

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

PAPER LAID BY
THE LEADER OF THE
MAJORITY PARTY
HON. ADEN DUARIE
ON 8/11/2017
IBM

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA FORESTRY RESEARCH
INSTITUTE

FOR THE YEAR
ENDED 30 JUNE 2016

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KENYA FORESTRY RESEARCH INSTITUTE

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2016**

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



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

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KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

I. Key Institute Information and Management

a) Background Information

i. Incorporation

Kenya Forestry Research Institute, (KEFRI) hereby referred to as the Institute is a State Corporation established in 1986 under the Science and Technology Act (Cap 250) of the Laws of Kenya, which has since been repealed by the Science, Technology and Innovation Act No. 28 of 2013.

ii. Our Vision

A centre of excellence in forestry research for development.

iii. Our Mission

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

iv. Our Core Values

- Creativity and Innovation
- Professionalism
- Integrity
- Teamwork
- Clean and Healthy Environment
- Partnership

v. Domicile

It is domiciled in Kenya.

b) Principal Activities

The principal activities of the Institute are to conduct research in Forestry and to disseminate research findings so as to contribute to Sound management, conservation and development of forest resources in Kenya.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

c) **Key Management**

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

- The Chief Executive Officer (The Director)
- The Senior Deputy Director- Research & Development
- The Senior Deputy Director - Finance & Administration
- The Deputy Director - Technical Support Services
- The Deputy Director - Forest Biodiversity and Environment Management
- The Deputy Director - Forest Products Development Research
- The Deputy Director - Social Economics Policy & Governance
- The Deputy Director - Forest Productivity & Improvement
- The Deputy Director - Corporate Affairs & Quality Assurance
- The Deputy Director - Human Resource Management
- The Deputy Director - Administration
- Head of Accounts
- The Deputy Director – Supply Chain Management



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

d) Fiduciary Managements

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:-

NO	DESIGNATION	NAME
1.	The Chief Executive Officer (The Director)	Dr. Ben Chikamai
2.	The Senior Deputy Director- Research & Development	Dr. Bernard N. Kigomo
3.	The Senior Deputy Director - Finance & Administration	Mr. Patrick N. Omesa
4.	The Deputy Director - Technical Support Services	Dr. Ebby Chagala - Odera
5.	The Deputy Director - Forest Biodiversity and Environment Management	Dr. Gabriel M. Muturi
6.	The Deputy Director -Forest Product Development Research	Dr. Joseph Githiomi
7.	The Deputy Director - Social Economic Policy & Governance	Dr. Joshua Cheboiwo
8.	The Deputy Director - Forest Productivity & Improvement	Dr. Jane W. Njuguna
9.	The Deputy Director - Corporate Affairs & Quality Assurance	Dr. Jackson M. Mulatya
10.	The Deputy Director - Human Resource	Mrs. Evelyn I. Oroni
11.	The Deputy Director – Administration	Mr. John M. Gisemba
12.	Head of Accounts	Mr. Shem A. Ogao
13.	The Deputy Director – Supply Chain Management	Mr. Hudson Barasa
14.	Chief Internal Auditor	Mr. George Otieno



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

e) Fiduciary Oversight Arrangements

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

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

This provision is further reinforced by section 15, on financial accountability of the Institute.

f) KEFRI Board Committees

i. Research & Development Committee

KEFRI Mandate and core business is to conduct research and provide information and technologies for sustainable development of forestry and allied natural resources for socio-economic development. So this being the case the above committee is to oversee that this is achieved.

ii. Finance & Administration Committee

The committee oversees the budgeting, reviews progress reports on expenditures of the Institute including capital expenditure from time to time and makes recommendations to the Board of Directors on issues relating to procurement. The committee ensures overall sound financial reporting before approval of the board. The Committee also oversees human resource management including recruitment and other employee's related issues.

iii. Audit Committee

The committee has defined terms of reference set by the Board. Some of the duties include oversight over financial statements and financial reporting; compliance generally with set standards, internal control and risk management. The role of the Committee is advisory. The Committee meets at least once quarterly. The Chief Executive Officer is not a member of this Committee as per common practice.






KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

- g) KEFRI Headquarters
Off Nairobi/Nakuru Highway – Muguga
P.O Box 20412 – 00200
Nairobi
- h) KEFRI Contacts
Tel: +254202010651/2
+254722157414
+254724259781/2
+254734251888
Email: director@kefri.org
Website: www.kefri.org
- i) KEFRI Bankers
 - Kenya Commercial Bank Ltd
Sarit Centre Branch
P.O. Box 14959 – 00800
Nairobi
 - Co-operative Bank Ltd
Westlands Branch
P.O. Box 66589– 00800
Nairobi
 - Commercial Bank of Africa Ltd
P.O. Box 30437- 00100
Nairobi
- j) Independent Auditors
The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 – 00100
Nairobi
- k) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi







KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

II. THE BOARD OF DIRECTORS

DIRECTOR'S NAME	PASSPORT SIZE PHOTO	DIRECTOR'S DETAILS
<p>1. Dr. Sammy Letema - Chairman</p> <p>Professional/Academic qualification: PhD-Environmental Planning, Spatial Planning and Infrastructure Delivery</p>		<p>Date of Birth: 23 September 1971</p> <p>Key qualification: Environmental Planning, Spatial Planning, Infrastructure Delivery expert and Lecturer</p> <p>Work experience: 20 years</p>
<p>2. Dr. Abullahi D. Jillo - Director</p> <p>Professional/Academic qualification: PhD, Natural Resource Management</p>		<p>Date of Birth: 1956</p> <p>Key qualification: Agricultural Extension Services, Development Planning and Administration</p> <p>Work experience: 37 years</p>
<p>3. Mr. Kevin Kihara - Director</p> <p>Professional/Academic qualification: Master of International Public Policy</p>		<p>Date of Birth: 24th August 1975</p> <p>Key qualification: Finance & International Development</p> <p>Work experience: 20 years</p>
<p>4. Ms. Maureen Mwangovya - Director</p> <p>Professional/Academic qualification: Masters in Project Planning & Management (U.O.N)</p>		<p>Date of Birth: 10th October 1964</p> <p>Key qualification: Project planning and management/ Community development, Gender, administration, advocacy, resource mobilization & strategic planning</p> <p>Work experience: 15 years</p>





KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

DIRECTOR'S NAME	PASSPORT SIZE PHOTO	DIRECTOR'S DETAILS
<p>5. Mr. Robinson Ng'ethe – Director</p> <p>Professional/Academic qualification: MSc in Resource Management</p>		<p>Date of Birth: 15th March 1959</p> <p>Key qualification: Consultant in Natural Resource Management</p> <p>Work experience: 33 years</p>
<p>6. Mr. Emilio Mugo – Director, KFS</p> <p>Professional/Academic qualifications: MSc Forestry</p>		<p>Date of Birth: 15th August 1962</p> <p>Key qualifications: Senior Deputy Director KFS</p> <p>Work experience: 30 years</p>
<p>7. Mr. Hewson Kabugi – Representing Principal Secretary, SDNR</p> <p>Professional/Academic qualification: MSc – Watershed Management BSc – Forestry</p>		<p>Date of Birth: 8th November 1957</p> <p>Key qualification: Director Forest Conservation</p> <p>Work experience: 33 years</p>
<p>8. Mrs. Margaret Maimba</p> <p>Representing Director General – NACOSTI</p> <p>Professional/Academic qualification: Msc in Geochemistry</p>		<p>Date of Birth: 1960</p> <p>Key qualification: Chief Science Secretary</p> <p>Work experience: 32 years</p>






KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

DIRECTOR'S NAME	PASSPORT SIZE PHOTO	DIRECTOR'S DETAILS
<p>9. Mrs. Margaret Muiru– Representing Cabinet Secretary, The National Treasury</p> <p>Professional/Academic qualification: Ongoing- Masters in Governance and Ethics</p> <p>Bachelor of Arts: Political Science and Sociology</p>		<p>Date of Birth: 14th August 1959</p> <p>Key qualification: Senior Deputy Secretary</p> <p>Work experience: 32 years</p>
<p>10. Dr. Ben Chikamai – Director/CEO</p> <p>Professional/Academic qualification: PhD in Forestry Utilization</p>		<p>Date of Birth: 27th October 1957</p> <p>Key qualification: Director</p> <p>Work experience: 33 years</p>







KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

III. THE KEFRI MANAGEMENT TEAM

NAME	PASSPORT SIZE PHOTO	MAIN AREA OF RESPONSIBILITY
<p>1. Dr. Ben Chikamai – Director/CEO</p> <p>Professional/Academic qualification:</p> <p>PhD in Forestry Utilization</p>		<p>Chief Executive Officer (CEO)/ Director Kenya Forestry Research Institute (KEFRI)</p>
<p>2. Dr. Bernard N. Kigomo</p> <p>Professional/Academic qualification:</p> <p>PhD, Forest Ecology, Regeneration and Management,</p>		<p>Senior Deputy Director – Research & Development</p>
<p>3. Mr. Patrick N. Omesa</p> <p>Professional/Academic qualification:</p> <p>MA – Economics and Management CPS (K)</p>		<p>Senior Deputy Director – Finance & Administration</p>



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

NAME	PASSPORT SIZE PHOTO	MAIN AREA OF RESPONSIBILITY
<p>4. Dr. Ebby Chagala-Odera</p> <p>Professional/Academic qualification:</p> <p>PhD – Forest Genetics and Tree Breeding</p>		<p>Deputy Director – Technical Support Services</p>
<p>5. Dr. Gabriel M. Muturi</p> <p>Professional/Academic qualification:</p> <p>PhD – Invasion Ecology</p>		<p>Deputy Director – Forest Biodiversity and Environment Management</p>
<p>6. Dr. Joseph Githiomi</p> <p>Professional/Academic qualification:</p> <p>PhD – Forestry</p>		<p>Deputy Director – Forest Products Development</p>
<p>7. Dr. Joshua Cheboiwo</p> <p>Professional/Academic qualification:</p> <p>PhD – Environmental Economics</p>		<p>Deputy Director – Socio-economics, Policy and Governance</p>







KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

NAME	PASSPORT SIZE PHOTO	MAIN AREA OF RESPONSIBILITY
<p>8. Dr. Jane W. Njuguna</p> <p>Professional/Academic qualification:</p> <p>PhD – Forest Science</p>		<p>Deputy Director – Forest Productivity and Improvement</p>
<p>9. Dr. Jackson M. Mulatya</p> <p>Professional/Academic qualification:</p> <p>PhD – Tree Ecology and Agroforestry system interactions and management</p>		<p>Deputy Director – Corporate Affairs and Quality Assurance</p>
<p>10. Mrs. Evelyn I. Oroni</p> <p>Professional/Academic qualification:</p> <p>MBA – HRM HND – Human Resource Management</p>		<p>Deputy Director – Human Resource Management</p>



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

NAME	PASSPORT SIZE PHOTO	MAIN AREA OF RESPONSIBILITY
<p>11. Mr. John M. Gisemba</p> <p>Professional/Academic qualification:</p> <p>MA – Organizational Leadership CPS (K)</p>		<p>Deputy Director- Administration</p>
<p>12. Mr. Shem A. Ogao</p> <p>Professional/Academic qualification:</p> <p>Ongoing –MBA Strategic Management BCom – Accounting CPA (K)</p>		<p>Head of Accounts</p>
<p>13. Mr. Hudson Barasa</p> <p>Professional/Academic qualification:</p> <p>MSc – Procurement and Logistics Management Final Diploma in Supplies Management Licensed practitioner in Supply Chain Management by KISM</p>		<p>Deputy Director - Supply Chain Management</p>
<p>14. Mr. George Otieno</p> <p>Professional/Academic qualification:</p> <p>MBA – Finance – KU BBM – Accounting - Moi University CPA (K) Member of ICPAK and The Institute of Internal Auditors</p>		<p>Chief Internal Auditor</p>



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

III. CHAIRMAN'S STATEMENT

The KEFRI 8th Board of Director has been in office up to December 31st 2015 when its term in office came to an end. During their tenure it put into place systems workplans and approvals that enabled the Institute implement its mandate.

