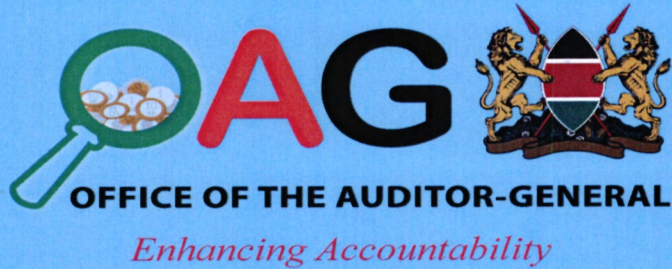


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**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	08 JUN 2023 <i>Thursday</i>
TABLED BY:	<i>Hon. Kimani Ichungu, MP Leader of Majority Party</i>
CLERK AT THE TABLE:	<i>Anne Shubuto</i>

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA FORESTRY RESEARCH  
INSTITUTE**

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



**KENYA FORESTRY RESEARCH INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**



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

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**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2022**



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

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**KENYA FORESTRY RESEARCH INSTITUTE**  
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## KENYA FORESTRY RESEARCH INSTITUTE

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#### 1. 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established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013.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.

##### (b) 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.

##### 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



## KENYA FORESTRY RESEARCH INSTITUTE

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#### iv) **Domicile**

The Institute is domiciled in Kenya.

#### v) **Core Objectives**

- Generate technologies for establishment and management of forest plantations, trees on-farm and enhance production of superior germplasm for priority tree species for different agro-ecological zones
- Generate rehabilitation technologies for adaptation to climate change, sustainable forest landscapes, woodlands, wetlands and riparian eco-systems
- Develop technologies for efficient processing and utilization of wood and non-wood forest products
- Formulate forestry policies for sustainable forest management and improved livelihoods
- Disseminate forestry research technologies and enhance institutional research and development Capacity
- Strengthen institutional capacity for research and development
- Enhance corporate communication and publicity

#### (c) **Key Management**

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

- Board of directors
- Director who is the Accounting Officer and Chief Executive Officer
- Management

#### (d) **Fiduciary Management**

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



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<b>NO</b>	<b>Designation</b>	<b>NAME</b>
1.	The Chief Executive Officer	Joshua K. Cheboiwo (PhD)
2.	Senior Deputy Director- Research & Development	Dr. Jane W. Njuguna
3.	The Senior Deputy Director - Corporate Services	CPA. George Otieno
4.	The Deputy Director –Forestry Research Support Services	Dr. Tito Mbuvi
5.	The Deputy Director - Forest Biodiversity and Environment Management	Dr. James K. Ndufa
6.	The Deputy Director -Forest Product Development Research	Dr. George Muthike
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	CHRP. Evelyn I. Oroni
11.	The Deputy Director – Finance	FCPA. Rose B. Osoro
12.	Ag Deputy Director – Supply Chain Management	Mr Ngeny Kiprotich Tingos
13.	Principal Administrative Officer – Administration	Mr. Fredrick Odhiambo
14.	Corporation Secretary & Senior Legal Officer	Mr. Philip M. Kichana

**(e) 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:



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### BOARD COMMITTEE AND MANDATE

#### Research & Development Committee

This committee oversees the core business of the Institute. It coordinates, directs and controls the research and development policies of the Institute.

#### Finance & Administration Committee

The Finance Committee provides financial oversight for the Institute in areas such as financial planning & budgeting and financial reporting. It also ensures prudent resources allocation and utilization. Administration issues include security services, transport, infrastructural development, repair and maintenance

#### Human Resource Committee

The committee provides strategic inputs on Human Resources Management issues such as recruitment, human resources development, promotion, performance management and staff welfare.

#### Audit Committee

The committee assists the board in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function and maintain oversight on internal control systems and risk management.

#### (f) KEFRI Headquarters

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

#### (g) KEFRI Contacts

Tel: +254202010651/2  
+254722157414  
+254714259781/2  
+254734251888  
Email: [director@kefri.org](mailto:director@kefri.org)  
Website: [www.kefri.org](http://www.kefri.org)

#### (h) 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

**Equity Bank,**  
Equity Centre, 9th Floor  
Hospital Road, Upper Hill.  
P.O. Box 75104-00200  
Nairobi, Kenya.



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**NCBA Bank**

Upper Hill,  
Mamlaka Road Branch  
P.O. Box 44599-00100, Nairobi

**Family Bank**

Kikuyu Branch  
P.O. Box 74145-00200, Nairobi

- i) **Independent Auditors**  
The Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100, Nairobi
- l) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200, Nairobi



KENYA FORESTRY RESEARCH INSTITUTE

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2. THE BOARD OF DIRECTORS

Ref	DIRECTOR	DETAILS
1	 <p><b>John Waithaka (PhD)</b> <b>Chairman -KEFRI BoD</b></p> <p><b>Non-Executive Director</b> <b>Chairman of the Board of Directors</b></p>	<p>Date of birth: 16<sup>th</sup> September, 1956</p> <p><b>Key Qualification</b> PhD Zoology Kenyatta, Nairobi University, 1994. Work experience over 30 years Current position, International Consultant, United Nations- Department of Economic &amp; Social Affairs, Member IUCN-WCPA Transboundary Specialist Group, Member, IUCN World Heritage Panel, Co-Chair, IUCN Wilderness Specialist Group.</p> <p>Previously served on various capacities including; 2017-2021- Regional Chair for East &amp; Southern Africa, IUCN-World Commission on Protected Areas 2017-2021- Member IUCN World Commission on Expert Assessment Steering Committee 2018-2020- Congress Director- Africa Protected Areas Congress 2017-2019-Member IUCN Expert Assessment Group for Green List of Protected Areas 2010-2016- Member Canadian Committee to IUCN 1987-1994- Lecturer, Kenyatta University</p>
2	 <p><b>Mr. Julius Kamau - Director</b></p> <p><b>The Chief Conservatoire of Forests (CCF) in the Republic of Kenya</b></p>	<p>Date of birth: 20<sup>th</sup> October, 1975</p> <p><b>Key Qualification</b> A professional forester and conservationist Work experience over 17 years. Currently the Chief Conservator of Forests (CCF) in the Republic of Kenya. The CCF Served as the Deputy Director of the Rhino Ark Kenya Charitable Trust. <b>2015-2019</b> Executive Director of the East Africa Wildlife Society (EAWLS <b>2012- 2014:</b> He has served as the Regional Program Manager at the Embassy of Sweden <b>2008-2012</b> He has served as a Forest Specialist at the Embassy of Finland. <b>2002-2008,</b> He has served as an Environment &amp; Forest Coordinator at Sotik Tea Companies. <b>Executive Director</b></p>
3	 <p><b>Dr. Lucy W. Ng'ang'a - Director</b></p> <p>Alt. PS Ministry of Environment and Forestry</p>	<p><b>Date of Birth: 29<sup>TH</sup> March 1964</b> Work experience: 32 years</p> <p><b>Key Qualification:</b> Administration and Policy Development October 2015-to date: Director of Administration November 2012- October 2015- Senior Deputy Secretary June 2002-October 2012- Senior District Commissioner- Provincial Administration January 1988-June 2002- District Officer <b>Executive Director</b></p>



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<p>4</p>	 <p><b>Prof. Walter O. Oyawa,</b>  <b>Director General NACOSTI</b> <b>Professional/Academic qualification;</b> Doctor of Philosophy (PhD) Degree in Civil Engineering</p>	<p>Date of Birth: 23rd August 1965 <b>Work experience:</b> Over 20 years, Director General of the National Commission for Science, Technology &amp; Innovation (NACOSTI) <b>Key Qualification:</b> He has served in various senior leadership/management positions including having been the Principal/CEO of Multimedia University College, Deputy Commission Secretary at the Commission for University Education (CUE), pioneering Ag. Principal of the College of Engineering &amp; Technology at JKUAT, Director of a Research Centre-SMARTEC at JKUAT, Chairman of the Department of Civil Engineering at JKUAT, Board member of several boards, among others. <b>Executive Director</b></p>
<p>5</p>	 <p><b>Mr. Elley Ongei Director</b> <b>Alt. CS the National Treasury</b></p>	<p>Date of Birth: 12 December 1965 Work experience: 20 years <b>Key Qualification: Procurement and Logistics MA (Economics)</b></p>
<p>6</p>	 <p><b>Dr. Joshua K. Cheboiwo</b> <b>Professional/Academic qualification:</b> PhD. Environmental Economics</p>	<p><b>Date of Birth 20<sup>th</sup> August 1958</b> <b>Key Qualification:</b> Expertise in socioeconomics, policy and governance research.  <b>Work experience: 34 years</b> Executive Chief Executive Officer</p>
<p>7</p>	 <p><b>Mr. Philip M. Kichana</b> <b>Professional/Academic qualification:</b> CPS, Advocate of High Court of Kenya</p>	<p><b>Date of birth: 26<sup>th</sup> July 1971</b>  <b>Key Qualification:</b> Master of Laws degree LL.M (Public International Law) Bachelor of Laws degree (LL.B) Diploma (Kenya School of Law) Membership: ICPSK &amp; LSK  Corporation Secretary  ICPSK NO. 1451</p>



**KENYA FORESTRY RESEARCH INSTITUTE**

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**3. MANAGEMENT TEAM**

Ref	Management	Details
1	 <p><b>Dr. Joshua K. Cheboiwo</b> Professional/ Academic qualification: Ph.D. Environmental Economics.</p>	Director KEFRI
2	 <p><b>Dr. Jane W. Njuguna</b> Professional/Academic qualification: Ph.D – Forest Science</p>	Senior Deputy Director-Research & Development
3	 <p><b>Mr. George Otieno</b> MBA – Finance CPA (K) Member of ICPAK and The Institute of Internal Auditors</p>	Senior Deputy Director – Corporate Services
4	 <p><b>Dr. James Kimondo</b> PhD. in Dryland Agroforestry</p>	Deputy Director- Forest Productivity Improvement
5	 <p><b>Dr. Musingo Tito E. Mbuvi</b> PhD. in Environmental Sciences from Kenyatta University, Kenya.</p>	Deputy Director – Forestry Research Support Services.
5	 <p><b>Dr. James Kamiri Ndufa</b> Ph.D – Biological Sciences</p>	Deputy Director – Forest Biodiversity and Environment Management
6	 <p><b>Dr. George Muthike</b> Ph.D – PhD. in Biomechanical and Environmental Engineering</p>	Deputy Director – Forest Products Development



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7		<b>Dr. Joram Kagombe</b> Ph.D – Environmental Studies	Deputy Director – Socio-economics, Policy and Governance
8		<b>Dr. Jackson M. Mulatya</b> Ph.D – Tree Ecology and Agroforestry system interactions and management	Deputy Director – Corporate Affairs and Quality Assurance
9		<b>Mrs. Evelyn I. Oroni</b> MBA – HRM HND – Human Resource Management	Deputy Director – Human Resource Management
10		<b>Mr. Fredrick Odhiambo Ochieng</b> BA – Public Administration and Sociology HND- in Human Resource	Principal Administrative Officer
11		<b>FCPA Rose B. Osoro</b> MBA Strategic Management CPS (CS), FCPA (K) Member of ICPAK No. 4555	Deputy Director- Finance
12		<b>Ngeny Kiprotich Tingos</b> BBM – Purchasing and Supplies Management Licensed practitioner in Supply Chain Management KISM No. 62894	Ag Deputy Director - Supply Chain Management
14		<b>Mr. Philip M. Kichana</b> CPS, Advocate of High Court of Kenya, Master of Laws degree LL.M (Public International Law) Diploma (K.S.L) Membership: ICPSK & LSK	Corporation Secretary & Senior Legal Officer



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#### 4. CHAIRMAN'S STATEMENT



On behalf of the Board of Management, Kenya Forestry Research Institute (KEFRI), I am delighted to present to you the Annual Report and Financial Statement for the year ended 30th June, 2022 in accordance with the provisions of Section 28 of the Science and Technology Cap 250 of the Law of Kenya which has since been repealed by the Science and Technology and Innovation Act of 2013).

KEFRI is a body corporate with perpetual succession with power to sue and be sued in its corporate name and to acquire, hold and dispose of movable and immovable property. *The KEFRI Finance Manual* states that the Board of Directors shall provide oversight role in the financial management of the Institute and in particular ensure; proper management of the Institute's fiscal affairs; preparation of financial statements that give a true and fair view of the Institute's state of affairs and its operating results; accountability for monies, financial business and management of the Institute; and provide policy guidelines on financial issues.

Faced with the effects of the pandemic, the Board had to shift into online platforms to execute the strategic oversight responsibilities. We ensured that we were all digitally enabled and had fruitful and seamless board and committee engagements.

The Board therefore continued to set policy and oversight the Institute's overall strategy. During the period the Board approved the annual budget & procurement plan, monitored Institute's performance and sustainability. Above all, the Board ensured that the Institute's strategy is aligned with its statutory mandate and national strategic direction.

The implementation of the 6th Strategic Plan 2018-2022 continued uninterrupted and ensured alignment with 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.

In the Financial Year ending 30th June, 2022, the Board was fully constituted to undertake its business up to May 2022 when the term of the Independent Board members ended. That left the Chairman and non-executive directors representing the Institute. During the period, the Board undertook its business through four committees namely: Research & Development committee, Finance & Development Committee, Human Resource Committee and Audit Committee.



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The Government of Kenya finances over 90% of the Institute's budget. Internally generated funds and resources mobilized from Development partners/donors, accounts for only 10% of the budget. The Board intends to enhance establishment of strategic linkages and partnership to increase its resource mobilization capacity. During the period KEFRI continued to implement strategic intervention on tree seed infrastructure technology development. This is aimed at expanding tree seed management within the Institute to support the 10% tree cover.

Looking ahead, we are optimistic that we are staying on course focusing on efficiency in resource application and mobilization. With dwindling exchequer releases, the Board is alive to the fact that innovative approaches for collaboration and partnerships is the way to go in future.

In conclusion, I wish to acknowledge the unwavering support of each Board members and thank them for their commitment and valuable contribution in very uncertain times. They have maintained the high level of governance that the Institute enjoys.

A special thank you to the management team lead by the Chief Executive Officer whose efforts ensured that the board seamlessly performed their role through effective facilitation.

I also wish to recognize the support of government institutions led by our parent ministry, Ministry of Forestry and Environment and the National Treasury for the steadfast support accorded to the Institute.

