,680)	(4,320)	(2,199,855)	(8,540,259)	(3,493,614)	(785,903)	(1,065)	(15,838,239)	(1,191)	(4,800)	-	(89,662,908)
Adjustment-Exchange gain	-	147,767	-	-	-	-	-	-	-	-	-	-	-	-	147,767
Balance c/f as at 30 June 2020	43,717,124	1,872,060	145,588	530,373	70	661,051	8,816,356	2,564	181,894	86,202,369	13,431,820	1,738,101	774	2,481	157,302,625



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 5(a): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2019

(a) Depreciation

ACCOUNT	3130101	3110201	3110502	3111113	3111004	3111107	3110901	3110704	3110705	3110701	1310	3111101	3110209	TOTAL
COST VALUATION	LAND	BUILDINGS	WATER EQUIP & PLANTS	LOOSE TOOLS	TELEPHONE EQUIP	LAB. EQUIP APPARATUS & ELECT. EQUIP.	FURNITURE AND FITTINGS	BICYCLES	HEAVY VEHICLE AND TRACTORS	MOTOR CARS & CYCLES	COMPUTERS OFFICE AND ICT EQUIPMENT	MEDICAL & DENTAL EQUIP.	WORK-IN-PROGRESS	
(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2018	4,123,385,000	1,944,347,974	64,975,522	4,528,691	8,887,298	334,539,850	106,834,392	177,430	39,401,147	289,055,453	211,491,577	36,317	24,661,630	7,152,322,282
Adjustment						85,000	(85,000)							
Acquisition during the Year	-	2,040,388	1,772,916			13,919,504	1,550,066			101,940	5,064,507		13,685,645	38,134,965
Donated Assets														
Elimination on revaluation														
Transfer to completed buildings														
Revaluation														
Disposal during the Year										(1,162,969)				(1,162,969)
As at 30th June 2019	4,123,385,000	1,946,388,362	66,748,438	4,528,691	8,887,298	348,544,354	108,299,458	177,430	39,401,147	287,994,424	216,556,084	36,317	38,347,275	7,189,294,278
Depreciation														
As at 1st July 2018	-	530,450,962	41,339,517	3,582,439	6,528,122	235,541,182	88,766,823	168,469	39,198,253	226,515,580	183,981,687	28,141		1,356,101,181
Disposal										(1,144,070)				(1,144,070)
Adjustment						10,625	(10,625)							
Elimination on revaluation														
Charge for the Year	-	35,398,435	3,176,115	18,282	294,897	14,125,397	2,441,579	1,120	76,083	15,083,663	10,858,132	1,022		81,574,755
As at 30th June 2019	-	565,849,397	44,515,632	3,700,721	6,823,019	249,677,204	91,197,777	169,590	39,274,342	240,455,204	194,839,820	29,163		1,436,531,867
Net Book Value														
As at 30th June 2019	4,123,385,000	1,380,538,965	22,232,806	827,971	2,064,279	98,867,151	17,101,680	7,840	126,805	47,539,220	21,716,264	7,154	38,347,275	5,752,762,412
As at 30th June 2018	4,123,385,000	1,413,897,012	23,636,005	946,252	2,359,176	98,998,663	18,067,569	8,961	202,889	62,539,873	27,509,890	8,176	24,661,630	5,796,221,100

5(b): Deferred Income Schedule on Donated Assets (See Note 18 (a) (ii)

Donated Assets	As at 1st July 2018	Additions	Disposal	Deferred Income	To Income & expenditure for the year	As at 30th June 2019
As at 1st July 2018	493,006,696	5,334,313	25,743	60,774	63,575,989	2,534,772
As at 1st July 2018	493,006,696	5,334,313	25,743	60,774	63,575,989	2,534,772
Deferred Income						
To Income & expenditure for the year						
As at 30th June 2019	480,681,529	4,667,524	22,525	53,177	55,628,990	2,217,926