During this period the Board through its constituted management committees deliberated on policy matters and performance contracting targets for the year under review. The Board Committees were: - Research and Development Committee which mainly deals with forestry research and development issues; the Finance and Administration Committee which deals with finance and administration issues, and the Audit Committee which deals with Audit matters of the Institute. All these committees and the Board met timely as scheduled and provided policy and advisory guidance to the management.

During the reporting period, the Board closely worked with Management and other stakeholders to ensure development, implementation of the KEFRI's 5th Strategic Plan (2013-2018) and the National Forest Programme activities with a focus on research for impact through monitoring and evaluation process.

One of the major achievements of the 8th Board was implementation of SRC salary structure and recruitment of new staff for succession to retiring officers.

After expiry of the 8th Board, the 9th Board of Directors was appointed on 31st May 2016 and were inaugurated on 12th July 2016 by the Cabinet Secretary, Ministry of Environment and Natural Resources.

The Chairman and the entire Board are grateful to the government for giving them time to serve in the KEFRI Board and given another opportunity will continue to provide unwavering service to the nation.

Robinson Ngethe
Director, **KEFRI Board of Directors**

Date:.....25/7/17.....



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

V. REPORT OF CHIEF EXECUTIVE OFFICER

The Forest sector plays a key role in Kenya's social and economic development and forestry research is a major driver in the whole process. KEFRI is a State Corporation which was established in 1986 under the Science and Technology Act, 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.

KEFRI has three key mandates namely: conducting research in forestry and allied natural resources, dissemination of the information and technologies generated to stakeholders; and cooperating with other research organizations and institutions of higher learning in joint research and trainings.

During the year under review, KEFRI continued to implement the 5th Strategic Plan 2013-2018 given the Performance Contracting target of 2015/2016 Financial Year. The Strategic Plan is aligned to Medium Term Plan II (MTP II) priority activities and the Research Themes in line with the National Forest Programme as follows: Forest Productivity and Improvement; Forest Biodiversity and Environment Management; Forest Products Development; Forest Economics, Policy and Governance; Technical Support Services; and Corporate Affairs and Quality Assurance Unit.

The targets were fully implemented. Components of the Strategic Plan touching on staff succession were implemented. KEFRI's staff strength was increased by new recruitment of 48 staff in the various professions.

Achievements

Major achievements for the year under review is that the Institute received donor funded projects from the European Union – WaTER project, NASPEER and Climate Adaptation which boosted the Institute financial and research activities. The Institute also achieved excellent results in various categories for the display of scientific technologies during the ASK shows across the country, and were certified with Quality Management System (QMS) ISO-9001:2008. Management also renewed medical insurance cover for all staff that has been in place, for another one year with enhanced member's benefits.



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Further, other factors beyond human resources have also been taken on board for effective respond to institutes mandate. New infrastructure and related facilities have been put up while enhancing older ones.

The infrastructural development is helping to devolve services to the people in line with the constitutional requirement on devolution. Management has lobbied for funds from the Exchequer and development partners to build an Office block in Taita Taveta and Lamu Counties.

During the reporting period, KEFRI launched the National Forest Products Research Programme, officiated by the Cabinet secretary Ministry of Environment and Natural Resources; Prof. Judi. W. Wakhungu, at Karura.

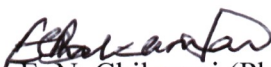
All the above wouldn't have been feasible without GoK funding. The Government remains the main financier of KEFRI, accounting for about 90% of the total funds. We acknowledge the fairly substantial funds from donors and KEFRI's internal sources.

With the foregoing, KEFRI has been enabled to come up with a number of achievements. Last year in particular, the Institute inter-a-lia developed technologies on various forestry products including demonstration on farm of eight (8) high value farm tree species, enhanced propagation of indigenous bamboo through cuttings, demonstration plots for rehabilitation of water catchment in three (3) water towers, incubated four (4) new tree products, produced and distributed over 13,000 Kgs of high quality seed for commercial trees, and produced 48 publications.

Challenges

The Institute was faced with Challenges of delay in disbursement of funds from the National Treasury.

Performance Contracting and in the 2015/16 FY is awaiting government evaluation in September 2016


Ben E. N. Chikamai (PhD)
Director, KEFRI

Date:.....29/7/17.....



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance broadly refers to the mechanisms, relations, and processes by which a corporation is controlled and is directed and involves balancing the many interests of the stakeholders of a corporation.

The corporate governance framework consists of explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards, procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances.

The Board of Directors consists of nine (9) Board members, five (5) of whom are independent members. The members are of sound and varied intellectual capacity, of varied skills and competencies which is quite essential for efficient and effective decision making. To undertake its duties the Board has three (3) committees in place namely: -

Research and Development Committee which deals with forestry research issues; Finance and Administration Committee handling crucial finance and administrative matters of the Institute and the Audit Committee which deals with important audit issues. Then there is the Full Board to which all these Board Committees report their deliberations and recommendations for collective approval and resolution.

The Board operates on a government Financial Year. The Board Committees and the Full Board meet at least four (4) times a year. For unexpected issues a Special Board is called by the Chief Executive Officer in consultation with the Board Chairperson.

The Institute draws its mandate from the Science, Technology and Innovation Act No. 28 of 2013 and implements its mandate through five-year strategic plans with the current one running from 2013-18. The strategic plan clearly defines the objectives of the Institute and the requisite structure to attain the objectives.

The strategic plan is operationalized through the Annual Workplans formulated by the Management, discussed and approved by the Board of Management. The Director is the Chief Executive of the Institute assisted by the Senior Deputy Director, Research and Development; and Senior Deputy Director, Finance and Administration below whom are a number of Deputy Directors.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

At the Management level the Institute has a number of committees to assist in decision making, these include the Executive Committee, the Consultative Committee, the Junior Staff Advisory Committee and the requisite committees provided for in the Public Procurement and Disposal Act.