Finally I would like to thank all employees for their continued resilience and receptiveness to adoption for change that guaranteed superior service delivery even within the very uncertain times we were going through.

I hope and look forward to a better performance in meeting and surpassing targets set in the Performance Contract for the next financial year.

**John Waithaka (PhD)**

CHAIRMAN - KEFRI BOARD OF DIRECTORS

Date: 24/03/2023.....



## KENYA FORESTRY RESEARCH INSTITUTE

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### 5. 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.

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 fulfilling its mandate, the Institute continued being guided by its 6th Strategic Plan (2018 to 2022) 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) Forest Research Support Services (FRSS), supported by Corporate Services (CS), and Corporate Affairs and Quality assurance (CA&QA).

The Strategic Plan facilitates the Institute to achieve its two main goals: to effectively contribute to the national minimum target of 10 percent tree cover; and improve livelihoods for communities and households through sustainable forest management. The plan is also the framework to the Government Big Four Agenda

In the wake of unprecedented times in the last two years occasioned by Covid-19 pandemic waves and erratic weather, we have been continually challenged in staying the course and safeguarding the health of our employees. Am proud to report that we have navigated the impediments for the period to deliver on all our key objectives.

We continue to be responsive to our stakeholders' needs and established partnerships and collaborative initiatives. We held the 1<sup>st</sup> Commercial Forestry Conference in Africa that was attended physically and digitally with all health protocols in place. This was a resounding success demonstrating the innovative nature of our staff. In addition, our engagement with stakeholders especially farmer training sessions continued through digital means.



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#### **Financial Performance**

During the financial year 2021/2022, the Institute received Kshs.1, 441,000,000 as recurrent grants and development grant of Kshs. 362, 500,000. Of the development money, Kshs. 280,000,000 was meant for seed infrastructure technology development, a national strategic initiative. The Institute generated Kshs. 117,633,923 as Internally Generated Revenue and Donor grants received amounted to Kshs. 129,136,819. We 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; Demonstration of technologies for Rehabilitation of water towers; Management & 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 industrial use, housing and food security; Raising planting materials for difficult to propagate indigenous tree species for afforestation; Increase 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 forestry development.

#### **Human Capital**

The Institute has continued to attract, motivate and retain competent human capital in order to ensure efficiency and effectiveness in it service delivery. KEFRI employees are categorized as Permanent and pensionable that form a majority, contract and casual short-term engagement mostly engaged at field level. We recognize that employees are key drivers to realize the strategic objectives, operational efficiency and delivering service to our customers. We ensure that our staff feel connected with our purpose and are empowered and recognized through: Safety and wellness amidst the current environment; Ongoing skilling, reskilling and upskilling for digital transformation especially with the ERP; Focus on gender equality and cultural diversity and inclusion.

Further, we successfully developed and obtained approval for its four (4) human resource management instruments from State Corporations Advisory Committee (SCAC).

#### **Forestry Research Institutional Capacity and Infrastructural Improvements**

During the year under review, the Institute continued to facelift its existing facilities in headquarters and Kitui, Lodwar and Taita Taveta research centres. The following infrastructure developments were completed namely: Migori bamboo treatment plant; dinning and kitchen facility in Lamu;



## KENYA FORESTRY RESEARCH INSTITUTE

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nursery house in Rongo sub-centre; fencing of research experimental plots in Tiva, Kibwezi and Rumuruti. The Institute continued on its quest for securing land meant for forestry research in Migori, Wajir, Lamu and Hola stations.

The commencement of a major project to improve institutes capacity for tree seed collection, testing and distribution in pursuit of attaining the 10% tree cover continued in earnest. The projects are in Tiva, Kibwezi, Kakamega, Rumuruti, Marigat, Taita Taveta, Lamu, Maseno and Migori.

On business re-engineering the Institute has embarked on implementation of an Enterprise Resource Planning (ERP) aiming at automation. The project is a change maker and is likely to be complete in the coming year.

#### **Development Partners**

During the FY 2021/2022, the Institute received support from the World Bank, JICA-Capacity Development Project for Sustainable Forest Management in Kenya (CADEP), Biofuel4 Kenya Project, Dutch-Sino/INBAR-East Africa Bamboo Development Project, UNDP-FAO support to Commercial Forestry Investment and Expo Forum, AHRC/IIED, TWENDE, KCSAP, GATSBY Africa and Darwin Initiative. This augmented Institute's financial and research capacity.

#### **Challenges**

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

- Staff resourcing with an ageing staff compliment and inadequate specializations in emerging disciplines;
- Lack of legislative support for forestry research and access mechanism to research land from gazetted forests;
- Limited automation of processes;
- Increased degradation due to encroachment of forestry land coupled with low funding of forestry research sector;
- Inadequate coordination framework between the county and national government over management of natural resources; and
- Declining budget allocations putting a lot of strain in operations and maintenance.

The Institute did its best to ensure implementation of its Strategic Plan (2018-2022) despite the many odds through innovative interventions and good working relations with government agencies and other partners. We ensured improved service delivery, provision of new and innovative forest



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technologies and products, enhancing and reengineering our processes and operations and building strategic relations with our stakeholders.

In conclusion, I wish to appreciate the Board of Directors for continued strategic direction and oversight. They have spent immense time guiding us on various matters. Our clientele for relentless support, our service providers for their continued collaboration and loyalty, and last but not least, the dedicated and talented staff who have shown unwavering commitment to their work, without whom our objectives may not have been achieved.

I also extend our gratitude to the Government of Kenya, through The National Treasury and the Ministry of Environment and Forestry; Development Partners and all other stakeholders for their cooperation and support in accomplishing the Institute's mandate.

**Joshua K. Cheboiwo (PhD)**  
**DIRECTOR, KEFRI**



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## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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 themes and objectives within its Strategic Plan for the FY 2018/19-2021/22. These strategic themes are as follows;

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

KEFRI develops its annual work plans based on the above 7 themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021/2022 period for its 7 strategic themes as indicated in the diagram below;

Strategic Theme	Objective	KPI	Activities	Achievements
Theme 1 : Forest Productivity and Improvement	To enhance production of superior germplasm for priority tree species for different agro-ecological zones	Quantity of high-quality tree seeds collected	Produce 60,000 Kgs of tree seeds from various species from all the eco-regions	41,098 kg of tree seeds were collected from various tree species
		No of tree seed source acreage	Increase tree seed source acreage by 105 ha	105 ha of seed orchards and seed stands were established and maintained in various ecological regions
Theme 2: Forest Biodiversity and	To generate technologies for establishing and managing forest plantations and trees on-farm	No. of forestry technologies developed	To develop 30 new forestry technologies; and refine ongoing forestry technologies	30 new forestry technologies were developed in the field and across various research laboratories in KEFRI for adoption by stakeholders
		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



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Environmental Management		Number of products linked to SMEs	Link green soap from <i>Sesbania sesban</i> to SMEs/Communities for wealth creation	Sesbania sesban soap was linked to community groups in Rangwe, Homabay County.
Theme 4: Socio-economics, Policy and Governance	To formulate policies for improved livelihoods and sustainable forest management by strengthening environmental governance	No. of policy documents developed	Draft Kenya Forestry Research Institute Policy, 2021 Draft Kenya Forestry Research Institute Bill, 2021	The 2 policy documents were developed
Theme 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	42 field days were conducted as below: CHERP-9, DERP-7 RVEP-6, CERP-7 NFRRP-6, LVERP-7
		No. of publications produced	To produce peer reviewed journal papers, technical notes, guidelines and policy briefs	40 publications were developed and published in peer reviews journals, technical notes, guidelines and policy briefs
		No. of resource mobilization concepts developed	Promote Partnership and linkages for enhanced research and development output	KEFRI drafted forestry development strategy for Siaya and Homabay counties; developed various workplans for implementation projects with partners
		Business process re-engineered through automation	To develop resource mobilization concepts to fundraise for purposes of research and capacity building of stakeholders to enhance livelihoods	18 resource mobilization concepts were developed and submitted for funding by various donors and partners
		Training needs assessment reports No of staff trained	Supply, Deployment, Commissioning & Support of an Enterprise Resource Planning Software (ERP) To carry out staff Training Needs Assessment	Initiated the ERP process, tender advertised and contract implementation in place
Theme 6: Corporate Services	To strengthen institutional capacity for Research & Development			Training needs assessment was conducted
			To execute interventions to address the identified skills gaps and training needs through recruitment, Outsourcing, capacity building/training	Recommendations of TNA report were carried out inform of training, mentorship and recruitment



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			To undertake staff performance appraisal	Staff appraisal was done for all staff
	Enhance competence development	No of chances offered to youths	Offer youth internship & attachments	107 attachments offered to students 20 internships offered during the FY
	To improve infrastructure and facilities	No. of facilities constructed/ improved	Improvement of Bamboo Treatment Plant in Migori	The bamboo treatment plant was completed
		No of infrastructural development works	Finalization of green houses in Kitui, Londiani, Muguuga and Maseno centres	The 4 greenhouses were finalized during the FY 2021/2022
			Supply, Installation, Testing and Commissioning of a back-up power Generator	The back-up power generator was installed in Taita Taveta
			Fencing and Implementation of Tiva management plans	Fencing of Tiva station was completed during the FY 2021/2022
Theme 7: Corporate Affairs and Quality Assurance	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	22 publicity and exhibition activities were done in ASK shows, Radio talks and TV talks
		Improvement of service delivery	Maintain implementation of quality management system (ISO 9001:2015) and environmental management system (ISO 14001:2015)	ISO surveillance audits by SGS-K and internal audits were conducted for continual improvement of the Integrated Management System
		No. of national and international fora 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); and National tree planting campaigns



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#### 7. 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) and the Salaries & Remuneration Commission (SRC) whenever required.

The Board performs its role through Committees and oversees corporate governance, advises management on developing financial plans, 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 and Board committees are chaired by independent non-executive members. An appointed member shall hold office for three years but shall be eligible for reappointment for a further one term.

##### **b) Board Meetings Held in the Year**

The Board meets at least once in every quarter or more in accordance to the requirement of the business to be conducted. The Board work plan and calendar of meetings is prepared in advance. Adequate notice and Board papers are circulated in good time and the quorum of any meeting shall be one third.

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



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No	BOARD MEMBER	DESIGNATION	FB* MEETINGS ATTENDED	COMMITTEE & OTHER MEETINGS	TOTAL NO. OF MEETINGS	STATUS
1	Dr. Sammy Letema*	Chairman	4 out of 8	44	48	Retired
2	Prof. Gatebe Erastus	Chairman	5 out of 8	5	10	Retired
3	Dr. Joshua Cheboiwo	Director/CEO KEFRI	...	...	...	
4	Maureen Mwangovya	Member	5 out of 8	14	19	Retired
5	Dr. Naomi Apali	Chair, Audit Committee	5 out of 8	28	33	Term expired 31/5/22 but eligible
6	Dr. Anthony Getambu	Chair, Finance Committee	6 out of 8	31	36	Term expired 31/5/22 but eligible
7	Dr. Ali Mohamed	Chair, Research & Development Committee	2 out of 8	21	23	Resigned on 9 February 2022
8	Dr. Lucy Ng'ang'a	Alternate Member, Representing PS, Ministry of Environment &	8 out of 8	23	31	Active
9	Mr. Julius Kamau	Chief Conservator Forests (CCF)	6 out of 8	3	9	Active
10	Mr. Chrislogus Makokha	Representing the Inspector-General of State Corporations	5 out of 8	15	20	Active
10	Mr. Elly Ongei	Alternate to the CS, The National Treasury	8 out of 8	25	31	Active
11	Prof. Walter Oyawa	Principal Member, Representing NACOSTI	2 out of 8	5	7	Active
12	Peter Waweru	Alternate Director representing the CCF	2 out of 8	11	13	Active
13	Gideon Kirui	Board Member- Director Rep NACOSTI	6 out of 8	6	12	Active

\*In addition to the Full Board attendances as shown on the table, the Board Chair was further called upon to attend to various Institutes activities.

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 are: -

- 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.
- 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.



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- 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/un-remediated 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, its objectives and values, reviews the strategic direction and adopts the 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. The Board approves reports and performance of each Board Committee. It further approves the quarterly and annual financial statements.

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 organizational changes.

#### **e) Board Remuneration**

Remuneration of the Chairperson and the Board members is determined by the State Corporations Advisory Committee, under section 10 of the State Corporations Act, Cap 446 of the Laws of Kenya. Remuneration of the Chief Executive Officer is determined by the Board within SCAC guidelines, under section 5(3) of the State Corporations Act, Cap 446 of the Laws of Kenya.

#### **f) Code of Conduct and Ethics**

As guided by the Mwongozo Code of Governance, the Board adheres to the highest standard of behavior and ensures development and adherence to the Institute code of conduct by staff.



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#### **g) Induction**

Upon appointment, 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.

#### **h) Continuous Professional Development**

During the year, the audit committee held a 5 day capacity building workshop to enhance their skills and knowledge, as well as keep abreast of the developments in risk analysis & mitigation and audit.

#### **i) Board Member Performance and Evaluation**

The Board conducts an annual evaluation for the chairman, individual members and the Chief Executive Officer. This is done in accordance with guidelines provided by the State Corporations Advisory Committee (SCAC). During the year, an evaluation tracker is maintained to monitor implementation of recommendations on evaluation.

#### **j) 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 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.



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## 8. MANAGEMENT DISCUSSION AND ANALYSIS

This Annual Report captures the overall performance of the Institute based on its key strategic objectives and the annual performance contract in line with the KEFRI Strategic plan 2018-2022. The report comprises of the operational and financial performance of the Institute for the last three years. A discussion of key projects and investment undertaken or on-going are also included. The detailed management discussion and analysis is as stated below;

### 1.) OPERATIONAL AND FINANCIAL PERFORMANCE

#### i) Operational Performance

During Financial Year 2021/2022, 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.

At the macro level the depreciation of the Kenya shilling, increase of fuel prices and possible supply chain disruptions had elevated business risk. Additionally, the unpredictable weather (drought) remains a great concern. Forex risk and poor weather conditions continued to negatively affect inflation further complicating the operational efficiency at Institute level.

The Institute in continual vigilance on COVID-19 ensured all protocols were followed and PPEs provided.