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2020

NOTE 5(a): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2020

(a) Depreciation

ACCOUNT	3130101 LAND	310201 BUILDINGS	3110113 LOOSE TOOLS	3110104 TELEPHONE EQUIP	3111107 LAB EQUIP & ELECT. EQUIP	3110901 FURNITURE AND FITTINGS	3110704 BICYCLES	3110705 HEAVY VEHICLE AND TRACTORS	3110701 MOTOR CARS & CYCLES	1310 COMPUTERS OFFICE AND ICT EQUIPMENT	3111101 MEDICAL & DENTAL EQUIP.	3110209 WORK-IN- PROGRESS	TOTAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2019	4,123,385,000	1,946,386,362	56,148,438	4,528,691	8,887,296	348,544,354	108,299,458	39,401,147	287,994,424	216,556,084	36,317	38,347,275	7,189,294,278
Adjustment													
Acquisition during the Year													
Donated Assets		7,103,331	2,389,217	205,000	30,600	11,775,497	2,081,130		29,993,441	9,343,004		19,120,736	92,041,956
Elimination on revaluation		8,954,512										(8,954,512)	
Transfer to completed buildings													
Revaluation													
Disposal during the Year													
As at 30th June 2020	4,123,385,000	1,962,446,205	59,137,655	4,733,691	8,917,898	360,319,851	110,380,588	39,401,147	317,987,865	225,899,088	36,317	48,513,499	7,271,336,234
Depreciation													
As at 1st July 2019		965,849,397	44,515,632	3,700,721	6,823,019	246,677,204	31,197,777	169,590	240,455,204	194,839,820	29,163		1,436,531,867
Disposal													
Adjustment													
Elimination on revaluation													
Charge for the Year	34,914,920	3,077,753	29,121	261,860	13,830,331	2,297,851	980	47,552	9,383,195	10,353,069	884		84,397,518
As at 30th June 2020	500,764,317	47,593,385	3,829,842	7,084,879	263,507,535	33,595,629	170,570	38,321,894	259,838,369	205,192,909	30,057		1,520,929,384
Net Book Value													
As at 30th June 2020	4,123,385,000	1,361,681,888	21,344,270	1,833,019	96,812,317	16,784,959	6,860	79,253	58,149,496	20,706,179	6,260	48,513,499	5,750,406,850
As at 30th June 2019	4,123,385,000	1,380,538,965	22,232,806	827,971	98,867,151	17,101,680	7,840	126,805	47,539,220	21,716,264	7,154	38,347,275	5,752,762,412

5(b): Deferred Income Schedule on Donated Assets (See Note 18 (a) (ii))

Donated Assets													
As at 1st July 2019		480,681,529	4,667,524	53,177	55,628,990	2,217,926	8,042	746	16,686,092	1,607			559,968,156
Additions													
Disposal													
Deferred Income													
To income & expenditure for the year		480,681,529	4,667,524	53,177	55,628,990	2,217,926	8,042	746	16,686,092	1,607			559,968,156
As at 30th June 2019		12,017,038	583,140	6,547	6,963,624	277,241	1,005	279	4,171,523	536			24,014,149
		468,664,491	4,084,083	19,709	46,530	1,940,685	7,036	466	12,514,569	1,071			335,954,008

	2019-2020	2018-2019	
Work-in - Progress	Kshs.	Kshs.	
Balance b/fwd	38,347,275	24,661,630	
Transfer to finished buildings	(8,954,512)		
	29,392,763		
Add: additions within the year-			
Work-in-Progress Tiva Management	5,524,529	273,881	
Work-in-Progress-Lamu	1,309,236	778,360	
Marigat	4,803,847		
Gariisa perimeter wall	674,599		
Maseno glass houses	401,300	1,509,461	
Taita Taveta	636,362		
Work-in - Progress- Green Houses Muguga		4,050,330	
Rumuti	2,331,159	7,073,613	
Work-in - Progress-Mogot	2,698,704		
Total for the year	19,120,736	13,665,645	
Balance c/fwd	48,513,499	38,347,275	



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NOTES TO THE FINANCIAL STATEMENTS (Continued)				
	Notes		2019-2020	2018-2019
NOTE 6(a): OTHER INCOME			Kshs.	Kshs.
Sale of Forestry Produce	6(b)		93,865,898	63,370,929
Other Income/Tenders and Hire of Grounds			846,370	771,021
Nominal Income (Rent, Water & Electricity)			7,971,198	4,941,637
Surcharges			310,669	244,611
Commission Income			217,092	217,827
Bus Charges (Income)			920,272	784,358
Hire of KEFRI Facilities	6(c)		31,642,396	43,751,722
Lab Analysis	6(d)		2,509,125	2,782,655
Clinic Revenue			1,996,969	1,292,750
Sale of Stores			34,660	45,869
Insurance Compensation			-	82,150
Pension Refund			-	7,892,154
Totals			140,314,648	126,177,683
NOTE 6(b): ANALYSIS OF FOREST PRODUCE INCOME				
Sale of Forestry Produce			2,080,441	2,988,885
Sale of Seeds			51,793,704	21,240,233
Karura Revenue			5,302,660	4,996,984
Londiani Income			2,524,315	747,855
Gede Income			958,095	1,061,432
Turbo Income			611,285	1,000,080
Kibwezi Income			401,135	810,350
Kakamega Revenue			403,520	224,480
Nyeri Income			1,389,554	826,639
Lodwar Revenue			7,805,847	11,075,900
Marigat Revenue			11,529,197	12,173,760
Kuja River Revenue			50,600	101,190
Ramogi Revenue			51,080	56,230
Garissa Revenue			113,150	23,700
Migori Revenue			340,310	462,320
Lamu Revenue			8,308,735	5,484,131
Taita Taveta Revenue			202,270	96,760
Total			93,865,898	63,370,929
NOTE 6(c): HIRE OF TRAINING FACILITIES				
Hire of Training Facilities - Training[Muguga]			1,765,069	1,925,200
Kitui Revenue			19,679,469	20,645,107
KEFRI House Income			10,197,857	21,181,415
Total			31,642,396	43,751,722
NOTE 6(d): LAB ANALYSIS				
Muguga Laboratory Revenue			343,500	173,730
Maseno Revenue			2,165,625	2,608,925
Total			2,509,125	2,782,655