A budget is essential to undertake the Institute operations and activities. The KEFRI budgetary process is annual, regular, consultative and participatory. Once the GoK budgetary allocation is known the Consultative Committee (made of Director, Senior Deputy Directors, Deputy Directors, Heads of Divisions, and Regional Centre Directors) meet every July to discuss and allocate funds to the various Institute activities. The budget is implemented after presentation to the Board's Finance and Administration Committee for deliberation and approval by the Full Board.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

Objectives of CSR Activities

1. To enhance KEFRIs image and services to the public
2. Position KEFRI as a responsible government agency paving the way for a clean and healthy environment
3. Give back to the communities that KEFRI works with
4. To support ongoing government initiatives

CSR Activities

In line with its vision, mission and core values the institute will focus its CSR activities along initiatives that seek to promote a clean and healthy environment.

1. Tree Planting

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



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)



Community members planting seedlings donated by KEFRI

2. Supply of clean water to neighboring communities

KEFRI provides safe and clean water to the community adjacent to the Headquarters in Muguga. This has natured good working relations with the community.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)



3. Provision of health services to staff and their extended families

The Institute has well equipped clinics manned by trained health officers who look after the wellbeing of staff and their extended families. The neighbouring communities are also welcome to receive treatment at these facilities.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)



4. Participation in charity events

KEFRI also participates in charity events such as marathons and walks to raise funds to help the less fortunate in society.





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KEFRI staff display their medals upon completion of 21 kilometers of the 2015 Standard Chartered Nairobi Marathon

5. Participation in environmental awareness activities

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



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)



KEFRI staff join community members in cleaning up Gacuthi forest during World Environment Day.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

6. V

visits and donations to children's homes and the elderly

The Institute staff gives back to the less fortunate in society by donating firewood, clothes and food stuff.



KEFRI choir members giving food donations to children from Teresiah ECD centre.



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

VIII. REPORT OF THE DIRECTORS

The Director's submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the Institute for the year ended June 30, 2016 are set out on page 1-2.

Directors

The members of the Board of Director's who served during the year are shown on page iv to vi. In accordance with Science, Technology and Innovation Act No. 28 of 2013 (Repealed), the members serve for a period of three years and are eligible for reappointment depending on their performance.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with the Section 13 of the Public Audit Act 2003.

By order of the Board


Ben E. N. Chikamai (PhD)

Board Secretary

Date: .. 29/7/17 ..



KENYA FORESTRY RESEARCH INSTITUTE (KEFRI)

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *Institute's* financial statements, which give a true and fair view of the state of affairs of the *Institute* for and as at the end of the financial year (period) ended on June 30, 2016. 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 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, 2016, and of the *Institute's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Institute*, which have been relied upon in the preparation of the *Institute's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The *Institute's* financial statements were approved by the Board on **28th September 2016** and signed on its behalf by:

Robinson Ngethe.....
Director, KEFRI Board of Directors

Date.....25/7/17..


Dr. Ben E. N. Chikamai
Director - KEFRI

Date.....25/7/17..



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Forestry Research Institute set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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.

Management's Responsibility for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

Report of the Auditor-General for the Financial Statements of Kenya Forestry Research Institute for the year ended 30 June 2016

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

As reported in 2013/2014, the property plant and equipment balance of Kshs.5,773,811,211 as at 30 June 2016 (2014/2015; Kshs.5,763,345,373) include an amount of Kshs. 46,000,000 in respect of Maseno station building situated on a land belonging to Maseno University. Further, the balance excludes a value of various parcels of land amounting to 854.5 hectares across the Country on which the Institute has put up developments including buildings that are owned by Kenya Forest Service, Maseno University, Ministry of Agriculture and Kitui and Lamu County Governments. In addition, the balance excludes values of land on which the Institute headquarters is build, which is still under the name of the defunct Ministry of Environment and Natural Resources.

In view of the foregoing, it has not been possible to confirm completeness, accuracy and valuation of the property, plant and equipment carrying balance of Kshs.5,773,811,211 as at 30 June 2016.

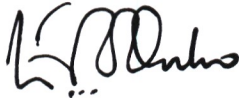
2. Abscondment from Duty and Irregular Salary Payment

Examination of human resource records revealed that three officers absconded duty and were irregularly paid salaries totaling Kshs.1,987,200. The affected officers had been sponsored for overseas training. Further, one of the two officers later deserted duties and by the time her salary was stopped, she had been paid Kshs.621,000. In both instances, the management has not made any recovery. In addition, due to deficiencies in the Institute's human resource manual one officer proceeded to Australia before executing and submitting training bond as is required in the training policy.

Consequently, it has not been possible to ascertain that the expenditure of Kshs.2,608,200 was a proper charge to public funds as at 30 June 2016.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Forestry Research Institute as at 30 June 2016, 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 Science and Technology Act Cap 250 of the Laws of Kenya.



FCPA Edward R.O Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 September 2017



KENYA FORESTRY RESEARCH INSTITUTE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015-2016 Kshs.	2014-2015 Kshs.
REVENUE			
Revenue from non-exchange transactions:			
Government Grants	3	1,035,719,692	1,105,577,690
External Grant for Research	4	125,415,089	74,577,241
Deferred Income from Donors	5(b)	39,835,101	46,480,169
Revenue from exchange transactions:			
Interest on TB, FDR and Savings A/c	6	2,427,099	5,651,001
Other Income	7	95,607,172	108,682,747
TOTAL REVENUE		<u>1,299,004,153</u>	<u>1,340,968,848</u>
EXPENSES			
Employee Costs	8	(972,270,106)	(756,437,132)
Operating Expenses	9	(373,201,088)	(482,475,617)
Board of Management Expenses	10	(12,437,303)	(20,638,302)
Establishment Cost(Sinking Fund)	11(a)	-	(10,000,000)
Depreciation	5(a)	(91,433,744)	(102,242,453)
Amortization on Intangible Asset	12	(4,657,912)	(3,893,034)
TOTAL EXPENSES		<u>(1,454,000,153)</u>	<u>(1,375,686,538)</u>
OTHER GAINS/(LOSSES)			
Gain on Sale of Fixed Assets	13	-	256,140
Exchange Gain/(Loss)	13(b)	703,117	54,366
		<u>703,117</u>	<u>310,505</u>
Surplus/(Deficit) for the Year		<u>(154,292,883)</u>	<u>(34,407,184)</u>



KENYA FORESTRY RESEARCH INSTITUTE
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