#### b) Financial performance

##### i) Income Trends

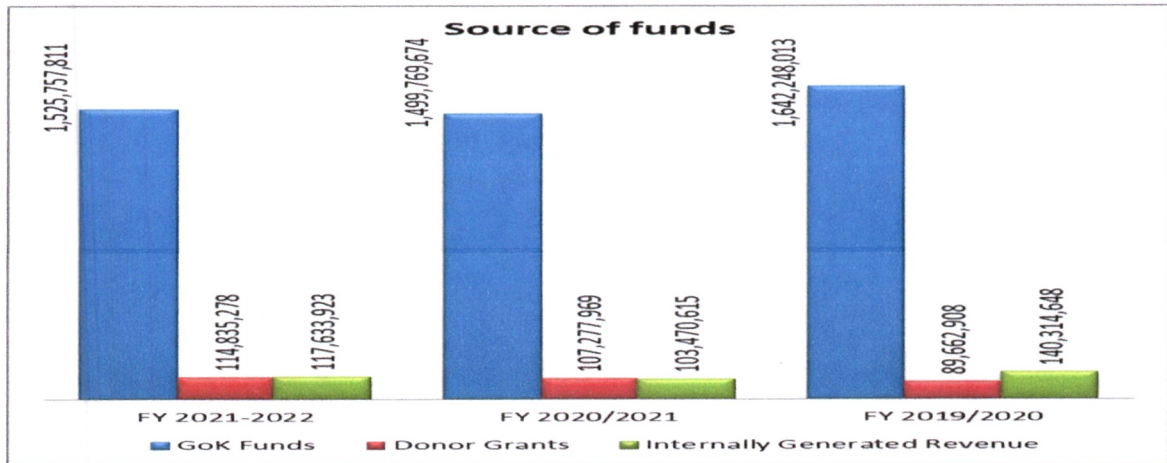
Over the years the Institute financial performance has remained relatively unchanged. The following is a summary of the income the Institute has received in the last three financial years:-

Source of Funds	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)	FY 2019/2020 (Kshs)
GoK Funds	1,525,757, 811	1,499,769,674	1,642,248,013
Donor Grants	114,835,278	107,277,969	89,662,908
Internally Generated Revenue	117,633,923	103,470,615	140,314,648



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**ii) Absorption rate**

During the year, the Institute fully absorbed the budgeted funds from government grant, donor grant and internally generated revenue. There were no pending bills.

**iii) Employee costs**

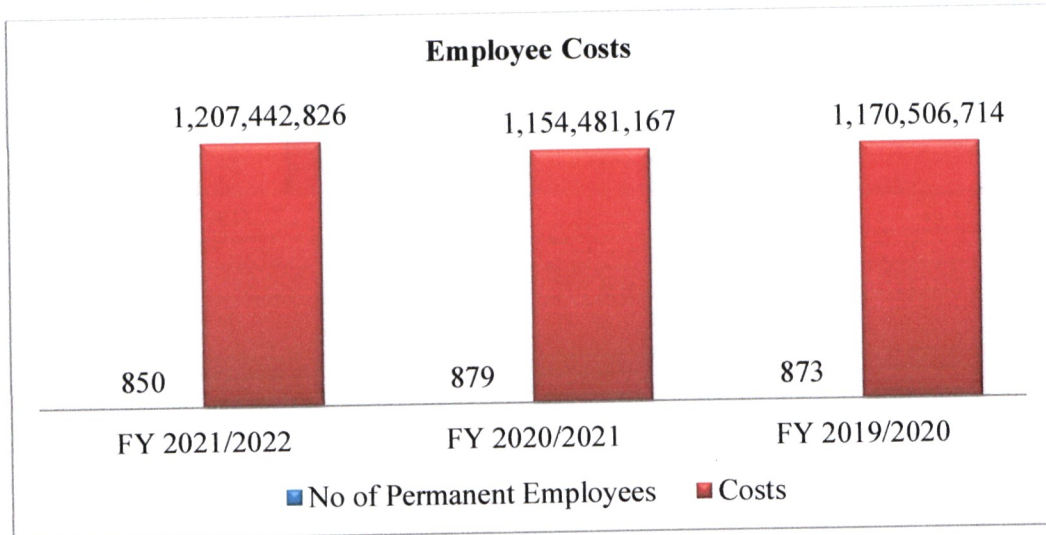
As at 30<sup>th</sup> June 2022 the Institute had 850 employees compared to 879 in 2020/2021 and 873 in the outer year. The employee costs has remained flat year after year since the Board and National Treasury approved replacement of critical staff leaving service.

The trend is as shown below: -

Particulars	FY 2021/2022	FY 2020/2021	FY 2019/2020
No of Permanent Employees	850	879	873
Costs(Kshs.)	1,207,442,826	1,154,481,167	1,170,506,714



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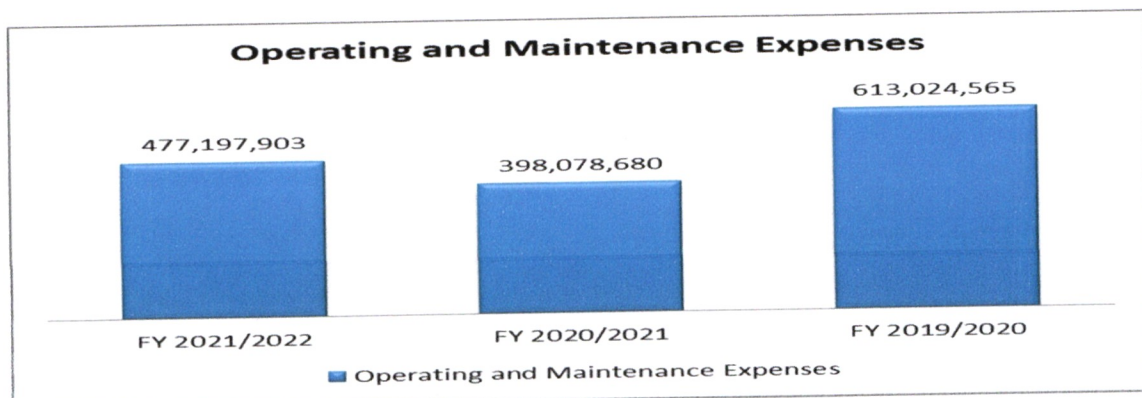


**iv). Operating and Maintenance costs**

Operating costs cater for day to day operations of the Institute including, research materials, supplies for production, chemicals and laboratory materials, electricity, water and conservation, telephone, internet and communication expenses, traveling and accommodation, advertising & publicity, training expenses, fuel and lubricants, security, insurance etc. Repairs and Maintenance caters for maintenance of plant, equipment and vehicles. These expenses increased from Kshs. 398,078,680 to Kshs. 477,197,903 as a result of increased activities.

The trend is as shown below: -

Particulars	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)	FY 2019/2020 (Kshs)
Operating and Maintenance Expenses	477,197,903	398,078,680	613,024,565





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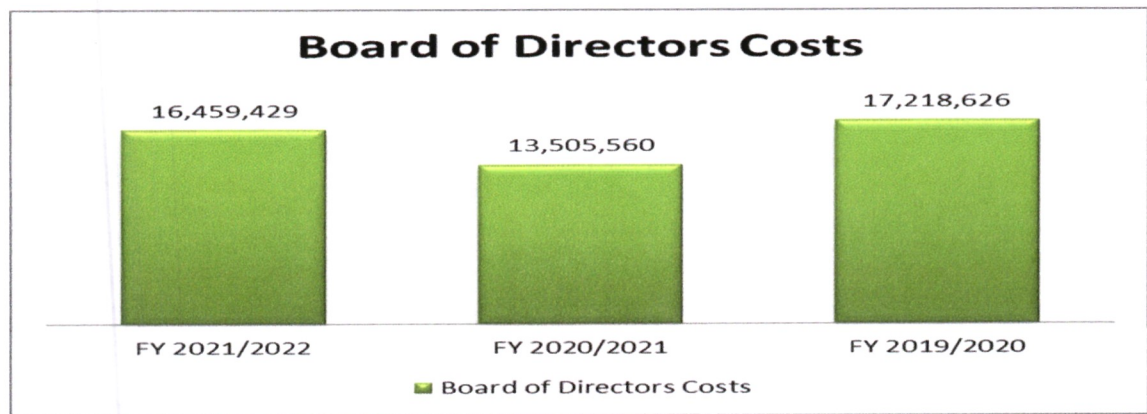
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**v) Board of Management Expenses**

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

The trend is as shown below: -

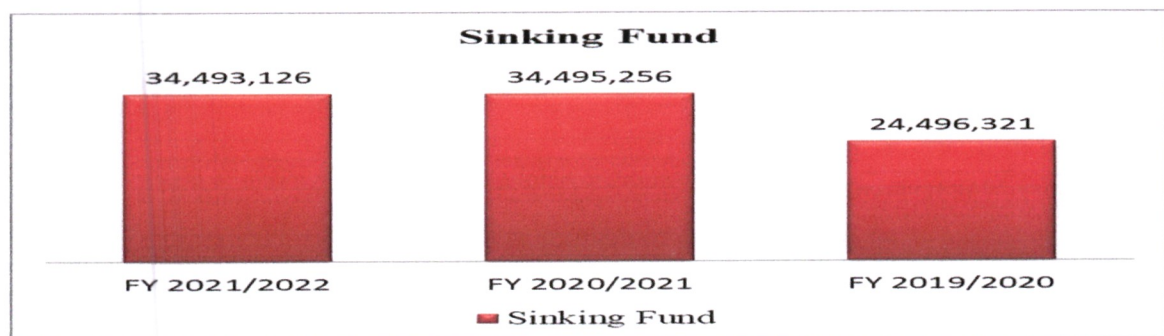
Particulars	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)	FY 2019/2020 (Kshs)
Board of Directors Costs	16,459,429	13,505,560	17,218,626



**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.

Period	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)	FY 2019/2020 (Kshs)
Sinking Fund	34,493,126	34,495,256	24,496,321





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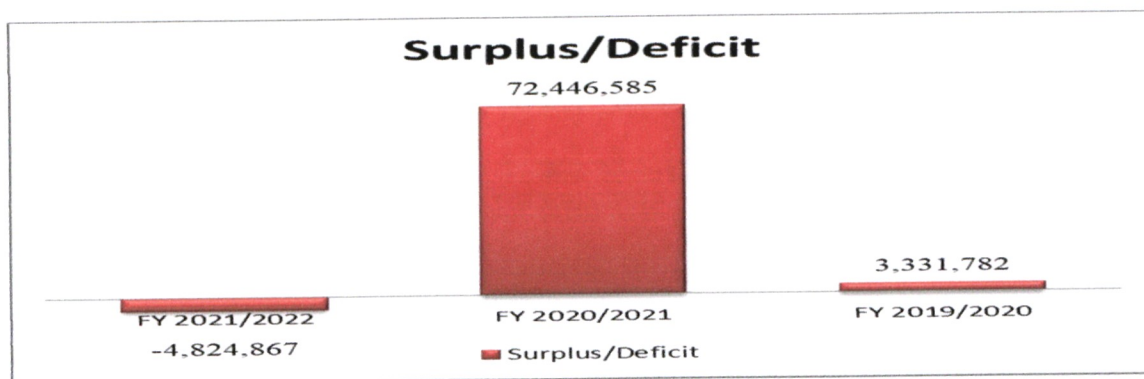
**vii) Surplus/ (Deficit)**

During the year, the Institute had a deficit of Kshs. 4,824,867 from a surplus of Kshs. 72,446,585.

This was as a result of efficient utilization and absorption rate due to increased activities.

The trend is as shown below: -

Period	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)	FY 2019/2020 (Kshs)
Surplus/Deficit	(4,824,867)	72,446,585	3,331,782



**c) Supply Chain Management**

Supply Chain facilitates the acquisition of goods and services required to meet the needs of achieving corporate and strategic objectives. Supply chain management is 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.

**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 assets. As at 30th June 2022, asset book value was around Kshs. 5.765 billion as compared to Kshs. 5.750 billion in the previous year.

**ii) Repairs and maintenance**

Activities geared towards restoring assets, equipment and tools to usable condition after damage or wear have 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 comply with statutory requirements including remittance of statutory deductions such as; Pay As You Earn, National Hospital Insurance Fund, National Social Security Fund, Higher Education Loans Board and Pension Scheme and

In addition, the Institute has adhered to other legal requirements such as the Public Finance Management Act, 2012 (PFM), NEMA Act, Labour Relations Act as well as Treasury Circulars issued from time to time.

#### f) Key projects the Institute is implementing or ongoing

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) Strategic intervention on tree seed infrastructure technology development;
- iii) Establishment of Farmers Resource Centre including Migori, Taita Taveta and Lamu;
- iv) Construction of glass and greenhouses;
- v) Renovating and equipping research laboratories;
- vi) Conservation activities towards 10% tree cover;
- vii) Development of Tiva Management Plan for dryland forestry;
- viii) Securing land for forest research in Rumuruti, Narok and Wajir; and
- ix) Kenya Climate Smart Agriculture Project (KCSAP)

#### 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.



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- iii) Contribution to the pharmaceutical industry through medicinal and herbal products
- iv) Forests mitigate climate change thus reversing the conditions for disease bearing vectors e.g. mosquitoes.
- v) Forests act as wind break thus taming down dust and air drift that would otherwise cause diseases.
- vi) Forests have 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.



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#### 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:

- 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.



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#### **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.

#### **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.

#### **iv) Information security Risk**

With increased digitization, the Institute is exposed to information technology risk of cyber security compromises and fraud exposing KEFRI data assets to risk.