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NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2019-2020	2018-2019
NOTE 7: EMPLOYEE COSTS	Notes	Kshs.	Kshs.
Salaries and Wages	7(b)	718,039,766	734,585,106
Gratuity Costs		8,983,267	10,512,764
Staff Pension Cost/Administration	7(c)	128,595,288	131,448,791
House Allowances		134,512,498	136,874,838
Medical Allowance N/A		24,300	34,014
Other Personal Allowances	7(d)	86,878,079	91,494,923
Staff Medical Costs (In-Patient)		517,479	1,386,796
Refund of Medical Expenses - Exgratia		118,000	-
Leave & Passage Expenses		4,987,333	5,222,000
Transfer Expenses		5,308,593	5,026,899
Group Life Insurance Premium		2,828,440	2,300,117
Group Personal Accident		704,560	1,387,359
Group Personal Accident Premium- Casuals		114,007	500,274
Medical Insurance Cover for Staff		78,895,104	57,772,200
Total		1,170,506,714	1,178,546,081
NOTE 7(b): SALARIES & WAGES			Kshs.
Basic Salaries		677,224,935	682,739,219
Contractual Employee		4,291,072	5,370,258
Casual Labour		36,523,759	46,475,629
Total		718,039,766	734,585,106
The number of employees as at the		854	910
NOTE 7(c): STAFF PENSION COST			
Pension Employer Cost		127,894,123	130,845,891
Insurance Cover for Pension Trustees		128,154	-
NSSF Employer		573,011	602,900
Total		128,595,288	131,448,791
NOTE 7(d): OTHER ALLOWANCES		Kshs.	Kshs.
Honoraria		-	780,800
Acting Allowance		1,406,810	1,198,713
Hardship Allowance		6,792,483	6,705,741
Special Duty Allowance		216,933	557,182
Incentive Allowance		3,589,217	6,668,339
Entertainment Allowance		5,239,304	5,207,658
Responsibility Allowance		9,687,990	8,924,819
Other Allowances		7,068,990	7,129,420
Risk Allowances		2,698,695	2,656,985
Commuter Allowance		50,177,657	51,665,266
Total		86,878,079	91,494,923



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NOTES TO THE FINANCIAL STATEMENTS (Continued)			
NOTE 8: OPERATING EXPENSES		2019-2020	2018-2019
	Notes	Kshs.	Kshs.
Electricity Expenses		18,460,115	20,077,782
Water & Conservancy		2,926,002	2,936,645
Telephone, Telex & Mobile Phone		3,164,898	2,435,766
Internet Costs		7,000,520	11,762,026
Postal Courier & Telegrams		997,982	983,769
Travelling & Accommodation Expenses		172,516,694	155,269,157
External Travelling Costs		7,295,487	6,476,050
Printing & Publishing		3,731,619	5,209,449
Subscription, Newspapers & Periodicals		1,820,525	1,185,128
Advertising & Publicity		10,667,105	9,128,731
Trade Show and Exhibitions		4,987,019	3,339,180
Training Expenses and Attachment fee		3,634,291	8,723,046
Cost of Conference & Seminars		8,000	101,440
Purchase of Coffin		240,000	96,500
Insurance of Buildings & Equipment		879,338	719,778
Insurance of Motor Vehicles		3,428,530	2,651,628
Supplies of medical Drugs		1,701,287	2,137,789
Supplies of Dressings		894,437	331,495
Fungicides & Insecticides		161,489	177,550
Purchase of Utensils and Cutlery		400,410	329,389
Purchase of Research Materials	8(b)	7,698,388	5,051,060
Library Expenses		25,503	-
Food & Ration		34,812,410	41,675,781
Staff Uniform Expenses		2,657,570	1,113,041
Purchase of Supplies for Production		157,672,652	95,374,054
Stationery Expenses		6,872,766	6,371,588
Computer Expenses		6,105,207	5,943,742
Sanitary & Cleaning Material		3,830,722	2,421,179
Fuel & Lubricants Expenses	8(c)	31,786,308	27,321,994
Bank Charges	8(d)	672,564	650,554
Membership Fees to Statutory Organization		15,665,254	1,281,490
Legal Dues, Arbitration and Compensation Payments		-	36,600
Contracted Professional Services	8(e)	17,999,333	33,612,367
Audit Fees		814,280	660,000
Security Operations		20,826,363	17,347,242
Maintenance Expenses	8(f)	58,438,859	47,020,004
Land Rent & Rates		1,162,782	275,000
Donations		199,956	-
Choir and Sports exp		867,900	986,668
Total Operating Expenses		613,024,565	521,214,660