		2015-2016 Kshs.	2014-2015 Kshs.
ASSETS	Notes		
CURRENT ASSETS			
Cash and cash equivalents	14(a)	196,423,833	36,291,766
Receivables from exchange transactions	15(a)	4,653,152	8,561,500
Receivables from non- exchange transactions	15(b)	1,341,697	363,430
Inventories	16	83,170,453	58,835,433
Investment in FDR	14(b)	-	85,000,000
		285,589,135	189,052,130
NON-CURRENT ASSETS			
Property, Plant & Equipment	5(a)	5,773,811,211	5,763,345,373
Intangible Assets	12	18,631,650	15,572,135
		5,792,442,861	5,778,917,508
TOTAL ASSETS		6,078,031,996	5,967,969,638
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	17	11,449,040	12,256,435
Auditor General- accrued audit fee	17(c)	1,320,000	1,320,000
Provision for withholding tax		-	519,998
Unxpended External Donor Grants	4	238,840,351	23,237,147
Medical Scheme Funds	18	28,742,883	742,883
		280,352,274	38,076,463
NET ASSETS			
Government Grants for capital assets	19(a)	843,287,021	774,922,665
Deferred Income on Donated Assets	6(b)	651,614,932	691,450,034
Sinking Fund	11(b)	11,953,651	18,403,477
Revaluation Reserves	19(b)	4,467,199,488	4,467,199,488
Revenue Reserves	19(e)	(176,375,372)	(22,082,489)
		5,797,679,720	5,929,893,174
TOTAL NET ASSETS & LIABILITIES		6,078,031,995	5,967,969,638

The Financial Statements set out on pages 1-28 are signed on behalf of the Board of Management by:

Robinson Ngethe:.....
Director, KEFRI Board of Directors

Ben Chikamai (PhD):.....
Director, KEFRI

Date 25/7/17.

Date 25/7/17.

KENYA FORESTRY RESEARCH INSTITUTE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2016

	Deferred Income on Government	Deferred Income on Revenue Reserves	Revaluation Reserves	Sinking Fund	Total Kshs.
	Kshs	Kshs	Kshs.	Kshs.	
Balance as at 1st July 2014	696,460,355	737,930,202	12,324,695	4,467,199,488	5,932,784,493
As restated	696,460,355	737,930,202	12,324,695	4,467,199,488	5,932,784,493
Surplus/(Deficit) for the year			(34,407,184)		(34,407,184)
Revaluation gain					-
Sinking Fund expenses				(12,207,817)	(12,207,817)
Additions during the year	85,400,000			11,739,541	97,139,541
To Income & Expenditure	(6,937,690)				(6,937,690)
Deferred Income for the year	-	(46,480,169)			(46,480,169)
Balance as at 30th June 2015	774,922,665	691,450,034	(22,082,489)	4,467,199,488	5,929,891,174
Balance as at 1st July 2015	774,922,665	691,450,034	(22,082,489)	4,467,199,488	5,929,891,174
As restated	774,922,665	691,450,034	(22,082,489)	4,467,199,488	5,929,891,174
Surplus/(Deficit) for the year			(154,292,883)		(154,292,883)
Revaluation gain					-
Sinking Fund expenses				(10,158,578)	(10,158,578)
Additions during the year	73,510,000			3,710,751	77,220,751
To Income & Expenditure	(5,145,643)				(5,145,643)
Deferred Income for the year		(39,835,101)			(39,835,101)
Balance as at 30th June 2016	843,287,021	651,614,932	(176,375,372)	4,467,199,488	5,797,679,720



KENYA FORESTRY RESEARCH INSTITUTE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2016

		2015-2016	2014-2015
	NOTES	Kshs.	Kshs.
Cash Flows from Operating Activities			
Surplus(Deficit) for the Year		(154,292,883)	(34,407,184)
Adjustment for:			
Depreciation	5(a)	91,433,744	102,242,453
Amortization for Intangible Asset	12	4,657,912	3,893,034
Deferred Income	5(b)	(39,835,101)	(46,480,169)
KEFRI Surcharge		(233,928)	(123,207)
Commission Income		(200,202)	(167,900)
Interest Income from FDR/Savings	6	-	(5,651,001)
Gain on disposal of assets	13	-	(256,140)
Adjusted Surplus		(98,470,458)	19,049,887
Working Capital Changes:			
Decrease (Increase) in Debtors	15	2,930,081	(2,044,215)
Decrease (Increase) in Stock	16	(24,335,020)	(13,423,709)
Increase (Decrease) in Creditors	17	807,395	3,981,299
Net Cash from operating activities		(20,597,543)	(11,486,625)
Cash Flows from Investing Activities:			
Purchase of Assets	5(a)	(101,899,583)	(179,924,124)
Purchase of Intangible	12	(7,717,427)	(2,536,788)
Establishment Cost(Sinking Fund)	11(a)	-	10,000,000
Interest from FDR/Savings A/C -received	6	2,427,099	445,169
Proceeds from sale of assets		809,240	265,900
Net Cash from Investing activities		(106,380,670)	(171,749,842)
Cash Flows from Financing Activities:			
Development capital grants	3	68,364,357	78,462,310
Research Grants Received	4	345,943,394	81,520,510
Transfers/Adjustments		16,532,514	(11,912,607)
Research Grants Paid	4	(130,340,190)	(74,577,241)
Net Cash from Financing activities		300,500,075	73,492,972
Net Increase (Decrease) in Cash & Cash Equivalent		75,051,403	(90,693,609)
Opening Cash & Cash Equivalent		121,291,766	211,985,376
Closing Cash & Cash Equivalent		196,343,171	121,291,766
Cash & Cash Equivalent			
Bank balance	14(a)	196,423,833	36,291,766
Investment in FDR	14(b)	-	85,000,000
Closing Cash & Cash Equivalent		196,423,833	121,291,766