#### **h) Material arrears in statutory/financial obligations**

The Institute did not have any material pending statutory 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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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

a) Sustainability Strategy and Profile

KEFRI is committed to conserving natural resources by spearheading its sustainability through the research programs. KEFRI Board of directors and management are dedicated in taking cognizance of ultimate impact of our research programs. Initiatives undertaken during the year were as follows:-

Objective	Achievements
To enhance production of superior germplasm for priority tree species for different agro-ecological zones	41,098 kg of tree seeds were collected from various tree species
	105 ha of seed orchards and seed stands were established and maintained in various ecological regions
To generate technologies for establishing and managing forest plantations and trees on-farm	30 new forestry technologies were developed in the field and across various research laboratories in KEFRI for adoption by stakeholders
To generate technologies for sustainable forest landscapes, wetland and riparian ecosystems	10 new forestry technologies were developed for sustainable management and conservation of wetland and riparian ecosystems
To develop technologies for efficient processing and utilization of wood and non-wood forest products	2 new products were developed (mangrove natural dye, herbal tea from <i>Xanthoxylum chalybeum</i> )
	The following 2 products were refined:  <i>Ximenia americana</i> soap and cape chestnut lotion
	4 protocols were developed for production of the various tree products
	Sesbania sesban soap was linked to community groups in Rangwe, Homabay County.
To disseminate forestry technologies and enhance research capacity	42 field days were conducted as below: CHERP-9, DERP-7, RVEP-6, CERP-7, NFPRP-6, LVERP-7
	40 publications were developed and published in peer reviews journals, technical notes, guidelines and policy briefs
	KEFRI drafted forestry development strategy for Siaya and Homabay counties; developed various workplans for implementation projects with partners
	18 resource mobilization concepts were developed and submitted for funding by various donors and partners



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#### **b) Environmental Performance**

Sustainability is key to KEFRI. The Institute maintains its focus on environmental performance with an emphasis on process improvement, development of operational standards, improved service delivery and quality audits across all functions.

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.

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
- iv) Enhance public awareness to boost effective implementation of the two systems

Areas of focus include:-

- i) Minimize carbon foot prints through reduced energy use
- ii) Conformance to Quality Management Standards ISO 9001:2015 & Environment Management Standards ISO 14001:2015
- iii) Waste management mechanisms to reduce environmental impacts.
- iv) Awareness and Training
- v) Safety Promotions and Campaigns

#### **Employee Welfare**

The Institute has continued to attract, motivate and retain competent human capital to ensure efficiency and effectiveness in its service delivery. At KEFRI, we pride ourselves 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, received and implemented approval for its four (4) human resource management 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.



## KENYA FORESTRY RESEARCH INSTITUTE

### ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022

The Institute made concerted efforts to fill staffing gaps in its staff establishment through the appointment of fifty-four (54) new staff, staff rationalization, training and development, mentorship programmes and engagement of twenty-four (24) interns and one hundred and twenty (120) students on attachment. During the period, three (3) Research Scientist and one (1) Biometrician graduated with a Doctorate bringing the total number of PhD holders to thirty-five (35) in the Institute.

In compliance with the two thirds ( $\frac{2}{3}$ ) gender rule, the Institute staff gender representation stands at 37% (Female) and 63% (Male).

Currently, the Institute has an OSH policy and an operational committee which ensures that matters on Safety and Health are monitored and advice management on the best practices.

KEFRI has registered its work places and attained work place permit from Directorate of Occupational Safety Health. The Institute has developed an Occupational Health and Safety procedure that is applicable in execution of the Quality and Environmental Management System. All employees, contractors, sub-contractors and other interested parties have to adhere to Occupational Safety and Health Act of 2007, (OSHA).

#### **d) Market place practices-**

The Institute outlines the market practices as follows; -

##### **i) Responsible Supply chain and supplier relations**

The Institute has maintained good working relationships with suppliers by ensuring the following;

- Payment of suppliers within a period of 30 days
- Ensuring fairness, transparency and competitiveness in carrying out its procurement where suppliers get feedback on the outcome of the process enhancing future improvement.
- Sensitization of suppliers on procurement processes and government contracting.
- Continuous registration of suppliers into the Institute list of registered suppliers has enabled good working relations.
- Filling of complaint forms which enables building of better relations with suppliers.



## KENYA FORESTRY RESEARCH INSTITUTE

### ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022

#### **ii) Responsible marketing and advertisement**

The Institute has advertised numerous tenders through MyGov and published the tender notices in Public Procurement Information Portal and KEFRI's website where suppliers are able to assess the tenders within the timelines of advertisement, download the tenders without paying and are allowed to register their mail address where communication can be done in case of any clarification. Through the same portals, the Institute has also been able to publish the results of the tendering process. Suppliers are able to monitor the procurement process and may request for debriefing of the process.

#### **iii) Market place practices**

The Institute has been able to implement the PPADA, 2015 and PPADR, 2020 and use of best market practices in sourcing of goods and services. Market surveys are conducted to enable comparison of prices for goods- enhancing value for money. This in turn allowed fairness, transparency and competitiveness.

#### **iv) Responsible competition practice.**

The Institute registers suppliers for goods and services improving on fairness, transparency and competitiveness by rotating suppliers on need basis. This way all the suppliers are able to participate at particular time until the list is exhausted. The Institute publishes tender reports through website detailing reasons for unsuccessful bidding.

#### **v) Product stewardship**

The Institute has been able to maintain product stewardship by ensuring goods and services for specialized equipment are restricted to manufacturers and authorized dealers.

#### **e) Corporate Social Responsibility / Community Engagements**

KEFRI is committed to be more than just a forestry research Institute. We purpose to be a catalyst for economic change to those whom we interact with. Apart from ensuring forest and allied natural resource protection and conservation, we also focus on accelerating economic growth, human development and making a better life for our communities.

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 vulnerable society to assist, both in material and non-material ways through the Corporate Affairs Office. The main activists are as follows; -



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

- i) Donations of Tree Seedlings and Seeds for various initiatives with partners and collaborators as indicated below.

SPECIES	QUANTITY	PURPOSE
<b>Seedlings (No)</b>		
Cupressus Lusitanica	1500	Demonstration plots Kapcherop
Assorted Indigenous	20	
Cupressus Lusitanica	1600	Demonstration plots at Cherangany
Assorted Indigenous	15	
Cupressus Lusitanica	300	Demonstration plots at Kapcherop
Dedrocalamus Asper	50	Demonstration plots in Kipsieiet
Pinus Patula	300	
Olea Africana	80	
Olea Capensis	50	
Prunus Africana	10	World wetland day celebration held at Kiptagich Secondary and Primary school
Dombeya Torrida	50	
Sysyium Guenensee	10	
Cupressus Lusitanica	1250	
Pinus Patula	250	Demonstration plots at Keringet
Buuri Group	5200	Planting in Arboreta
<b>Seeds (Kgs)</b>		
Team Environment	100	Youth Nursery at Kajiado County
Ten (10) Prisons in Kenya	1000	Tree nurseries to produce seedlings for 10% tree cover
Twenty (20) schools in Nairobi	200	Distributed to schools at a launch by the president aimed at schools tree nursery establishment



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**



**ii) Green Adventure- Donating Tree Seeds to Schools in Nyeri County**

The Institute dispatched 2.1 tonnes of tree seeds worth Kes.2.6 million to benefit 20 schools in Nyeri County to establish tree nurseries and commission Wangari Maathai 10 million tree growing challenge for the County.

Each school established a tree nursery and raised seedlings in support of 10% tree cover.

KEFRI offered technical backstopping, monitoring and evaluation to ensure maximum productivity



**ii) Teaching Conservation to children and Youth; Mumaki Water Catchment in Kitui**



KEFRI donated 2,000 seedlings for planting at Syomuiu Primary School in Matinyani, Kitui County to mark 8<sup>th</sup> Kitui County Annual Tree Growing.

Further, KEFRI donated 1,200 seedlings to Saint Luke's School for the Deaf, in Gachoka, Mbeere South, Embu County.



## KENYA FORESTRY RESEARCH INSTITUTE

### ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022

#### iii) Spreading the smile and love by the KEFRI Choir

The KEFRI Choir Master and other officials joined other choirs under the Parastatals, Ministries, Counties and Companies Choir (PAMICCO) umbrella in the 2021 annual Corporate Social Responsibility (CSR) initiative in Makueni County. The team planted over 1,000 tree seedlings and gifted various needy homes with food stuffs in Makueni County.



Officials of the KEFRI Choir donated food stuffs and tree seedlings to Tumaini Children's home in Riamukuwe, Nyeri. The team bonded with the 100 children from less privileged families, cleaned the compound, planted trees and tilled the garden among other activities.

#### iv) Protecting our staff and the neighboring communities- COVID-19 Vaccinations

KEFRI Clinic in conjunction with the Ministry of Health administered COVID 19 vaccinations to staff and the public from the neighboring community.





**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

**10. REPORT OF THE BOARD OF DIRECTORS**

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

**Principal activities**

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

**Results**

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

**Directors**

The members of the Board of Directors who served during the year are shown on page ix and x. During the year the Chairman of KEFRI Board, Dr. Sammy C. Latema retired on 28<sup>th</sup> April 2022 and was replaced by Prof. Erastus Gatebe with effect from 28<sup>th</sup> April 2022. Prof. Erastus Gatebe has since been replaced with Dr. John Waithaka (PhD) with effect from 28th July 2022.

**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 June 30, 2022.

By order of the Board.

**PHILLIP M. KICHANA**  
**CORPORATION SECRETARY**

Date: 24/03/2023.....



## KENYA FORESTRY RESEARCH INSTITUTE

### ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022

#### 11. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Sections 14 and 15 of the State Corporations 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 June 30<sup>th</sup> 2022. 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 June 30<sup>th</sup> 2022, and of the Institute's financial position as at that date.

The Board of 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.



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

**Approval of the Financial Statements**

The KEFRI financial statements were approved by the Board on 26/09/2022 and signed on its behalf by:

**John Waithaka (PhD)**  
**CHAIRMAN- KEFRI BOARD OF DIRECTORS**

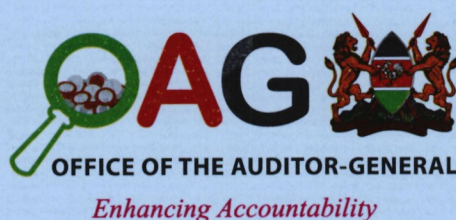
Date: 24/03/2023.....

**Joshua K. Cheboiwo (PhD)**  
**DIRECTOR - KEFRI**

Date: 24/03/2023...

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30684-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Forestry Research Institute set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Kenya Forestry Research Institute as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

### **Basis for Qualified Opinion**

#### **1. Unreconciled External Donor Research Grants**

The financial statements at Note 4 reflects external donor grants for research balance of Kshs.155,800,578 which includes Kshs.10,285,729 being National Environment Management Authority's (NEMA) Adaptation Fund project unspent balance. However, the balance is at variance with NEMA's financial statements which reflect a balance of Kshs.11,703,000. The variance of Kshs.1,417,271 has not been reconciled or explained.

In the circumstances, the accuracy and completeness of external donor grants for research balance of Kshs.10,285,729 owed to NEMA as at 30 June, 2022 could not be confirmed.

#### **2. Property, Plant and Equipment - Unsupported Land Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.5,765,320,360. However, as previously reported, the balance excludes the value of buildings and properties on various parcels of land totaling 2,847 hectares located in several Counties on which the Institute has put up developments. These include parcels of land owned by Kenya Forest Service, Maseno University, Ministry of Agriculture and County Governments of Kitui, Lamu and Migori. The balance also excludes the value of the Institute's headquarters which is built on land registered under the Ministry of Environment and Natural Resources. Further, title deeds for other twenty-one (21) parcels of land were also not provided for audit review.

In the circumstances, it has not been possible to confirm the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.5,765,320,360 as at 30 June, 2022.

#### **3. Inaccurate Value of Inventories**

The statement of financial position reflects inventories balance of Kshs.145,626,635 as disclosed in Note 15 to the financial statements. The balance includes Kshs.75,431,381 and Kshs.60,686,160 relating to seeds and seedlings, and forest plantations respectively. The Management explained that the forest plantations, and the seeds and seedlings were for research purposes (experiments) and would be harvested at the end of the

experiments and that the process of establishing the Institute's forest boundaries was ongoing. There was no valuation report for the reported value of the inventories.

In the circumstances, the accuracy, valuation and fair statement of the inventories balance of Kshs. 145,626,635 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya 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.

### **Other Matter**

### **Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several issues were raised in the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues had not been resolved as at 30 June, 2022.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229 (6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

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

## **Responsibilities of Management and 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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**

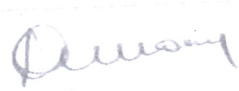
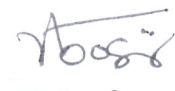
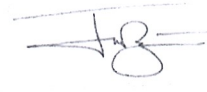
**16 May, 2023**



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022



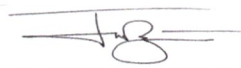
13. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30TH JUNE 2022

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022			
	Notes	2021-2022 Kshs.	2020-2021 Kshs.
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions:</b>			
Government Grants	3	1,525,757,811	1,499,769,674
External Grant for Research	4	114,835,278	107,277,969
Deferred Income from Donated assets	5(b)	19,761,368	21,692,463
<b>Revenue from exchange transactions:</b>			
Sale of Goods and Services	6	117,633,923	103,470,615
		<u>1,777,988,380</u>	<u>1,732,210,720</u>
<b>TOTAL REVENUE</b>			
<b>EXPENSES</b>			
Employee Costs	7	(1,207,442,826)	(1,154,481,167)
Operating Expenses	8	(477,197,903)	(398,078,680)
Board of Directors Expenses	9	(16,459,429)	(13,505,560)
Establishment Cost(Sinking Fund)	10(a)	-	(10,000,000)
Depreciation charge	5(a)	(77,625,146)	(79,870,957)
Amorization on Intangible Asset	11	(2,419,377)	(3,024,222)
		<u>(1,781,144,682)</u>	<u>(1,658,960,584)</u>
<b>TOTAL EXPENSES</b>			
<b>OTHER GAINS/(LOSSES)</b>			
Exchange Gain/(Loss)	12	(1,668,565)	(803,551)
		<u>(1,668,565)</u>	<u>(803,551)</u>
		<u>(4,824,867)</u>	<u>72,446,585</u>
<b>Surplus/(Deficit) for the Year</b>			
 Joshua K. Cheboiwo (PhD) DIRECTOR KEFRI		 FCPA Rose Osoro Deputy Director Finance(Head of Finance) ICPAK Member Number:4555	
		 John Waitthaka (PhD) Chairman: KEFRI Board of Directors	
Date: 24/03/2023.....		Date: 24/03/2023.....	