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 8: OPERATING EXPENSES (Continued)	Notes	2019-2020 Kshs.	2018-2019 Kshs.
NOTE 8(b): PURCHASE OF RESEARCH MATERIALS			
Chemicals & Industrial Gases		1,232,559	3,921,438
Workshop Materials		156,360	69,600
Laboratory Materials		6,070,580	986,158
Photographic & Audio Visual Material		238,889	73,864
Total		7,698,388	5,051,060
NOTE 8(c): FUEL EXPENSES			
Fuel & Lubricants Expenses		30,772,131	27,236,994
Other Fuels (wood, charcoal, gas etc.)		42,250	85,000
Fuel for Generators		971,927	-
Total		31,786,308	27,321,994
NOTE 8(d): BANK CHARGES			
Recurrent		435,539	519,157
Development		140,059	10,067
Various Projects		14,995	10,233
Sinking Fund		1,065	2,115
Gold Plus Savings		1,065	2,415
Gold Plus Revenue		37,635	42,939
KEFRI US Dollar Account		2,360	1,428
EURO A/C		5,693	1,792
KEFRI-MSB/UPP PROJECT -Millenium Seed for Life		4,680	5,953
KEFRI ITK/IIED PROJECT A/C-GEDE		4,320	4,469
KEFRI ITK/IIED PROJECT A/C-HQTS		8,940	4,746
Bamboo Project		1,783	1,785
GIZ Project Lodwar		2,193	4,009
KEFRI/REGIONAL TRAINING		2,196	5,315
KEFRI PALWECO PROJECT A/C		-	1,923
CLINTON CLIMATE INITIATIVE-SLEEK PROJECT		-	10,641
KEFRI CIFOR PROJECT A/C		-	1,924
KENYA WaTER TOWERS PROJECT HQTS		1,065	4,990
ADAPTATION FUND PROJECT		2,985	3,215
KENYA WaTER TOWERS PROJECT LONDIANI		1,191	3,102
NAS PEER PROJECT		4,800	4,894
KENYA WaTER TOWERS PROJECT MASENO		-	1,418
USAID/WTP Project		-	2,025
Totals		672,564	650,554
NOTE 8(e): CONTRACTED PROFESSIONAL SERVICES			
Contracted Professional Services - Valuation		590,967	643,811
Contracted Prof. Services- Others		13,747,092	13,920,440
Contracted Prof. Services- Consultancy		1,468,948	17,402,655
Contracted Professional Services - EMS surveillance Audit		142,098	-
Technical Services		2,050,228	1,645,461
Total		17,999,333	33,612,367



KENYA FORESTRY RESEARCH INSTITUTE

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: OPERATING EXPENSES (Continued)

	2019-2020	2018-2019
NOTE 8(f): MAINTENANCE EXPENSES		
Vehicle Maintenance Expenses	23,023,006	22,334,588
Maintenance of Plant & Machinery	3,061,522	2,792,413
Maintenance of Furniture	761,746	427,055
Maintenance of medical equipment	-	31,767
Maintenance of Buildings - Residential	1,791,964	744,404
Maintenance of Buildings and Stations	20,448,810	14,886,937
Maintenance of Roads	719,550	808,199
Minor Alterations	1,522,677	284,866
Maintenance of Computer Software	5,734,117	4,046,805
Maintenance of Water Supplies & Sewage	1,375,466	662,970
Total	58,438,859	47,020,004

NOTE 9: BOARD OF DIRECTORS

Board Costs	15,291,110	10,474,904
Conferences	1,406,440	604,103
Medical Insurance Cover for Board Members	521,076	347,972
Total	17,218,626	11,426,979

NB: The institute has accrued

NOTE: 10(a) ESTABLISHMENT COST

	2019-2020 Kshs.	2018-2019 Kshs.
Sinking Fund	4,000,000	15,000,000

The Establishment cost relates to the contributions for the year to the Sinking Fund Account. Each year's contribution is dependant on the availability of funds. The fund is for future replacement on wornout assets.

NOTE 10(b): SINKING FUND

Balance b/f	20,496,321	5,498,436
Received during the Year	4,000,000	15,000,000
Available during the Year	24,496,321	20,498,436
Spent during the Year	(1,065)	(2,115)
Balance c/f	24,495,256	20,496,321

NB: See Note 2(v.) The fund was established by Management for the replacement of worn out fixed assets in future. The Institute contributes a determined amount every year to the fund account for this purpose.

NOTE 11: INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2019-2020 Kshs.	2018-2019 Kshs.
Cost		
At the beginning of the year-Net	13,955,832	16,578,022
Additions for the year	1,592,840	866,768
	15,548,672	17,444,790
Amortization on Intangible Assets -	(3,109,734)	(3,488,958)
At the end of the year	12,438,938	13,955,832