KENYA FORESTRY RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Original budget	Adjustments	Full budget	Actual on	Performance	Budget Vs	Notes
	2015-2016	2015-2016	2015-2016	Comparable	difference	Actual	
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Revenue							
Recurrent Grants	1,105,880,976	-	1,105,880,976	1,030,574,049	(75,306,927)	93	1
Development Grants	82,500,000	-	82,500,000	73,510,000	(8,990,000)	89	2
Research Grants	125,415,089	-	125,415,089	125,415,089	-	100	
Interest Income(savings bank/FDR)	2,347,339	79,760	2,427,099	2,427,099	-	100	
Hire of Training Facilities -Training	32,380,000	3,467,372	35,547,372	35,549,599	2,227	100	
Sale of Forestry Produce	37,240,000	(3,200,000)	34,040,000	34,027,025	(12,975)	100	
Sale of Seeds	12,000,000	(800,000)	11,200,000	11,179,604	(20,396)	100	
Other Revenue	14,477,855	500,000	14,977,855	14,850,944	(126,911)	99	
Deferred Income from donors	40,000,000	(200,000)	39,800,000	39,835,101	35,101	100	
Sub-Total	1,452,241,259	(152,868)	1,451,788,391	1,367,368,510	(84,419,881)		
Less:Development Grants capitalized (Note 3)				(68,364,357)			
Total Income	1,452,241,259	(152,868)	1,451,788,391	1,299,004,153	(84,419,881)		
Expenses	Kshs	Kshs	Kshs	Kshs	Kshs		
Employees Costs	972,245,000	35,000	972,280,000	972,270,106	9,894	100	
Insurance of Property and Motor vehicles Expenses	7,000,000	40,000	7,040,000	7,035,347	4,653	100	
Operation Expenses	313,815,098	1,300,000	315,115,098	315,115,098	0	100	
Contracted Professional Services	12,213,178	(55,000)	12,158,178	12,158,178	-	100	
Audit Fee	680,000	(20,000)	660,000	660,000	-	100	
Repairs & Maintenance Expenses	32,100,000	(200,000)	31,900,000	31,789,105	110,895	100	
Research Expenses	5,000,000		5,000,000	4,967,638	32,362	99	
Bank Service Commission and Charges	800,000		800,000	772,605	27,395	97	
Exchange Loss	-	-	-	-	-	-	
Board Expenses	5,400,000		5,400,000	5,347,303	52,697	99	
KEFRI Chief Executive Officer's(CEO) Remuneration	7,090,000	-	7,090,000	7,090,000	-	100	
Depreciation & Amortization Expenses	96,560,000		96,560,000	96,091,656	468,344	100	
Capital Expenditure	104,000,000	(400,000)	103,600,000	101,899,583	1,700,417	98	3
Total Expenditure	1,556,903,276	700,000	1,557,603,276	1,555,196,619	2,406,657		
Suplus/(Deficit) for the period with capital assets	(104,662,017)	(852,868)	(105,814,885)	(256,192,466)	(86,826,538)		
Less:Capital Expenditure	(104,000,000)	400,000	(103,600,000)	(101,899,583)	(1,700,417)		
Suplus/(Deficit) for the period without capital assets	(662,017)	(1,252,868)	(2,214,885)	(154,292,883)	(85,126,120)		

Notes.

1. GoK budget reduced in the Supplementary Budget;Recurrent Vote had a budget cut of Kshs.75,306,927 and Development Vote had a cut of Kshs 8,990,000

2. GoK (DEVELOPMENT)

Grants Received

Kshs.

73,510,000

Recognised Income

Development Grants: Deferred Income Recognised

5,145,643

Deferred Income -GoK Development Grants for capital assets

68,364,357

Totals

73,510,000

3. Capital Expenditure costs represent the assets the Institute acquired in the Financial Year 2015/2016



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

NOTE 1: GENERAL INFORMATION

Statement of compliance and basis of preparation - IPSAS 1

The Institute's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) Accrual. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost convention, as modified by the inclusion of certain Fixed Assets on a revalued basis. The cashflow statements have been prepared using the in-direct method.

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 categories of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. It is the policy of the Institute to capitalise major renovation and refurbishment expenses incurred on buildings. The Institute undertakes revaluation of its property (land, buildings and heavy machines including heavy hevcles) after every five years per category of property, plant and equipment subject to funds availability.

ii) Depreciation on property, plant and equipment is recognised 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. The annual rates in use are:

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

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



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

ASSET	Years
Buildings	40
Water Equipment & Plants	8
Loose Tools	8
Telephone Equipments	8
Lab. Equipments Apparatus & Electronics	8
Furniture & Fittings	8
Bicycles	8
Heavy Vehicles & Tractors	2.67
Motor Cars & Cycles	4
Computers, Photocopiers, Fax Machines & Calculators	3

(c) Intangible Assets - IPSAS 31

Costs incurred on computer software and other intangible assets are initially accounted for at cost as intangible assets and subsequently at total cost less any accumulated amortization. Amortization is calculated on the reducing balance basis at the rate of 20% over the expected useful life of the intangible assets/software.

(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 recognised when received. Development Grants received for specific purposes are treated as capital grants and credited to the statement of financial performance when the activities for which they were provided for have been undertaken. The development grants that are capital in nature are treated as deferred income and recognised 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.



KENYA FORESTRY RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 plantations are harvested at the end of the experiment hence the provision of IPSAS 27 are not applicable

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.

(f) Employees Benefit Obligation: IPSAS 25

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.

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

(j) Trade payables : Trade payables are not interest bearing and are stated at their fair value.

(k) Currency

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



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Cash and Cash Equivalent

For the purpose of the Cash Flows statement, Cash and cash equivalents include short term liquid investment which are readily convertible into known amounts of cash and which are within three months of maturity when acquired including Treasury Bills.

m) Financial risk management objectives: IPSAS 30

The Institute Funds' activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management met and drafted a risk management manual that will guide in the management of the risks affecting the funds. The manual shall be launched in year ending 30/6/2015. The Board proposes to provide policies for overall risk management, as well as policies covering specific areas such as liquidity risk, market risk and credit risk.

i) Credit and market risk management

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Insitute. The Credit risk also arises from bank balances, trade receivables and amounts due from related parties. The market risk shall also be considered due to Investments. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Institute.

Classification of credit risk bearing assets

The table below represents company's maximum exposure to credit risk as at 30th June 2016

	Fully performing	Past due
Cash at banks	196,423,833	-
Receivables from exchange	1,535,540	3,117,612
Investment in FDR	-	-
Total	197,959,373	3,117,612

ii) Liquidity risk management

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

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

At 30 June 2016	1-6 months	6-12 months
Financial liabilities		
Trade payables	4,213,783	8,555,257

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.