**KENYA FORESTRY RESEARCH INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022**

STATEMENT OF FINANCIAL POSITION AS AT 30 <sup>TH</sup> JUNE 2022			2021-2022	2020-2021
			Kshs.	Kshs.
<b>ASSETS</b>	<b>Notes</b>			
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	13(a)		598,185,826	454,393,320
Receivables from exchange transactions	14(a)		35,994,466	28,292,719
Receivables from non- exchange transactions	14(b)		1,271,339	4,551,142
Inventories	15		145,626,635	74,336,007
			<u>781,078,266</u>	<u>561,573,188</u>
<b>NON-CURRENT ASSETS</b>				
Property, Plant & Equipment	5(a)		5,765,320,360	5,713,085,096
Intangible Assets	11		9,677,510	12,096,887
			<u>5,774,997,870</u>	<u>5,725,181,983</u>
<b>TOTAL ASSETS</b>			<u>6,556,076,136</u>	<u>6,286,755,171</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Payables from exchange transactions	16		9,343,416	4,189,322
Auditor General- accrued audit fee	16(c)		660,000	1,173,969
Unxpendd External Donor Grants	4		155,800,578	144,274,626
Medical Scheme Funds	17		345,205	345,205
			<u>166,149,199</u>	<u>149,983,123</u>
<b>NET ASSETS</b>				
Government Grants for capital assets	18(a)		1,421,091,292	1,143,349,103
Deferred Income on Donated Assets	5(b)		494,500,177	514,261,545
Sinking Fund	10(b)		34,493,126	34,494,191
Revaluation Reserves	18(b)		4,467,199,488	4,467,199,488
Revenue Reserves	18(e)		(27,357,146)	(22,532,279)
			<u>6,389,926,937</u>	<u>6,136,772,048</u>
<b>TOTAL NET ASSETS &amp; LIABILITIES</b>			<u>6,556,076,136</u>	<u>6,286,755,171</u>
The Financial Statements set out on pages 1-39 are signed on behalf of the Board of Management by:				
				
Joshua K. Cheboiwo (PhD) DIRECTOR KEFRI	FCPA Rose Osoro Deputy Director Finance(Head of Finance) ICPAK Member Number:4555	John Waitthaka (PhD) Chairman: KEFRI Board of Directors		
Date: <u>24/03/2023</u>	Date: <u>24/03/2023</u>	Date: <u>24/03/2023</u>		



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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022.



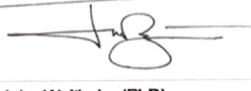
	2021-2022					
	Government Grants for Capital Assets Kshs	Deferred Income on Donated Assets Kshs	Revenue Reserves Kshs.	Revaluation Reserves Kshs	Sinking Fund Kshs.	Total Kshs.
Balance as at 1st July 2020	1,043,537,781	535,954,008	(103,103,264)	4,467,199,488	24,495,256	5,968,083,269
Prior period adjustment			8,124,400			8,124,400
As restated	1,043,537,781	535,954,008	(94,978,864)	4,467,199,488	24,495,256	5,976,207,669
Surplus/(Deficit) for the year	-		72,446,585			72,446,585
Adjustments						-
Transfers from Sinking fund					(1,065)	(1,065)
Sinking Fund expenses					10,000,000	159,000,000
Additions during the year	149,000,000					(49,188,678)
To Income & Expenditure	(49,188,678)					(21,692,463)
Deferred Income for the year		(21,692,463)				
Balance as at 30th June 2021	1,143,349,103	514,261,545	(22,532,279)	4,467,199,488	34,494,191	6,136,772,048
Balance as at 1st July 2021	1,143,349,103	514,261,545	(22,532,279)	4,467,199,488	34,494,191	6,136,772,048
Prior period adjustment						-
As restated	1,143,349,103	514,261,545	(22,532,279)	4,467,199,488	34,494,191	6,136,772,048
Surplus/(Deficit) for the year	-		(4,824,867)			(4,824,867)
Adjustments						-
Transfers from Sinking fund					(1,065)	(1,065)
Sinking Fund expenses						362,500,000
Additions during the year	362,500,000					(84,757,811)
To Income & Expenditure	(84,757,811)					(19,761,368)
Deferred Income for the year		(19,761,368)				
Balance as at 30th June 2022	1,421,091,292	494,500,177	(27,357,146)	4,467,199,488	34,493,126	6,389,926,938



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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022			
	NOTES	2021-2022 Kshs.	2020-2021 Kshs.
<b>Cash Flows from Operating Activities</b>			
Cash from Recurrent Grants	3	1,441,000,000	1,450,580,996
Cash from Development Grants	3	362,500,000	149,000,000
Cash from donor grants	4	129,136,819	92,985,539
Cash receipts from customers		113,174,548	58,485,669
Cash receipts from Insurance		12,451,710	5,513,034
Cash receipts from employees	14(b)	20,816	-
Cash paid to employees(Salaries)	8	(1,207,442,826)	(1,154,481,167)
Cash paid for operations		(473,836,431)	(395,974,116)
Cash paid to board members	9	(16,459,429)	(13,505,560)
Cash refund to donor		(3,361,804)	-
Cash paid to employees	14(b)	(1,271,339)	-
Cash paid for Insurance (prepaid)		(21,999,110)	-
Cash paid to suppliers		-	(5,277,920)
Cash paid to employees for personal accident		(9,584,502)	(4,540,213)
<b>Net cash from operating activities</b>		<b>324,328,453</b>	<b>182,786,262</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant, and equipment	5(a)	(180,535,947)	(42,549,203)
Purchase of Intangible asset	11	-	(2,682,171)
<b>Net Cash from Investing activities</b>		<b>(180,535,947)</b>	<b>(45,231,374)</b>
Net increase in cash and cash equivalents		143,792,506	137,554,888
Cash and cash equivalents at beginning of period	13(a)	454,393,320	316,838,432
<b>Closing Cash and cash equivalents at end of period</b>		<b>598,185,826</b>	<b>454,393,320</b>
			
Joshua K. Cheboiwo (PhD) DIRECTOR KEFRI	FCPA Rose Osoro Deputy Director Finance ICPAK Member Number:4555	John Waitthaka (PhD) Chairman: KEFRI Board of Directors	
Date: 24/03/2023	Date: 24/03/2023	Date: 24/03/2023	



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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022							
	Notes	Original budget 2021-2022	Adjustment/ variance 2021-2022	Full budget 2021-2022	Actual on Comparable 2021-2022	Performance difference 2021-2022	Budget Vs Actual %
		Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>							
Recurrent Grants	3	1,441,000,000	-	1,441,000,000	1,441,000,000	-	100.00
Development Grants	3	374,000,000	(11,500,000)	362,500,000	362,500,000	-	100.00
Research Grants	4	114,835,278	-	114,835,278	114,835,278	-	100.00
Deferred Income from donors	5b	19,761,368	-	19,761,368	19,761,368	-	100.97
Sale of Goods and Services	6	116,500,250	-	116,500,250	117,633,923	(1,133,673)	100.97
<b>Total Income</b>		<b>2,066,096,895</b>	<b>(11,500,000)</b>	<b>2,054,596,895</b>	<b>2,055,730,568</b>	<b>(1,133,673)</b>	<b>100.06</b>
Development Grants: Income Recognised		84,757,811	-	84,757,811	84,757,811.00	-	100.00
<b>NET TOTAL INCOME</b>		<b>2,150,854,706</b>	<b>(11,500,000)</b>	<b>2,139,354,706</b>	<b>2,140,488,379</b>	<b>(1,133,673)</b>	<b>100.05</b>
<b>Expenses</b>							
Employees Costs	7	1,250,000,000	(24,802,852)	1,225,197,148	1,207,442,826	17,754,322	98.55
Operation Expenses	8	616,835,528	20,802,852	637,638,380	477,197,903	160,440,477	74.84
Board Expenses	9	14,000,000	4,000,000	18,000,000	16,459,429	1,540,571	91.44
Establishment Cost(Sinking Fund)	10	-	-	-	-	-	-
Depreciation	5a	77,625,146	-	77,625,146	77,625,146	-	-
Amortization Expenses	11	2,419,377	-	2,419,377	2,419,377	-	-
Total Expenditure		<b>1,960,880,051</b>	-	<b>1,960,880,051</b>	<b>1,781,144,682</b>	<b>179,735,370</b>	<b>90.83</b>
Other Gains/(Losses)	12b	1,668,565	-	1,668,565	1,668,565	-	100.00
Exchange Gain/(Loss)		188,306,091	(11,500,000)	176,806,091	357,675,133	(180,869,043)	-
Supplus/(Deficit) for the period without capital assets		374,000,000	(11,500,000)	362,500,000	362,500,000	-	100.00
Development Grants	3	(185,693,909)	-	(185,693,909)	(4,824,867)	(180,869,043)	-
Supplus/(Deficit) for the period		289,242,189	(11,500,000)	277,742,189	277,742,189	-	-
Capital Expenditure							
<b>1. Gok : Development Grant</b>							
Budget Estimates							
Less:Received from Exchequer							
Reduction Due to National Treasury Supplementary Budget							
2. Budget adjustment was done during internal reallocation of funds							
3. Capital Expenditure comprises of funds from operating balance and other development partners funded projects							
4. The difference under operating expenses is due to late disbursement of funds for on going project activities committed in the year.							
5. The balance in Personal Emoluments was due to staff retirement.							
6. The Institutes Recurrent Budget has stagnated for several years despite normal upward salary adjustments compounded by inflationary effect on provision of goods and services.							
		<b>Kshs</b>		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
		374,000,000		374,000,000	374,000,000	-	100.00
		(362,500,000)		(362,500,000)	(362,500,000)	-	100.00
		11,500,000		11,500,000	11,500,000	-	100.00



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**18. NOTES TO THE FINANCIAL STATEMENTS**

**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.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1. Adoption of New and Revised Standards**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p>The standard is not relevant to the Institute</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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 information provided should help users of the financial statements and general-purpose financial reports assess:</p>



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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The standard is not relevant to the Institute</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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.</p> <p>The standard is not relevant to the Institute</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p>The standard is not relevant to the Institute</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those</p>



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Standard	Effective date and impact:
	<p>transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>The standard is not relevant to the Institute</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard is not relevant to the Institute</p>

*iii. Early adoption of standards*

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



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**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.



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The annual rates in use are:

<b>Assets</b>	<b>Rate</b>
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 Motorcycles	25%
Computer, Photocopiers, Fax Machines, Calculators and IT Equipment	33 ⅓%
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: -

<b>Assets</b>	<b>Years</b>
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
Motorcars and Motorcycles	4
Computer, Photocopiers, Fax Machines, Calculators	3
Medical & Dental Equipment	8



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) i) Intangible Assets - IPSAS 31**

Intangible assets including computer software 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; and the ability to measure reliably the expenditure during development.

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

**(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.



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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. .



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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.

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.



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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. 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 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.

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

	2021-2022		2020-2021	
	Fully performing	Past due	Fully performing	Past due
Cash at banks	598,185,826	-	316,838,433	-
Receivables from exchange transactions	11,998,155	23,996,311	7,667,949	15,335,898
Receivables from non-exchange transactions	423,780	97,084,424	1,059,533	23,462,909
<b>Total</b>	<b>610,607,761</b>	<b>121,080,734</b>	<b>325,565,915</b>	<b>38,798,807</b>

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.

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:



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

At 30 June 2021	2021-2022		2020-2021	
	1-6 months	6-12 months	1-6 months	6-12 months
<b>Financial liabilities</b>				
Trade payables	3,114,472	6,228,944	2,097,962	4,195,924
Auditor General- accrued audit fee	660,000	660,000	660,000	660,000
Payables from non-exchange transactions	-	-	-	8,124,400
Unexpended External Donor Grants	-	155,800,578	-	157,302,625
Medical Scheme Funds	-	345,205	-	742,883
	<b>3,774,472</b>	<b>163,034,727</b>	<b>2,757,962</b>	<b>171,025,832</b>

**iii) Market risk**

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 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.128.22	Dollar- rate Ksh.107.85
At 30 June 2021			
Financial assets - cash	8,369,483	16,806	57,623



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

	Ksh	Euro - rate Ksh.124.02	Dollar- rate Ksh.117.83
At 30 June 2022			
Financial assets - cash	8,369,483	17,375	52,743

**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 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 endeavor to bank with institutions that offer favorable 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:

	2021-2022	2020-2021
	Kshs.	Kshs.
Revaluation reserve	4,467,199,488	4,467,199,488
Retained earnings	(27,357,146)	(22,532,279)
Capital reserve	1,950,084,596	1,692,104,840
<b>Total funds</b>	<b>6,389,926,938</b>	<b>5,968,083,269</b>



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**(q) Budget information: IPSAS 24**

The original budget for FY 2021-2022 was approved by the Board of Directors on 25<sup>th</sup> June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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



## KENYA FORESTRY RESEARCH INSTITUTE

### ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (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.

##### 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.

##### 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.



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**(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, 2022

**v) Ultimate and holding entity**

The Institute is a State Corporation under the Ministry of Environment and Forestry. Its ultimate parent is the Government of Kenya.