This represents costs related to the acquisition of computer software and expenditure incurred towards enhancing and extending the benefits and lives of computer software programs beyond their original specifications.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)				
			2019-2020	2018-2019
NOTE 12: GAIN ON SALE OF FIXED ASSETS			Kshs.	Kshs.
Sale Proceeds			-	510,250
Value at Cost			-	1,162,969
Less: Accumulated Depreciation			-	(1,144,070)
Net Book Value			-	18,899
Gain on Disposal			-	491,351
NOTE 12(b): EXCHANGE GAIN/(LOSS)				
Exchange Gain			147,767	16,733
Exchange Loss			(798,547)	(1,111,451)
Total			(650,779)	(1,094,717)
NOTE 13: CASH AND CASH EQUIVALENT -CASH AT BANK			2019-2020	2018-2019
Name of Bank Account	Acct. Number	Bank	Kshs.	Kshs.
Recurrent	1106971361	KCB	70,929,639	24,885,473
Development	1106749944	KCB	4,206,623	156,240,256
Various Projects	1106750012	KCB	46,113,195	24,581,950
Sinking Fund	1106972643	KCB	24,495,256	18,496,321
Gold Plus Savings	1107063272	KCB	498,835	499,899
Gold Plus Revenue	1107063558	KCB	65,679,118	39,012,515
KEFRI US Dollar Account	1107182867	KCB	1,872,059	3,785,375
EURO A/C	1107064929	KCB	145,591	67,391
KEFRI-MSB/UPP PROJECT -	01136151733101	Co-op	530,373	535,053
KEFRI IT K/IIED PROJECT A/C-GEDE	01136151733103	Co-op	70	4,390
KEFRI IT K/IIED PROJECT A/C-HQTS	01136151733102	Co-op	661,050	169,279
BAMBOO PROJECT	1208326104	KCB	166,622	20,967
GIZ Project Lodwar	1183017367	KCB	2,564	5,581
KEFRI/REGIONAL TRAINING	6433340016	CBA	161,894	101,004
KEFRI WATER TOWER PROJECT -	1176894080	KCB	86,202,369	86,203,434
KEFRI ADATATION FUND	1178886956	KCB	13,431,821	24,777,241
KEFRI WATER TOWER PROJECT - LONDIANI	1178145298	KCB	1,738,101	1,739,292
KEFRI/NAS PEER PROJECT	1136151733105	Co-op	774	5,574
KEFRI WATER TOWER PROJECT - MASENO	1178145298	KCB	2,481	2,481
Totals			316,838,433	381,133,474



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NOTES TO THE FINANCIAL STATEMENTS (Continued)		
NOTE 14: DEBTORS SCHEDULE (RECEIVABLES)		
14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	2019-2020	2018-2019
	Kshs.	Kshs.
Water and Electricity Debtors	2,350,667	1,792,849
Kenya Forest Service	12,601,260	4,231,900
Plan International	18,250	77,250
FAO Kenya	48,000	-
ICRAF	669,600	60,000
World Vision	401,900	194,750
NHIF-Kitui	-	74,100
Sundry Debtors	82,600	2,750
Kitui County Government	562,250	1,065,750
NEMA	-	11,000
Child Fund	-	10,350
Ministry of Energy, Turkana	-	681,437
Agricultural Develpt. Support Program.	350,380	579,800
Pastoral Resilience	51,040	117,500
Baringo County Government	350,400	638,400
Safaricom Ltd	-	14,400
Southern Eastern Kenyan University	61,200	-
Turkwel CIP	30,200	30,200
GIZ SIF Programme	172,700	172,700
ILRI	33,900	33,900
IEBC	150,500	150,500
CDF Baringo	-	18,900
Kenya Red Cross	308,750	455,500
Marie Loreto	50,920	50,920
Friends of Lake Turkana-FOLT	137,500	257,500
Save the Children	250,000	288,000
Afya Uzazi	131,500	2,500
IRC (International Rescue	100,000	100,000
Homestay Safari Group Ltd	10,000	10,000
Catholic Diocese of Machakos	31,500	-
KCB Kitui/Marigat	33,450	4,000
African Population Health Research	50,000	115,000
Mastermind Tobacco	-	15,500
Eastern Produce of Kenya	12,680	53,480
One Acre Fund Nairobi	2,000	-
NDMA	-	39,000
Turkana County Assembly	-	145,000
KYEOP	133,750	888,000
Reg Rosilience	-	95,000
COFET	-	8,000
Hand In Hand Eastern Africa	-	19,200
Commissioner of General Prisons	765,000	765,000
Kenya Wild Life Services-Marsabit	-	285,000
Kitui Law Courts	31,350	76,250
Nairobi Water Co.- Kitui	351,000	351,000
Strathmore University	150,000	150,000



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Feed the Children	-	62,500
ICIPE	-	600,000
Pure African Delights	14,000	14,000
Sapcome	100,000	100,000
Concern World International	-	991,000
ADS North Rift	66,000	66,000
Centre for Enhancing Democracy	21,000	43,200
Washington State University	-	67,000
Ngambo High School	-	11,500
Christian Aid	-	123,000
KNCHR	-	48,000
Turkana Veterinaries	35,000	35,000
Kenya National Police	-	1,170,000
GSU	-	745,000
Tharaka Nithi County	-	60,000
Tower Tech	31,500	-
Better Globe	10,000	-
Clerk of the Senate	258,000	-
KENGEN	60,000	-
ASDF	10,000	-
Kenya Wild Life Conservation	10,400	-
KCSAP	31,200	-
Lamu County Government	725,000	-
NEMA-Baringo	11,000	-
National Museums	121,500	-
Cookswell Jikos	120,000	-
KERRA	72,000	-
Career centre	120,000	-
NET FUND	703,000	-
Total	23,003,847	18,268,486
14(b) RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS(Continued)	Kshs.	Kshs.
Travelling Imprest	41,100	-
Station/Special Imprest	3,131,500	30,000
Salary Advance	6,000	26,139
Total	3,178,600	56,139
Total Debtors	26,182,447	18,324,625
NOTE 15: INVENTORIES	Kshs.	Kshs.
Stationery/Computer Accessories	1,877,429	1,388,193
Motor Vehicle Spare Parts & Fuel	97,461	133,160
Cutlery & Utensils	6,260	-
Food Stuff	18,668	85,321
Uniforms & Clothing	103,911	-
Hardware, Electricals & Cleaning Materials	2,116,213	4,245,270
Seeds & Seedlings	21,283,236	32,275,192
Forest Plantations 1. (e)(ii)	9,199,910	20,228,835
Drugs & Dressings	491,276	110,868
Total	35,194,364	58,466,839
NB: Note 1. (e) ii) The Institute's Forests Plantations are for research purposes (experiments) and not for commercial use.		
The plantations are harvested at the end of the experiment hence the provision of IPSAS 27 are not applicable.		