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Budget information: IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Institute differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements.

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

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

i) Judgments

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

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 circumstances arising beyond the control of the Institute. Such changes are reflected in the assumptions when they occur.

s) Comparative figures

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

t) Provisions: IPSAS 19

(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, 2016.



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015-2016	2014-2015
	Kshs.	Kshs.
NOTE 3: GOVERNMENT GRANTS RECEIVED		
Recurrent Grants	1,030,574,049	1,098,640,000
Development Grants	<u>73,510,000</u>	<u>85,400,000</u>
Totals	<u>1,104,084,049</u>	<u>1,184,040,000</u>
(b) Recognised Income		
Recurrent : Income & Expenditure	1,030,574,049	1,098,640,000
Development Grants: Income Recognised	<u>5,145,643</u>	<u>6,937,690</u>
To Income & Expenditure	<u>1,035,719,692</u>	<u>1,105,577,690</u>
Deferred Income -GoK Development Grants for capital assets	<u>68,364,357</u>	<u>78,462,310</u>
Totals	<u>1,104,084,049</u>	<u>1,184,040,000</u>



KENYA FORESTRY RESEARCH INSTITUTE

NOTE 5(a): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2015

(a) Depreciation

ACCOUNT	3130101 LAND	3110201 BUILDINGS	3110502 WATER EQUIP & PLANTS	3111113 LOOSE TOOLS	3111004 TELEPHONE EQUIP	3111107 LAB EQUIP APPARATUS & ELECT. EQUIP.	3110901 FURNITURE AND FITTINGS	3110704 BICYCLES	3110705 HEAVY VEHICLE AND TRACTORS	3110701 MOTOR CARS AND CYCLES	1310 COMPUTERS OFFICE AND ICT EQUIPMENT	3111101 MEDICAL & DENTAL EQUIP.	3110209 PROGRESS WORK-IN- PROGRESS	TOTAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2014	4,123,385,000	1,576,472,886	51,898,148	4,453,291	8,323,146	314,467,453	95,356,644	177,430	38,401,147	236,773,463	155,972,211	36,317	69,066,735	6,675,696,874
Acquisition during the Year	-	77,810,025	1,595,784	75,400	359,105	3,665,586	4,850,423	-	-	12,201,152	25,874,132	-	53,249,517	179,924,124
Donated Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation Transfer to completed buildings	-	66,130,157	-	-	-	-	-	-	-	-	-	-	(66,130,157)	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposed during the Year	-	-	-	-	-	-	-	-	-	(1,670,000)	-	-	-	(1,670,000)
As at 30th June 2015	4,123,385,000	1,720,413,068	53,094,933	4,528,691	8,682,253	318,363,039	100,310,066	177,430	39,401,147	247,104,615	181,846,343	36,317	56,188,095	6,853,550,997
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1st July 2014	-	389,411,662	20,008,043	2,914,427	4,917,159	172,357,475	78,235,397	162,144	38,071,495	149,845,055	124,875,196	22,369	69,066,735	989,823,412
Disposal	-	-	-	-	-	-	-	-	-	(1,860,240)	-	-	-	(1,860,240)
Elimination on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the Year	-	33,275,035	3,010,861	201,783	470,637	18,253,195	2,759,335	1,911	498,620	24,179,950	18,996,383	1,744	53,249,517	102,242,433
As at 30th June 2015	-	422,686,697	32,018,904	3,116,210	5,387,796	190,610,671	80,994,722	164,055	38,570,114	172,924,766	143,867,578	24,112	69,066,735	1,090,205,625
Net Book Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2015	4,123,385,000	1,297,726,371	21,076,028	1,412,481	3,294,458	127,772,368	18,315,345	13,375	831,033	74,339,849	37,978,765	12,205	56,188,095	5,763,345,373
As at 30th June 2014	4,123,385,000	1,187,061,224	22,981,106	1,538,864	3,405,960	142,129,978	17,121,257	15,296	1,329,652	86,328,408	31,094,015	13,948	69,066,735	5,685,673,462
5(b): Deferred Income Schedule on Donated Assets (See Note 32 (e) (ii))	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1st July 2014	-	545,549,743	9,100,102	43,916	103,878	108,457,831	4,324,210	15,679	7,791	70,315,054	12,200	-	-	737,930,202
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income	-	545,549,743	9,100,102	43,916	103,878	108,457,831	4,324,210	15,679	7,791	70,315,054	12,200	-	-	737,930,202
To Income & expenditure for the year	-	13,638,744	1,137,513	5,488	12,990	13,557,229	540,526	1,960	2,918	17,578,763	4,067	-	-	46,480,169
As at 30th June 2015	-	531,910,999	7,962,589	38,428	90,718	94,900,602	3,783,683	13,719	4,873	52,796,290	8,134	-	-	691,450,033

KENYA FORESTRY RESEARCH INSTITUTE



NOTE 5(d): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2016
(a) Depreciation