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**w) Sinking Fund**

The Institute's Management shall established a Sinking Fund account for the replacement of worn out fixed assets 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**

**a. 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.

**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.



**KENYA FORESTRY RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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)

**b. 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.

**Note 3: Transfers from National Government**

	2021-2022	2020-2021
<b>NOTE 3: GOVERNMENT GRANTS RECEIVED</b>	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent Grants	1,441,000,000	1,450,580,996
Development Grants	362,500,000	149,000,000
<b>Totals</b>	<b>1,803,500,000</b>	<b>1,599,580,996</b>
<b>(b) Recognised Income</b>		
Recurrent: Income & Expenditure	1,441,000,000	1,450,580,996
Development Grants: Income Recognised	84,757,811	49,188,678
<b>To Income &amp; Expenditure</b>	<b>1,525,757,811</b>	<b>1,499,769,674</b>
Deferred Income -GoK Development Grants for capital assets	277,742,189	99,811,322
<b>Totals</b>	<b>1,803,500,000</b>	<b>1,599,580,996</b>



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: EXTERNAL DONOR GRANTS FOR RESEARCH 2021-2022

	Various Projects (KSHS)	US DOLLAR (KSHS)	EURO A/C (KSHS)	ITKILLED PROJECT A/C-HQTS (KSHS)	BAMBOO PROJECT (KSHS)	GIZ PROJECT - LODWAR (KSHS)	KEFFRI REGIONAL TRAINING HQTS (KSHS)	KENYA WATER TOMERS PROJECT ADAPTATION FUND PROJECT (KSHS)	KENYA WATER TOMERS PROJECT MASENO (KSHS)	COMMERCIAL FORESTRY (KSHS)	TOTAL (KSHS)
Balance b/f 1st July 2021	33,245,560	7,663,206	1,075,864	653,287	2,400,324	2,312	160,202	85,642,425	13,430,755	700	144,274,625
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Received during the Year	57,930,735	9,648,287	44,756,429	500,000	-	1,802,280	-	-	4,351,614	10,147,494	129,136,819
Refund to the Donor	-	-	-	-	-	-	-	-	(3,279,748)	(82,056)	(3,361,804)
Inter account transfers (MSB)	(233,000)	-	-	(500,000)	-	-	-	-	-	733,000	-
Transfer from Dollar A/C	11,623,430	(11,623,430)	-	-	-	-	-	-	-	-	-
Transfer from Euro A/C	3,925,960	-	(41,469,882)	-	37,543,932	-	-	-	-	-	-
Available during the Year	106,492,675	5,688,063	4,362,401	653,287	39,944,256	1,804,572	160,202	85,642,425	14,502,621	700	270,049,640
Spent during the Year	(71,246,012)	(59,610)	(2,207,586)	(5,244)	(29,129,611)	(2,312)	(720)	(1,065)	(4,216,892)	(700)	(114,835,278)
Adjustment-Exchange gain	-	586,215	-	-	-	-	-	-	-	-	586,215
Balance of as at 30 June 2022	35,146,663	6,214,668	2,154,815	648,043	10,820,645	1,802,260	159,482	85,641,360	10,285,729	-	155,800,578



**KENYA FORESTRY RESEARCH INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE**

NOTE 8(a): FIXED ASSETS SCHEDULE AS AT 30 <sup>TH</sup> JUNE 2021														
(a) Depreciation														
ACCOUNT	310101	311001	311002	311113	311104	311107	311001	310704	311005	311001	1310	311101	311029	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.	PROGRESS WORK-IN-PROGRESS	
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2020	4,123,385,000	1,962,446,205	69,137,655	4,733,691	8,917,888	360,319,851	110,380,588	177,430	38,407,147	317,907,865	225,899,088	36,317	48,513,499	7,271,336,234
Adjustment														
Acquisition during the Year		14,525,045	94,326	27,000	150,000	946,125	2,690,431		4,635,199		13,634,259		5,936,618	42,946,203
Disposal during the Year														
Disposal during the Year	4,123,385,000	1,976,971,250	69,231,981	4,760,691	9,077,988	361,165,976	113,071,019	177,430	44,036,346	317,907,865	239,533,347	36,317	54,450,317	7,313,885,437
As at 30th June 2021														
Depreciation		600,754,317	47,593,385	3,829,842	7,094,679	263,507,535	93,595,629	170,570	39,321,694	259,838,999	205,192,909	30,057		1,520,939,384
As at 1st July 2020														
Adjustment														
Disposal														
Estimation on revaluation Transfer to completed buildings														
Revaluation														
Estimation on revaluation Transfer to completed buildings														
Disposal during the Year														
As at 30th June 2021	4,123,385,000	1,976,971,250	69,231,981	4,760,691	9,077,988	361,165,976	113,071,019	177,430	44,036,346	317,907,865	239,533,347	36,317	54,450,317	7,313,885,437
Net Book Value														
As at 30th June 2021	4,123,385,000	1,341,697,760	18,333,771	814,493	1,743,892	85,451,137	17,040,966	6,003	2,946,533	43,812,122	22,893,625	5,477	54,450,317	5,713,086,096
As at 30th June 2020	4,123,385,000	1,361,681,888	21,544,270	903,849	1,833,019	96,812,317	16,734,959	6,860	79,253	58,149,489	20,706,779	6,280	48,513,499	5,750,408,860
(5D): Deferred Income Schedule on Donated Assets (See Note 18 (a) (ii))														
Donated Assets														
As at 1st July 2020	468,664,491		4,084,063	19,709	48,530	48,675,397	1,940,685	7,036	468	12,514,989	1,071			538,954,008
As at 30th June 2021	468,664,491		4,084,063	19,709	48,530	48,675,397	1,940,685	7,036	468	12,514,989	1,071			538,954,008
Disposal														
Deferred Income	468,664,491		4,084,063	19,709	48,530	48,675,397	1,940,685	7,036	468	12,514,989	1,071			538,954,008
To Income & expenditure for the year	11,716,612		510,510	2,464	5,816	6,084,421	242,586	880	175	3,128,542	357			21,662,463
As at 30th June 2021	456,947,879		3,573,553	17,245	40,714	42,590,946	1,698,099	6,157	292	9,386,927	714			514,261,545





**KENYA FORESTRY RESEARCH INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30<sup>TH</sup> JUNE 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)				
	Notes	2021-2022	2020-2021	
		Kshs.	Kshs.	
<b>NOTE 6(a): SALE OF GOODS AND SERVICES</b>				
Sale of Forestry Produce	6(b)	41,724,993	35,868,608	
Other Income/Tenders and Hire of Grounds		848,950	378,300	
Nominal Income (Rent, Water & Electricity)		5,344,638	7,088,326	
Surcharges		554,672	730,483	
Commission Income		68,473	209,951	
Bus Charges (Income)		745,795	554,035	
Sale of Stores		39,150	-	
Hire of KEFRI Facilities	6(c)	67,146,357	56,476,090	
Clinic Revenue		407,392	321,975	
Lab Analysis	6(d)	753,503	604,045	
Project Administration Fees		-	1,238,802	
<b>Totals</b>		<b>117,633,923</b>	<b>103,470,615</b>	
<b>NOTE 6(b): ANALYSIS OF FOREST PRODUCE INCOME</b>				
Sale of Forestry Produce		4,267,483	4,567,721	
Sale of Seeds		25,033,579	18,429,763	
Maseno Revenue		715,407	930,290	
Karura Revenue		5,655,426	5,503,592	
Londiani Income		1,123,228	1,083,067	
Gede Income		1,551,740	1,349,630	
Turbo Income		132,240	352,500	
Kibwezi Income		1,242,880	1,134,640	
Kakamega Revenue		387,540	319,460	
Nyeri Income		666,650	724,975	
Kuja River Revenue		59,745	137,260	
Ramogi Revenue		57,620	88,780	
Garissa Revenue		3,650	138,100	
Migori Revenue		532,260	771,450	
Taita Taveta Revenue		295,545	337,380	
<b>Total</b>		<b>41,724,993</b>	<b>35,868,608</b>	
<b>NOTE 6(c): HIRE OF TRAINING FACILITIES</b>				
Hire of Training Facilities - Training[Muguga]		13,255,543	8,327,636	
Kitui Revenue		17,495,943	18,055,403	
Lodwar Revenue		4,878,406	2,559,840	
Marigat Revenue		15,337,453	14,407,250	
Lamu Revenue		5,361,876	4,641,326	
KEFRI House Income		10,817,136	8,484,635	
<b>Total</b>		<b>67,146,357</b>	<b>56,476,090</b>	
<b>NOTE 6(d): LAB ANALYSIS</b>				
Muguga Laboratory Revenue		395,800	138,900	
Maseno Revenue		357,703	465,145	
<b>Total</b>		<b>753,503</b>	<b>604,045</b>	



**KENYA FORESTRY RESEARCH INSTITUTE**

**Annual Report and Financial Statements for FY Ended 30th June 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2021-2022	2020-2021
NOTE 7: EMPLOYEE COSTS	Notes	Kshs.	Kshs.
Salaries and Wages	7(b)	731,590,548	719,025,958
Gratuity Costs		20,390,354	9,654,965
Staff Pension Cost/Administration Costs	7(c)	126,728,137	127,663,056
House Allowances		138,370,521	138,703,024
Medical Allowance N/A		42,900	32,400
Other Personal Allowances	7(d)	90,412,749	89,546,538
Staff Medical Costs (In-Patient)		1,408,026	277,249
Refund of Medical Expenses - Exgratia		-	266,700
Leave & Passage Expenses		5,099,134	4,678,167
Transfer Expenses		2,526,590	3,144,631
Group Life Insurance Premium		4,704,239	3,263,061
Group Personal Accident		1,275,852	953,756
Group Personal Accident Premium- Casuals		137,038	101,449
Medical Insurance Cover for Staff		84,756,738	57,170,213
<b>Total</b>		<b>1,207,442,826</b>	<b>1,154,481,167</b>
<b>NOTE 7(b): SALARIES &amp; WAGES</b>			
Basic Salaries		693,739,367	683,705,492
Contractual Employee		-	-
Casual Labour		37,851,181	35,320,466
<b>Total</b>		<b>731,590,548</b>	<b>719,025,958</b>
The number of employees as at the end of the year		<b>850</b>	<b>879</b>
<b>NOTE 7(c): STAFF PENSION COST</b>			
Pension Employer Cost		126,052,037	126,936,577
Insurance Cover for Pension Trustees Liability		-	-
NSSF Employer		676,100	726,479
<b>Total</b>		<b>126,728,137</b>	<b>127,663,056</b>
<b>NOTE 7(d): OTHER ALLOWANCES</b>			
		<b>Kshs.</b>	<b>Kshs.</b>
Acting Allowance		436,344	687,486
Hardship Allowance		8,240,344	7,576,344
Special Duty Allowance		445,029	659,855
Incentive Allowance		7,993,926	6,571,984
Entertainment Allowance		4,391,229	3,786,871
Responsibility Allowance		8,326,294	7,778,435
Other Allowances		7,289,621	9,304,566
Risk Allowances		2,633,745	2,750,456
Commuter Allowance		50,656,217	50,430,541
<b>Total</b>		<b>90,412,749</b>	<b>89,546,538</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)		2021-2022	2020-2021
NOTE 8: OPERATING EXPENSES	Notes	Kshs.	Kshs.
Electricity Expenses		21,846,100	21,344,799
Water & Conservancy		3,300,270	3,205,688
Telephone, Telex & Mobile Phone		3,056,008	3,253,262
Internet Costs		10,054,595	8,520,268
Postal Courier & Telegrams		801,859	823,289
Travelling & Accommodation Expenses		107,407,004	87,436,945
Strategic Plan		6,134,930	-
External Travelling Costs		3,938,847	22,105
Printing & Publishing		2,205,564	3,485,208
Subscription, Newspapers & Periodicals		1,039,001	697,478
Advertising & Publicity		11,071,625	8,485,657
Trade Show and Exhibitions		2,354,372	512,958
Training Expenses and Attachment fee		5,202,166	6,708,912
Cost of Conference & Seminars		485,071	17,500
Purchase of Coffin		625,292	528,226
Insurance of Buildings & Equipment		2,575,415	749,307
Insurance of Motor Vehicles		3,099,340	3,307,810
Supplies of medical Drugs		1,208,050	1,324,118
Supplies of Dressings		430,531	128,731
Fungicides & Insecticides		608,925	485,489
Purchase of Utensils and Cutlery		599,135	244,005
Purchase of Research Materials	8(b)	5,723,921	7,070,491
Library Expenses		175,040	58,399
Food & Ration		52,768,644	26,158,081
Staff Uniform Expenses		2,440,378	3,033,948
Purchase of Supplies for Production		76,660,866	76,310,165
Stationery Expenses		4,488,435	5,631,234
Computer Expenses		5,347,410	6,149,480
Sanitary & Cleaning Material		4,340,913	4,022,578
Fuel & Lubricants Expenses	8(c)	30,422,437	26,051,699
Bank Charges	8(d)	1,368,001	524,791
Membership Fees to Statutory Organization		3,498,942	2,890,115
Legal Dues, Arbitration and Compensation Payments		6,885,442	266,099
Contracted Professional Services	8(e)	15,521,116	18,443,496



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2021-2022	2020-2021
NOTE 8: OPERATING EXPENSES (Continued)	Notes	Kshs.	Kshs.
Audit Fees		776,000	796,800
Security Operations		23,123,448	23,378,193
Write Offs/Bad Debts Expenses		69,000	-
Maintenance Expenses	8(f)	53,004,381	44,824,964
Land Rent & Rates		176,000	1,136,393
Donations		2,363,431	50,000
		-	-
<b>Total Operating Expenses</b>		<b>477,197,903</b>	<b>398,078,680</b>
<b>NOTE 8(b): PURCHASE OF RESEARCH MATERIALS</b>			
Chemicals & Industrial Gases		2,423,086	3,559,262
Workshop Materials		601,912	152,195
Laboratory Materials		1,218,147	2,844,023
Photographic & Audio Visual Material		1,480,776	515,011
<b>Total</b>		<b>5,723,921</b>	<b>7,070,491</b>
<b>NOTE 8(c): FUEL EXPENSES</b>			
Fuel & Lubricants Expenses		27,832,640	24,893,720
Other Fuels (wood, charcoal, gas etc.)		1,148,525	627,410
Fuel for Generators		1,441,272	530,569
<b>Total</b>		<b>30,422,437</b>	<b>26,051,699</b>
<b>NOTE 8(d): BANK CHARGES</b>			
Recurrent		1,261,641.20	357,350
Development		10,925.00	19,700
Various Projects		20,228.00	25,285
Sinking Fund		1,065	1,065
Gold Plus Savings		1,065	320
Gold Plus Revenue		37,593.00	90,417
KEFRI US Dollar Account		7,768.22	5,739
EURO A/C		4,648.82	3,826
KEFRI-MSB/UPP PROJECT -Millenium Seed for Life		-	1,800
KEFRI ITK/IIED PROJECT A/C-GEDE		-	70
KEFRI ITK/IIED PROJECT A/C-HQTS		5,244.00	7,764
Bamboo Project		4,665.00	1,185
GIZ Project Lodwar		2,312.00	252
KEFRI/REGIONAL TRAINING		720.00	1,692
KENYA WATER TOWERS PROJECT HQTS		1,065.00	1,745
ADAPTATION FUND PROJECT		1,985.00	1,065
KENYA WATER TOWERS PROJECT LONDIANI		-	2,960
NAS PEER PROJECT		-	774
KENYA WATER TOWERS PROJECT MASENO		700.00	1,781
COMMERCIAL FORESTRY INVESTMENT		6,375.69	-
<b>Totals</b>		<b>1,368,001</b>	<b>524,791</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2021-2022	2020-2021
NOTE 8: OPERATING EXPENSES (Continued)		Kshs.	Kshs.
<b>NOTE 8(e): CONTRACTED PROFESSIONAL SERVICES</b>			
Contracted Professional Services - Valuation		2,846,200	172,499
Contracted Prof. Services- Others		8,739,248	11,775,620
Contracted Prof. Services- Consultancy		1,020,901	206,221
Contracted Professional Services - EMS surveillance Audit		487,920	-
Technical Services		2,426,847	6,289,156
<b>Total</b>		<b>15,521,116</b>	<b>18,443,496</b>
<b>NOTE 8(f): MAINTENANCE EXPENSES</b>			
Vehicle Maintenance Expenses		24,044,016	20,132,649
Maintenance of Plant & Machinery		3,572,270	2,308,906
Maintenance of Furniture		377,086	484,774
Maintenance of Buildings - Residential		1,546,848	829,066
Maintenance of Buildings and Stations		15,087,457	11,545,394
Maintenance of Roads		83,030	19,750
Minor Alterations		92,550	247,658
Maintenance of Computer Software		7,643,411	7,480,067
Maintenance of Water Supplies & Sewage		557,713	1,776,701
<b>Total</b>		<b>53,004,381</b>	<b>44,824,964</b>
<b>NOTE 9: BOARD OF DIRECTORS EXPENSES</b>			
Board Costs		14,945,573	11,107,723
Conferences		1,137,240	1,845,736
Medical Insurance Cover for Board Members		376,616	552,101
<b>Total</b>		<b>16,459,429</b>	<b>13,505,560</b>
<b>NOTE: 10(a) ESTABLISHMENT COST</b>			
Sinking Fund		Kshs.	Kshs.
			10,000,000
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.			
<b>NOTE 10(b): SINKING FUND</b>			
<b>Balance b/f</b>		<b>34,494,191</b>	<b>24,495,256</b>
Received during the Year		-	10,000,000
<b>Available during the Year</b>		<b>34,494,191</b>	<b>34,495,256</b>
Spent during the Year		(1,065)	(1,065)
<b>Balance c/f</b>		<b>34,493,126</b>	<b>34,494,191</b>
<b>NB:</b> 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.			
<b>NOTE 11: INTANGIBLE ASSETS - COMPUTER SOFTWARE</b>			
<b>Cost</b>		<b>Kshs.</b>	<b>Kshs.</b>
At the beginning of the year-Net		12,096,887	12,438,938
Additions for the year		-	2,682,171
		<b>12,096,887</b>	<b>15,121,109</b>
Amortization on Intangible Assets - Software		(2,419,377)	(3,024,222)
<b>At the end of the year</b>		<b>9,677,510</b>	<b>12,096,887</b>
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.			