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NOTES TO THE FINANCIAL STATEMENTS (Continued)			
NOTE 16: CREDITORS SCHEDULE		2019-2020	2018-2019
		Kshs.	Kshs.
Sundry Creditors - Merchants		3,384,405	726,185
Accruals - (KPLC)		1,376,147	1,164,113
Insurance Compensation		1,015,966	121,258
Miscellaneous Recovery (Unpaid June BTLs)	16(b)	517,368	466,215
Totals		6,293,886	2,477,771
NOTE 16(b): MISCELLANEOUS RECOVERIES			
KEFRI Staff Welfare Society		183,000	-
Sheria Coop		-	47,167
Hazina Cooperative		47,167	-
Harambe Co-operative		18,000	-
Pioneer Insurance		-	35,608
ICEA INSURANCE		30,741	30,741
Prudential Assurance		8,730	8,730
Saham Assurance		-	37,980
Old Mutual Insurance		-	-
Turbo Welfare		96,321	96,321
Union of civil servants		53,677	53,677
Transport Welfare		-	39,992
Information Section Welfare		-	49,500
Kenya Professional Association of Women in Agriculture		1,200	1,200
KENASA		3,600	-
Wahasibu Welfare Group		57,540	27,550
Kuja River Self Help Group		17,392	37,749
Total		517,368	466,215
NOTE 16(c): Auditor General- accrued audit fee			
Auditor General- accrued audit fee		513,969	1,320,000
NOTE 16(d): Accrued Remuneration for CEO(Dr B. Chikamai)			
		8,124,400	8,124,400



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NOTE 17: KEFRI MEDICAL SCHEME FUND ACCOUNT A/C		2019-2020	2018-2019
		Kshs.	Kshs.
Items contributing to Fund balance:			
Contribution to the Fund		-	-
Items Reducing Fund balance:			
Bank charges		-	2,345
Reduction to the Fund		-	2,345
Fund Surplus/(Deficit)		-	(2,345)
Current Assets:			
Cash at Bank		29,170,687	29,170,687
Debtors: GoldPlus Savings Account		345,205	345,205
Recurrent		397,678	397,678
Fund Net Assets		29,913,570	29,913,570
Fund Balance as at 01.07.2019		29,913,570	29,915,915
Surplus /(Deficit) for the year		-	(2,345)
Fund Balance as at 30.06.2020		29,913,570	29,913,570

NOTE 18: Nature and Purpose of Reserves

The Institute creates and maintains reserves in terms of specific requirements.

a) CAPITAL GRANTS/DEFERRED INCOME & RESERVES

(i) Deferred Income from Government Grants for Capital Assets		2019-2020	2018-2019
Government Grants for Capital Assets /Donations		Kshs.	Kshs.
	Note		
Balance b/fwd		1,130,750,947	990,880,904
Transfers from Sinking fund		-	-
Additions	3	(87,213,166)	139,870,043
Balance C/d		1,043,537,781	1,130,750,947
(a) (ii) Deferred Income from External Donors on Donated Assets			
Balance b/fwd		559,968,157	586,799,202
Deferred Income	5(b)	(24,014,149)	(26,831,046)
Balance C/d		535,954,008	559,968,157



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NOTE 18: Nature and Purpose of Reserves (Continued)

(b) Revaluation Reserves

The Revaluation Reserves cater for the revalued amount in the cost of Property, Plant and Equipment. The amount in the Reserve Account includes revalued amount of the Institute's land and buildings as indicated below:

REVALUATION SURPLUS RESERVE

LAND PARCEL NO.		Date
23877		29-03-1999
23879		29-03-1999
23883		29-03-1999
TOTAL		
BUILDINGS ON LAND PARCEL NO.		
23877		29-03-1999
23879		29-03-1999
23883		29-03-1999
TOTAL		
Total Gain on revaluation		
Revaluation on heavy vehicles		30/6/2013
Balance b/f 1/7/2013		
Revaluation gain on Land		
Nos. 23877/23879/23883	Muguga	30/6/2014
Nos. 24600	Kitui-Tiva	30/6/2014
Block 11/127	Kitui-Hqts	30/6/2014
Revaluation gain on Buildings		
Muguga Hts/Seed Centre		30/6/2014
Kitui-Hqts/Kitui-Tiva		30/6/2014
Revaluation gain for the year 2014		
Balance c/f 30/6/2014		