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)				
			2021-2022	2020-2021
NOTE 12: EXCHANGE GAIN/(LOSS)			Kshs.	Kshs.
Exchange Gain			586,215	13,891
Exchange Loss			(2,254,779)	(817,442)
<b>Total</b>			<b>(1,668,565)</b>	<b>(803,551)</b>
NOTE 13: CASH AND CASH EQUIVALENT -CASH AT BANK				
Name of Bank Account	Acct. Number	Bank	2021-2022 Kshs.	2020-2021 Kshs.
Recurrent	1106971361	KCB	58,565,430	85,985,857
Development	1106749944	KCB	208,741,151	30,607,071
Various Projects	1106750012	KCB	42,220,375	37,621,876
Sinking Fund	1106972643	KCB	34,493,126	34,494,191
Gold Plus Savings	1107063272	KCB	25,496,265	26,306,535
Gold Plus Revenue	1107063558	KCB	108,900,273	128,649,093
KEFRI US Dollar Account	1107182867	KCB	6,214,668	7,663,204
EURO A/C	1107064929	KCB	2,154,815	1,075,857
KEFRI IT/KIIED PROJECT A/C-HQTS	01136151733102	Co-op	648,042	653,286
BAMBOO PROJECT	1208326104	KCB	10,820,648	2,099,955
GIZ Project Lodwar	1183017367	KCB	1,802,260	2,312
KEFRI/REGIONAL TRAINING	6433340016	CBA	159,482	160,202
KEFRI WATER TOWER PROJECT-HQTS	1176894080	KCB	85,641,360	85,642,425
KEFRI ADAPTATION FUND	1178886956	KCB	10,285,730	13,430,756
KEFRI COMMERCIAL FORESTRY INVESTMENT	102000035970	KCB	2,042,201	-
KEFRI WATER TOWER PROJECT-MASENO	1178145298	KCB	-	700
<b>Totals</b>			<b>598,185,826</b>	<b>454,393,320</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)	Notes	2021-2022 KShs	2020-2021 KShs
<b>NOTE 13(b): Cash Generated from Operations</b>		<b>(4,824,867)</b>	<b>72,446,585</b>
<b>Surplus for the year before tax</b>			
<b>Adjusted for:</b>			
Depreciation	5(a)	77,625,146	79,870,957
Amortization on Intangible Asset	11	2,419,377	3,024,222
Deferred income	5(b)	(19,761,368)	(21,692,463)
Surcharge & Commission Income		(623,145)	(804,615)
Contributed assets		313,069,700	99,811,322
Donor Funds		14,301,541	-
Sinking Fund	10(a)	-	10,000,000
Contribution to provisions		-	8,124,400
Finance income/(foreign exchange gain /(loss))	12	1,668,565	803,551
		<b>383,874,950</b>	<b>251,583,959</b>
<b>Working Capital adjustments</b>			
Increase in inventory	15	(71,290,629)	(39,141,643)
Increase in receivables	14	(4,421,944)	(6,661,414)
Increase in payables		16,166,076	(22,994,640)
<b>Net cash flow from operating activities</b>		<b>324,328,453</b>	<b>182,786,262</b>
<b>NOTE 14: DEBTORS SCHEDULE (RECEIVABLES) &amp; PREPAYMENTS</b>			
<b>14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
		<b>2021-2022</b>	<b>2020-2021</b>
	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs.</b>
Water and Electricity Debtors		2,719,846	2,548,671
Kenya Forest Service		97,000	-
Plan International		18,250	18,250
FAO Kenya		322,000	48,000
ICRAF		559,700	528,500
World Vision		551,700	544,300
Sundry Debtors		292,100	221,950
Kitui County Government		391,750	562,250
Child Fund		117,000	-
Agricultural Devept. Support Program.		679,550	-
TANATHI		210,000	-
Pastoral Resilience		79,840	79,840
Baringo County Government		1,650,750	441,800
Southern Eastern Kenyan University		-	61,200
Turkwel CIP		30,200	30,200
GIZ SIF Programme		421,700	172,700
ILRI		33,900	33,900
IEBC		129,000	150,500
Groots Kenya		613,600	-
Kenya Red Cross		33,000	-
Marie Loreto		50,920	50,920
Friends of Lake Turkana-FOLT		137,500	137,500
Afya Uzazi		-	141,500
IRC (International Rescue Committee)		100,000	100,000
Homestay Safari Group Ltd		10,000	10,000
Catholic Diocese of Machakos		81,500	31,500
KCB Kitui/Marigat		-	35,450



**KENYA FORESTRY RESEARCH INSTITUTE**

**Annual Report and Financial Statements for FY Ended 30th June 2022**

NOTE 14: DEBTORS SCHEDULE (RECEIVABLES) & PREPAYMENTS	Notes	2021-2022	2020-2021
14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS		Kshs.	Kshs.
Kenya Revenue Authority		30,000	-
African Population Health Research Centre		50,000	50,000
United Nations Office for Project Services		70,400	-
Nairobi Water Co.- Kitui		-	351,000
Pure African Delights		14,000	14,000
Sapcome		181,500	100,000
ADS North Rift		66,000	66,000
Centre for Enhancing Democracy		54,000	21,000
Turkana Veterinaries		35,000	35,000
KOAN		45,600	114,000
Tower Tech		77,450	77,350
Clerk of the Senate		-	258,000
Ministry of Agriculture-Turkana		582,500	-
KENGEN		252,000	-
ASDF		-	10,000
KCSAP		190,300	-
Lamu County Government		-	8,000
NEMA-Baringo		11,000	11,000
National Museums		-	121,500
Career centre		60,000	120,000
KSG Matuga		-	60,000
ACTED-Marigat		192,000	-
SHA		165,900	248,200
Micro and Small Enterprises		100,000	100,000
Feed the Children		-	150,000
NANCHA		450,000	450,000
Nicholas Siano		36,100	-
The National Treasury		-	750,000
Ministry of Public Service and governance		-	172,000
ERLP		346,300	-
Ewaso Ngiro South Dvt Authority		354,500	-
Relief & Recon DVT Org		41,000	-
Reconcile		271,200	-
Midrift Hurinet		42,000	-
MGIC Nairobi		332,400	-
CHEB Kitui		123,200	-
Woody Weeds		180,000	-
PANAFRICARE		154,400	-
CARITAS		85,800	-
REREC		70,000	-
Prepaid Insurance		21,999,110	19,056,738
<b>Total</b>		<b>35,994,466</b>	<b>28,292,719</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
	Notes	2021-2022 Kshs.	2020-2021 Kshs.
<b>14(b) RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS(Continued)</b>			
Travelling Imprest		349,700	1,761,600
Station/Special Imprest		746,962	2,768,726
Salary in Advance		-	11,653
Salary Advance		174,677	9,163
<b>Total</b>		<b>1,271,339</b>	<b>4,551,142</b>
<b>Total Debtors</b>		<b>37,265,805</b>	<b>32,843,861</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>NOTE 15: INVENTORIES</b>			
Drugs & Dressings		292,088	222,973
Cutlery & Utensils		-	130,770
Laboratory Chemicals		490,086	10,651
Food Stuff		63,576	142,752
Uniforms & Clothings		69,908	71,438
Stationery/Computer Accessories		2,381,231	1,804,010
Motor Vehicle Spare Parts & Fuel		72,000	27,200
Hardware, Electricals & Cleaning Materials		6,140,206	4,183,420
Seeds & Seedlings		75,431,381	44,217,679
Forest Plantations	1. (e)(ii)	60,686,160	23,525,115
<b>Total</b>		<b>145,626,635</b>	<b>74,336,007</b>
<b>NB:</b> 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.			
	Notes	2021-2022 Kshs.	2020-2021 Kshs.
<b>NOTE 16: CREDITORS SCHEDULE (PAYABLES)</b>			
Sundry Creditors - Merchants		4,702,857	717,322
Accruals - (KPLC)		1,436,822	1,625,629
Insurance Compensation		2,867,208	1,074,587
Miscellaneous Recovery (Unpaid June BTLs)	16(b)	336,529	771,784
<b>Totals</b>		<b>9,343,416</b>	<b>4,189,322</b>
<b>NOTE 16(b): MISCELLANEOUS RECOVERIES</b>			
KEFRI Staff Welfare Society		183,000	183,000
Maseno Staff Welfare		-	25,654
Family Remittance		-	12,000
Trade Union (UNRISK)		-	5,054
Sheria Coop		-	47,167
Hazina Cooperative		-	67,800
Harambe Co-operative		-	18,000
Jubilee Insurance		-	53,484
CIC Insurance		106,969	-
Corporate insurance		-	16,460
ICEA INSURANCE		-	30,741
Prudential Assurance		-	8,730
Saham Insurance		46,560	-
Turbo Welfare		-	96,321
Director NVRC-House & Electricity Charges		-	19,400
Union of civil servants		-	53,677



**KENYA FORESTRY RESEARCH INSTITUTE**

**Annual Report and Financial Statements for FY Ended 30th June 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
NOTE 16(b): MISCELLANEOUS RECOVERIES (Con	Notes	2021-2022	2020-2021
		Kshs.	Kshs.
Kenya Professional Association of Women in Agriculture		-	2,400
KENASA		-	3,600
Select Management Services		-	110,904
Kuja River Self Help Group		-	17,392
<b>Total</b>		<b>336,529</b>	<b>771,784</b>
<b>NOTE 16(c): Auditor General- accrued audit fee</b>			
Auditor General- accrued audit fee		<b>660,000</b>	<b>1,173,969</b>
<b>NOTE 17: KEFRI MEDICAL SCHEME FUND ACCOUNT A/C</b>			
		2021-2022	2020-2021
		Kshs.	Kshs.
<b>Items contributing to Fund balance:</b>			
Contribution to the Fund		-	-
<b>Items Reducing Fund balance:</b>			
Medical scheme refunds		5,788,044	-
Bank charges		1,065	3,315
<b>Reduction to the Fund</b>		<b>5,789,109</b>	<b>3,315</b>
<b>Fund Surplus/(Deficit)</b>		<b>(5,789,109)</b>	<b>(3,315)</b>
<b>Current Assets:</b>			
Cash at Bank		23,778,286	29,167,372
<b>Debtors: GoldPlus Savings Account</b>			
<b>Recurrent</b>		-	397,678
<b>Fund Net Assets</b>		<b>24,123,491</b>	<b>29,910,255</b>
Fund Balance as at 01.07.2021		29,912,600	29,915,915
Surplus/(Deficit) for the year		(5,789,109)	(3,315)
<b>Fund Balance as at 30.06.2022</b>		<b>24,123,491</b>	<b>29,912,600</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
<b>NOTE 18: Nature and Purpose of Reserves</b>			
The Institute creates and maintains reserves in terms of specific requirements.			
<b>a) CAPITAL GRANTS/DEFERRED INCOME &amp; RESERVES</b>			
<b>(i) Deferred Income from Government Grants for Capital Assets</b>		<b>2021-2022</b>	<b>2020-2021</b>
<b>Government Grants for Capital Assets /Donations</b>		<b>Kshs.</b>	<b>Kshs.</b>
	<b>Notes</b>		
<b>Balance b/fwd</b>		1,143,349,103	1,043,537,781
Transfers from Sinking fund		-	-
Additions	3	277,742,189	99,811,322
<b>Balance C/d</b>		<b>1,421,091,292</b>	<b>1,143,349,103</b>
<b>(a) (ii) Deferred Income from External Donors on Donated Assets</b>			
<b>Balance b/fwd</b>		514,261,545	535,954,008
Deferred Income	5(b)	(19,761,368)	(21,692,463)
<b>Balance C/d</b>		<b>494,500,177</b>	<b>514,261,545</b>
<b>(b) Revaluation Reserves</b>			
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:			
<b>REVALUATION SURPLUS RESERVE</b>			
<b>LAND PARCEL NO.</b>			<b>Date</b>
23877			29/03/1999
23879			29/03/1999
23883			29/03/1999
<b>TOTAL</b>			
<b>BUILDINGS ON LAND PARCEL NO.</b>			
23877			29/03/1999
23879			29/03/1999
23883			29/03/1999
<b>TOTAL</b>			
<b>Total Gain on revaluation</b>			
Revaluation on heavy vehicles			30/6/2013
<b>Balance b/f 1/7/2013</b>			
<b>Revaluation gain on Land</b>			
Nos. 23877/23879/23883	Muguga		30/6/2014
Nos. 24600	Kitui-Tiva		30/6/2014
Block 11/127	Kitui-Hqts		30/6/2014
<b>Revaluation gain on Buildings</b>			
Muguga Hqs/Seed Centre			30/6/2014
Kitui-Hqts/Kitui-Tiva			30/6/2014
Revaluation gain for the year 2014			
<b>Balance c/f 30/6/2014</b>			
<b>(b) Revaluation Reserves (Continued)</b>			
The institute has the following title deeds:			
<b>Location</b>	<b>L.R. No.</b>		<b>Hectares</b>
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 IR79471		134.60
Kyangwithya/Misewani-Kitui	23877 IR79471		0.20
Kitui Municipality-Kitui	Kyangwithya/Misewani/1414		6.06
Kitui-Tiva	Leasehold land ref 127,Block 11/127		1,150.90
<b>Total</b>	Leasehold land ref		<b>1,461.32</b>
<b>With Title but no valuation figure</b>			
Kamagambo	Migori		0.70
<b>Total with Title Deeds</b>			<b>1,462.02</b>



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<b>NOTES TO THE FINANCIAL STATEMENTS (Continued)</b>	
<b>NOTE 18: Nature and Purpose of Reserves (Continued)</b>	
The Institute does not have ownership documents for the land amounting to 1,385.01 hectares where it has put up developments though persuing through KFS to the National Land Commision as tabulated below:	
<b>Region</b>	<b>Size in Hectares</b>
<b>Rift Valley</b>	
Londiani	500.00
Turbo	100.00
Marigat	4.45
Lodwar	2.70
	<b>607.15</b>
<b>Central Highlands</b>	
Muguga	220.00
Nyeri	50.00
Rumuruti	9.71
	<b>279.71</b>
<b>Coastal Region</b>	
Gede	200.00
Lamu	1.78
Taita Taveta	4.05
	<b>205.83</b>
<b>Lake Basin</b>	
Maseno	4.05
Kakamega	50.00
Migori	4.45
Ramogi	100.00
Kuja River	8.09
	<b>166.60</b>
<b>Drylands</b>	
Kitui	0.28
Garissa	2.43
Wajir	2.02
Kibwezi	100.00
Hola	21.00
	<b>125.73</b>
<b>Grand Total without title deeds</b>	<b>1,385.01</b>
<b>Grand Total of Land</b>	<b>2,847.03</b>



## KENYA FORESTRY RESEARCH INSTITUTE

### Annual Report and Financial Statements for FY Ended 30th June 2022

<b>NOTES TO THE FINANCIAL STATEMENTS (Continued)</b>			
<b>NOTE 18: Nature and Purpose of Reserves (Continued)</b>			
<b>(c) Sinking Fund ( See Note 10(b))</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			
		<b>2021-2022</b>	<b>2020-2021</b>
<b>Sinking Fund</b>		<b>Kshs.</b>	<b>Kshs.</b>
Balance b/f		34,494,191	24,495,256
Received during the Year		-	10,000,000
Available during the Year		34,494,191	34,495,256
Spent during the Year		(1,065)	(1,065)
<b>Balance c/f</b>		<b>34,493,126</b>	<b>34,494,191</b>
<b>(d) External Grants Reserve</b>			
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			
<b>(e) Accumulated Surplus / (Deficit)</b>			
Accumulated Deficit is as a result of the depreciation charge per year which does not have any monetary effect on Income and Expenditure			
		<b>2021-2022</b>	<b>2020-2021</b>
<b>Accumulated Surplus / (Deficit)</b>		<b>Kshs.</b>	<b>Kshs.</b>
Balance b/f		(22,532,279)	(103,103,264)
Adjustments		-	8,124,400
Surplus/(Deficit) for the Year		(4,824,867)	72,446,585
<b>Balance c/f</b>		<b>(27,357,146)</b>	<b>(22,532,279)</b>
<b>NOTE 19: IPSAS 20 Related Party Disclosures</b>			
<b>Nature of related party relationships</b>			
Entities and other parties related to the Institute include those parties who have ability to exercise control or exercise significant influence over its			
<b>Government of Kenya</b>			
The Government of Kenya is the principal shareholder of the Institute, holding 100% of the Institute's equity interest. Other related parties include:			
i) The Ministry of Environment and Forestry			
ii) The National Treasury			
iii) Kenya Forest Service			
vi) Key management			
v) Board of Directors			
		<b>2021-2022</b>	<b>2020-2021</b>
<b>RELATED PARTY TRANSACTIONS</b>	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs.</b>
Remuneration and other costs of Board of Management	9	16,459,429	13,505,560
Transfers from GoK- Ministry of Environment and Forestry	3	1,803,500,000	1,599,580,996
Salaries and other staff employment benefits of Senior Management	7	12,074,428	11,544,812
Staff receivables	14b	1,271,339	4,551,142
<b>Total</b>		<b>1,833,305,196</b>	<b>1,629,182,509</b>



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2022

Appendix II: PROJECTS IMPLEMENTED

XVII Appendix II: PROJECTS IMPLEMENTED BY KEFRI IN THE FINANCIAL YEAR 2021-2022						
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- MGORI	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	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	Government of Kenya -NRF	3 Years	4,669,797	No	No
11	KDI CONSULTANCY	Various	1 Year	215,200	No	No
12	KEFRIKALRO CONSULTANCY	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	SRG 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	IIEDMTK	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	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	Development, Validation and promotion of climate smart indigenous Chicken technologies for improved productivity	World Bank	3 Years	4,300,000	No	No
29	Climate Smart Technologies for Restoration of Degraded ASIALs and Enhancement of Communities Resilience in South Eastern Kenya	World Bank	3 Years	2,278,100	No	No
30	Climate Smart Beekeeping for improved incomes, food and Nutrition Security in Kajiado and Tharaka Nithi Counties	World Bank	3 Years	4,250,000	No	No
31	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 2022

19. APPENDIX

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
<b>2020/2021 Report.</b>				
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) Inventories	The valuation of inventories of Kshs. 74,336,007 on Seeds, seedlings & Forest plantations was not fairly stated	Director KEFRI	Resolved	For FY 2021/2022, the valuation has properly been done.

John Waithaka (PhD)

Chairman: KEFRI Board of Directors

Date: 24/03/2023

Joshua K. Cheboiwo (PhD)

Director KEFRI

Date: 24/03/2023



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**Appendix III- TRANSFER FROM OTHER GOVERNMENT ENTITIES**

Appendix III: Transfers from Other Government Entities

Name of the MD/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Environment and Forestry	6th August 2021	Recurrent	360,145,249	360,145,249	-	-	-	-	-	360,145,249
Ministry of Environment and Forestry	22nd September, 2021	Development	162,000,000	109,235,308	52,764,692	-	-	-	-	162,000,000
Ministry of Environment and Forestry	23rd September, 2021	Development	25,000,000	-	25,000,000	-	-	-	-	25,000,000
Ministry of Environment and Forestry	18th November, 2021	Development	25,000,000	-	25,000,000	-	-	-	-	25,000,000
Ministry of Environment and Forestry	29th November 2021	Recurrent	360,145,249	360,145,249	-	-	-	-	-	360,145,249
Ministry of Environment and Forestry	4th February, 2022	Recurrent	360,145,249	360,145,249	-	-	-	-	-	360,145,249
Ministry of Environment and Forestry	6th May, 2022	Recurrent	360,564,252	360,564,252	-	-	-	-	-	360,564,252
Ministry of Environment and Forestry	30th June, 2022	Development	150,500,000	-	150,500,000	-	-	-	-	150,500,000
GIZ Lodwar	Various dates	Donor Fund	1,802,260	2,312	-	1,799,948	-	-	-	1,802,260
Adaptation Fund	Various dates	Donor Fund	4,351,614	4,216,892	-	134,722	-	-	-	4,351,614
Commercial Forestry	Various dates	Donor Fund	10,147,494	7,871,525	-	2,275,969	-	-	-	10,147,494
ITK/IIED	Various dates	Donor Fund	500,000	5,244	-	494,756	-	-	-	500,000
Bamboo INBAR	Various dates	Donor Fund	37,543,932	29,123,611	-	8,420,321	-	-	-	37,543,932
Various Projects	Various dates	Donor Fund	74,791,519	73,615,693	-	1,175,826	-	-	-	74,791,519
<b>Total</b>			<b>1,932,636,818</b>	<b>1,665,070,584</b>	<b>253,264,692</b>	<b>14,301,542</b>				<b>1,932,636,818</b>



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**Appendix IV: REPORTING OF CLIMATE RELEVANT EXPENDITURE**

Project Name	Project Description	Project Objectives	Project Activities	FY 2021-2022				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Kenya Climate Smart Agriculture Project (KCSAP)	Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya. i) Enhancing Climate resilient agricultural, agro-forestry, pastoral and agro-pastoral production systems to improve food security in selected counties ii) Improving climate resilient water management systems to enhance food security in selected counties in Kenya	Validating sustainable land management technologies for enhanced carbon sequestration & improved farmers livelihood and promotion of resilience against climate change	Promote high value trees and establish agroforestry/ demo plots, Promote production & utilization of fruits and demo plots, promote bamboo germplasm sources and demo plots, Support nursery groups with nursery inputs	178,200	81,100	1,057,540	457,610	Donor Grants- KCSAP, The World Bank	KALRO, Egerton University
			Establish mixed species & improved fallow trials, Identify best practices, Conduct data analysis, conduct dialogue forum with stakeholders, Review and analyse policies affecting agroforestry/forestry systems and species	438,010	-	85,620	29,040	"	KARLO, Directorate of Veterinary Services, South Eastern Kenya University, Egerton University, Baraka Agricultural College, The Hire Limited
		Development of climate smart indigenous chicken technologies for improved productivity	Validate feeds and feeding technologies and provide a guide on Indigenous Chicken feed formulation using Morninga as a source of protein, Assessment of morninga biomass estimation and registration of morning farmers	282,100	-	-	-	"	KARLO, Kenyatta University
		Integrated land & water management strategies- restoration and protection of water resource in agro pastoral system	Procurement & distribution of seeds (Pigeon pea, Green-grains, sorghum), Management of grass strips bambo and fruit trees, Carry out quarterly, mid-term and ex-post process project monitoring and evaluations	-	-	784,000	-	"	KALRO, Karatina University
		Validation & promotion of sustainable energy & briquette production technologies for improved livelihoods	Establishment & maintenance of experimental plots in Ewaso Kedong & Chah in Kajado and Tata Taveta Counties, Establishment of demonstration plots in the two counties to validate and scale out climate smart technologies enabling integration of trees into pastoral systems using <i>Melia Volkensii</i> , <i>Acacia tortilis</i> & <i>Callaris</i>	-	-	369,100	-	"	KALRO, Tata Taveta University, Conservation Agriculture Network
		Validation & promotion of sustainable energy & briquette production technologies for improved livelihoods	Fabrication of selected efficient technologies for briquette technologies and their by products, Fabrication & validation of carbonisation kilns for charcoaling of prosopis, Biochar application and validation of biopesticide application on farms, validation of briquettes and prosopis twigs on micro gasifiers and semi-micro gasifiers for briquettes	1,077,900	-	1,067,310	1,279,319	"	KARLO, Kesi University, Egerton University



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#### Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	FY 2021-2022				Source Of Funds	Implementing Partners	
				Q1	Q2	Q3	Q4			
University of Central Lancashire (UCLan)- Global Challenges Research Fund (GCRF) quality-related research (QR)	Exploring the contribution of Kenya's Community Forest Associations (CFAs) to the Zero Carbon transition in response to the challenges posed by intersectorality of UN Sustainable Development Goals	Undertake research on the role of CFAs on zero carbon transition, forest and tree based coping mechanisms to the impacts of climate change, evaluating level of understanding of CFAs on climate change, CFA and climate change mitigation and adaptation in response to Kenya's	- To examine potential of forest and tree-based activities undertaken by CFAs disaggregated by youth and gender in climate change mitigation and adaptation in response to Kenya's NDCs.  Evaluate and validate forest and tree-based climate resilient livelihood activities undertaken by CFAs disaggregated by youth and gender  Synthesize capacity requirements among CFAs in response to forest value chain and climate change  Undertake baseline survey on role of CFAs in zero carbon transition  Support the CFAs with beehives, fruit trees, nursery establishment and dairy goats to cope with climate change. Train CFAs on tree nursery management, climate change and value chain of selected non timber forest products  Support at least two staff during UNFCCC COP 26 for climate change negotiations and engagement with funding multi-rationals on Lowering Emissions by accelerating forest financing (LEAF).						Quality-Related Global Challenges Research Fund (QR-GCRF) USD 30,000.	University of Central Lancashire in the UK. Mungya Ecosystem Research Community Forest Association Friends of Karura Community Forest Association Thogoto Community Forest Association Uplands Community Forest Association Ngong Hills Metropolitan Community Forest Association
Multi-lateral Environmental Agreements (MEAs)	Participation in the international negotiations and processes during Conference of Parties (COPs) such as United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention to Combat	Strengthen Kenya's position on key elements of negotiations during COPs and build bilateral and multi-lateral partnerships with development partners and donors.								
					1,178,498				GOK	



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**Appendix V: TRANSFER FROM MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2021-2022**

Break down of Transfers from the Ministry of Environment & Forestry			
FY 2021/2022			
a. Recurrent Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
6-Aug-21	360,145,249	2021/2022	
29-Nov-21	360,145,249	2021/2022	
4-Feb-22	360,145,249	2021/2022	
6-May-22	360,564,252	2021/2022	
<b>Total</b>	<b>1,441,000,000</b>		
b. Development Grants			
Bank Statement Date	Amount (KShs)		
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
22-Sep-21	162,000,000	2021/2022	
23-Sep-21	25,000,000	2021/2022	
18-Nov-21	25,000,000	2021/2022	
30-Jun-22	150,500,000	2021/2022	
<b>Total</b>	<b>362,500,000</b>		
The above amounts have been communicated to and reconciled with the parent Ministry			
Head of Accounts KEFRI		Head of Accounting Unit Ministry of Environment & Forestry	
Sign		Sign	
Date	24/03/2023	Date	24/03/2023