(b) Revaluation Reserves (Continued)

The institute has the following title deeds:

Location	L.R. No.	Hectares
North West of Kikuyu Township	23879 IR 77468	122.90
North West of Kikuyu Township	23883 IR 79467	46.66
North West of Kikuyu Township	23877 IR 79471	134.60
Kyangwithya/Misewani-Kitui	Kyangwithya/Misewani/1414	0.20
Kitui Municipality-Kitui	Leasehold land ref 127,Block 11/127	6.06
Kitui-Tiva	Leasehold land ref 24600 IR 86318	1,150.90
Total		1,461.32
With Title but no valuation figure		
Kamagambo	Migori	0.70
Total with Title Deeds		1,462.02



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NOTE 18: Nature and Purpose of Reserves (Continued)

The Institute does not have ownership documents for the land amounting to 2851 hectares where the it has put up developments though persuing through KFS to the National Land Commision as tabulated below:

Region	Size in Hectares
Rift Valley	
Londiani	500.00
Turbo	100.00
Marigat	4.45
Lodwar	2.70
	607.15
Central Highlands	
Muguga	220.00
Nyeri	50.00
Rumuruti	9.71
	279.71
Coastal Region	
Gede	200.00
Lamu	1.78
Taita Taveta	4.05
	205.83
Lake Basin	
Maseno	4.05
Kakamega	50.00
Migori	4.45
Ramogi	100.00
Kuja River	8.09
	166.60
Drylands	
Kitui	0.28
Garissa	2.43
Wajir	2.02
Kibwezi	100.00
Hola	21.00
	125.73
Grand Total without title deeds	1,385.01
Grand Total of Land	2,847.03



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18: Nature and Purpose of Reserves (Continued)

(c) Sinking Fund (See Note 10(b))

The Institute sets aside a determined amount of money every year from its internal sources to the fund account for the purpose of purchasing and maintenance of capital assets. The cash funds that back up the Sinking fund a/c are sometimes invested to boost the fund with interest earned.

	2019-2020 Kshs.	2018-2019 Kshs.
Sinking Fund		
Balance b/f	20,496,321	5,498,436
Received during the Year	4,000,000	15,000,000
Available during the Year	24,496,321	20,498,436
Spent during the Year	(1,065)	(2,115)
Balance c/f	24,495,256	20,496,321

(d) External Grants Reserve

The External Grant Reserve captures the unspent Donor Funds. Most of the Donor Grants cover a period of over one year. It is on this basis that the Institute only recognize the spent amount as the income for the period. The unutilized fund is carried forward in this reserve to the next period.

(e) Accumulated Surplus / (Deficit)

Accumulated Deficit is as a result of the depreciation charge per year which does not have any monetary effect on Income and Expenditure statement. Any surplus realised within the year reduces this deficit.

	2019-2020 Kshs.	2018-2019 Kshs.
Accumulated Surplus / (Deficit)		
Balance b/f	(106,435,046)	(73,418,709)
Adjustments	-	(261,885)
Surplus/(Deficit) for the Year	3,331,782	(32,754,452)
Balance c/f	(103,103,264)	(106,435,046)

NOTE 19: IPSAS 20 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Institute, holding 100% of the Institute's equity interest. Other related parties include:

- ii) The Ministry of Environment and Forestry
- iii) The National Treasury
- iv) The office of the Auditor General
- v) The National Assembly
- vi) Kenya Forest Service
- vii) Our Development Partners
- viii) Key management
- ix) Board of Directors
- x) Commercial Banks

		2019-2020 Kshs.	2018-2019 Kshs.
RELATED PARTY TRANSACTIONS	Note		
Remuneration and other costs of Board of Management	9	17,218,626	11,426,979
Transfers from GoK- Ministry of Environment and Forestry	3	1,555,034,847	1,620,623,377
Salaries and other staff employment benefits of Senior Management	7	11,705,067	11,785,461
Staff receivables	14b	6,469,889	56,139
Total		1,590,428,430	1,643,891,956



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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

The following is the summary of issues raised by the external auditor, and management comments 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.

a) Reference No. on the external audit report b) Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Status - Resolved /Not Resolved	Remarks/Time frame
2017/2018 Report.				
a) Property, Plant and Equipment	The value of the land equivalent to 2,735 ha was not recorded in the fixed assets register nor reported in the Financial Statements. This is due to lack of Title deeds (ownership documents). As explained in previous responses, the Institute have been pursuing the issue of land with KFS. With the new conservation and Management Act 2016 part 1, which defines KEFRI Mandate, we expect 10% of KFS land to be set aside for forestry research in future	Director KEFRI	Not yet resolved	Until the National Land Commission issues KEFRI with these title deeds
b) Abscondment from duty and Irregular Salary Payments	These matters are still in court and we are awaiting court's determination.	Deputy Director, Human Resource	Not yet resolved	Until Court determination

Dr. Sammy C. Letema

Chairman: KEFRI Board of Directors

Date: 16/05/2021

Joshua K. Cheboiwo (PhD)

Director KEFRI

Date: 16/05/2021



KENYA FORESTRY RESEARCH INSTITUTE

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APPENDIX II: PROJECTS IMPEMENTED

XVIII Appendix II: PROJECTS IMPLEMENTED BY KEFRI IN THE FINANCIAL YEAR 2019-2020						
Projects						
Projects implemented by the Institute Funded by development partners						
No	Project title	Donor	Period/ duration	Donor Commitment	Separate donor reporting(yes/no)	Designated Bank Account(yes/no)
1	CABI INTERNATIONAL PROSOPIS	CABI INTERNATIONAL	3 Years	2,929,156.00	No	No
2	BIOFUEL FOR KENYA PROJECT- MIGORI	Government of Norway	5 Years	37,759,541	No	No
3	INBAR BAMBOO EAST AFRICA	NORAD	3 Years	7,335,582	Yes	Yes
4	SUNRISE	European Union	3 Years	2,369,249	No	No
5	OPENNESS	European Union	3 Years	114,405.50	No	No
6	STRENGTH AND TREATABILITY PROPERTIES OF VARIOUS EUCALYPTUS SPECIES FOR ELECTRICITY - KEFRI KARURA, GILGIL AND KAKUZI	Government of Kenya -NRF	3 Years	11,246,500	No	No
7	INTEGRATED COLLABORATIVE RESEARCH ON CLIMATE CHANGE, WATER RESOURCES AND FOOD SECURITY IN UPPER EWASONGIRO	Government of Kenya -NRF	3 Years	11,229,311	No	No
8	ENHANCE PROPAGATION AND CONSERVATION OF SANDALWOOD IN LAIKIPIA	Government of Kenya -NRF	3 Years	5,016,064	No	No
9	ENHANCING PRODUCTIVITY OF PLANTATION FORESTS IN KENYA THROUGH TREE IMPROVEMENT- NATIONWIDE	Government of Kenya -NRF	3 Years	4,079,082	No	No
10	PROMOTION OF TERMINALIA BROWNII PROPAGATION FOR AGROFORESTRY, LIVELIHOOD IMPROVEMENT AND RESILIENCE TO CLIMATE CHANGE IN KITUI	Government of Kenya -NRF	3 Years	4,669,797	No	No
11	KDI CONSULTANCY	Various	1 Year	215,200	No	No
12	KEFRI/KALRO CONSUTANCY	KALRO	1 Year	1,037,200	No	No
13	FAO - ASAL	FAO	2 Years	5,288,531	No	No
14	CHEMI WORLD - CONSULTANCY	Chemi world	1 Year	215,000	No	No
15	SRC PROJECT	Swedish Research Council	1 Year	894,636	No	No
16	PCP- OSHO CONSULTANCY	Various	1 Year	442,950	No	No
17	STOCKHOLM ENVIRONMENT INST. (SEI)	Swedish Research Council	2 Years	1,071,709	No	No
18	TRUE PROJECT	European Union	3 Years	1,964,600	No	No
19	ICRAF GHU	ICRAF	1 Year	453,436	No	No
20	ICRAF Wood Management	ICRAF	1 Year	324,720	No	No
21	THE NATURE CONSERVANCY (TNA)	TNA	2 Years	538,600.00	No	No
22	IIED/ITK	European Union	3 Years	2,784,141	No	Yes
23	GATSBY	GATSBY INTERNATIONAL	1 Year	7,961,750	No	No
24	GCRF	Global Challenges Research Fund	2 Years	3,072,000	No	No
25	Validation and Promotion Mixed Trees Shrubs	World Bank	3 Years	4,502,600.00	No	No
26	Upscaling Sustainable Land Management Technologies	World Bank	3 Years	1,628,600	No	No
27	Sustainable Energy & Briquette Production & Utilization	World Bank	3 Years	254,444	No	No
28	INBAR BAMBOO RATTAN	INBAR	3 Years	299,000	No	No
29	KENYA WATER TOWERS PROGRAMME	EUROPEAN UNION	5 YEARS	348,857,246	Yes	Yes



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2020

APPENDIX III: TRANSFER FROM MINISTRY OF ENVIRONMENT AND FORESTRY

Appendix III: TRANSFER FROM MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2019-2020

NAME: KENYA FORESTRY RESEARCH INSTITUTE

Break down of Transfers from the Ministry of Environment & Forestry

FY 19/20

a. Recurrent Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
9/6/2019	358,405,844.00	2019/2020
11/25/2019	365,745,249.30	2019/2020
2/21/2020	365,745,249.00	2019/2020
5/30/2020	121,915,083.00	2019/2020
6/9/2020	121,915,083.00	2019/2020
6/29/2020	121,915,083.00	2019/2020
6/30/2020	7,339,405.70	2019/2020
Total	1,462,980,997.00	

b. Development Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
25.10.2019	37,500,000.00	2019/2020
25.10.2019	52,500,000.00	2019/2020
4/29/2020	2,053,850.00	2019/2020
Total	92,053,850.00	

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

Head of Accounts
KEFRI

Sign

Date

[Signature]
16/05/2021

Head of Accounting Unit
Ministry of Environment & Forestry

Sign

Date

[Signature]
16/5/2021