ACCOUNT	310101	311001	311002	311113	311104	311107	311091	311074	311076	311071	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)	(KSHS)
As at 1st July 2015	4,123,395,000	1,720,413,998	53,094,933	4,528,691	8,892,253	318,382,039	100,210,998	177,430	39,401,147	247,104,615	181,846,340	36,317	56,188,095	6,863,650,997
Acquisition during the Year	-	61,127,260	4,111,451	-	116,295	2,289,934	1,859,941	-	-	230,000	-	-	26,597,643	10,189,983
Depreciated Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to completed buildings	-	-	-	-	53,342,803	-	-	-	-	-	-	-	(53,342,803)	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2016	4,123,395,000	1,834,892,931	57,206,384	4,528,691	8,796,548	320,672,973	102,148,998	177,430	39,401,147	247,334,615	187,414,501	36,317	79,443,135	6,965,650,980
Depreciation	-	-	422,896,697	32,018,904	3,116,210	5,387,796	190,610,671	164,065	39,570,114	172,784,766	143,987,578	24,112	-	1,090,295,626
As at 1st July 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change for the Year	-	35,304,906	3,148,435	176,560	426,344	16,267,738	2,846,773	1,672	311,637	18,642,462	14,515,641	1,526	-	97,433,744
As at 30th June 2016	-	487,791,603	35,167,339	3,292,770	5,814,140	206,868,459	83,841,465	165,726	38,881,782	191,407,228	158,383,219	25,838	-	1,181,629,389
Net Book Value	4,123,395,000	1,376,891,328	22,028,044	1,276,521	2,964,409	113,804,514	18,527,413	11,704	519,396	55,927,387	29,031,282	10,679	29,443,135	5,775,811,211
As at 30th June 2015	4,123,395,000	1,297,726,371	21,078,028	1,412,481	3,284,458	127,772,988	19,515,345	13,375	831,033	74,338,849	37,978,785	12,265	56,188,095	5,763,245,373
5(b): Deferred Income Schedule on Donated Assets (See Note 32 (b) (ii))														
Donated Assets														
As at 1st July 2015		531,910,899	7,962,589	38,426	90,718	94,900,602	3,783,893	13,719	4,873	52,736,290	8,134	-	-	697,450,033
Additions		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal		-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income		531,910,899	7,962,589	38,426	90,718	94,900,602	3,783,893	13,719	4,873	52,736,290	8,134	-	-	697,450,033
To Income & Expenditure for the year		13,297,775	995,324	4,803	11,340	11,862,575	472,960	1,715	1,925	13,184,073	2,711	-	-	39,826,101
As at 30th June 2016		518,613,124	6,967,265	33,623	79,378	83,038,027	3,310,723	12,004	3,048	39,552,218	5,422	-	-	657,674,932
Work-in-Progress														
Balance B/wd	2015-2016	2014-2015												
Transfer to finished buildings	56,188,097	69,068,735												
	(53,342,803)	(66,130,157)												
	2,845,694	2,938,578												
Add: additions within the year:														
Work-in-Progress Tea Management Plan:														
Kilifi	609,852	2,845,694												
Work-in-Progress Lamu	8,487,549													
Work-in-Progress Incinerator Malindi	633,354	581,154												
Table Tables	16,797,896													
Work-in-Progress Green Houses	69,000													
Work-in-Progress Mgoni		48,822,871												
Total for the year	26,597,641	53,249,519												
Balance C/wd	29,443,135	56,188,097												



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Notes	2015-2016 Kshs.	2014-2015 Kshs.
NOTE 6: INTEREST ON FDR & SAVINGS A/C			
Interest Income from FDR		2,132,852	5,205,832
Interest from Savings Bank A/c		294,247	445,169
Totals		2,427,099	5,651,001
NOTE 7(a): OTHER INCOME			
Sale of Forestry Produce	7(b)	45,206,629	58,747,021
Nominal Income (Rent, Water & Electricity)		6,633,185	9,322,977
Surcharges		233,928	123,207
Commission Income		200,202	167,900
Bus Charges (Income)		1,219,469	1,210,711
Other Income/Tenders and Hire of Grounds		830,000	729,000
Hire of KEFRI Facilities	7(c)	35,549,599	31,748,177
Lab Analysis	7(d)	3,570,195	5,544,555
Clinic Revenue		1,354,725	836,760
Project Administration Fees		-	37,779
Compensation for lost items		-	58,250
Sale of Stores		809,240	156,411
Totals		95,607,172	108,682,747
NOTE 7(b): ANALYSIS OF FOREST PRODUCE INCOME			
Sale of Forestry Produce		6,542,079	3,046,171
Sale of Seeds		11,179,604	9,397,457
Karura Revenue		11,736,045	12,902,956
Londiani Income		2,748,075	16,408,783
Gede Income		2,863,599	872,112
Turbo Income		1,420,931	11,332,904
Kibwezi Income		656,670	896,840
Kakamega Revenue		339,903	457,095
Nyeri Income		597,800	844,660
Lodwar Revenue		4,422,904	2,367,756
Marigat Revenue		2,622,430	176,490
Kuja River Revenue		24,490	10,798
Ramogi Revenue		52,100	18,000
Garissa Revenue		-	15,000
Total		45,206,629	58,747,021
NOTE 7(c): HIRE OF TRAINING FACILITIES			
Hire of Training Facilities - Training[Muguga]		471,500	1,572,500
Kitui Revenue		22,412,289	25,568,304
KEFRI House Income		12,665,810	4,607,372
Total		35,549,599	31,748,177
NOTE 7(d): LAB ANALYSIS			
Muguga Laboratory Revenue		143,920	207,120
Maseno Revenue		3,426,275	5,337,435
Total		3,570,195	5,544,555



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2015-2016	2014-2015
		Kshs.	Kshs.
NOTE 8: EMPLOYEE COSTS			
Salaries and Wages	8(b)	588,478,723	456,742,804
Gratuity Costs		4,664,156	2,520,498
Staff Pension Cost/Administration Costs	8(c)	101,430,643	63,298,988
House Allowances		117,237,940	94,677,432
Medical Allowance N/A		22,920	116,608
Other Personal Allowances	8(d)	100,677,412	80,099,285
Staff Medical Costs (In-Patient)		248,601	365,750
Compensation & Ex-gratia		300,500	517,416
Leave & Passage Expenses		5,720,050	5,387,000
Transfer Expenses		3,099,716	1,961,171
Group Life Insurance Premium		2,596,757	5,024,082
Group Personal Accident		1,176,659	1,103,015
Group Personal Accident Premium- Casuals		308,966	-
Medical Insurance Cover for Staff		46,307,063	44,623,084
Total		972,270,106	756,437,132
NOTE 8(b): SALARIES & WAGES			
Basic Salaries		542,132,872	410,843,396
Contractual Employee		2,779,260	2,850,000
Casual Labour		43,566,590	43,049,408
Total		588,478,723	456,742,804
The number of employees as at the end of the year		1,004	987
NOTE 8(c): STAFF PENSION COST			
Pension Employer Cost		100,497,882	62,519,751
Pension Employer Cost - Individual Vouchers		113,850	43,862
Pension Element 27.5%		210,862	220,721
NSSF Employer		608,049	514,654
Total		101,430,643	63,298,988



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015-2016	2014-2015
	Kshs.	Kshs.
NOTE 8(d): OTHER ALLOWANCES		
Honoraria	3,406,287	1,372,933
Acting Allowance	278,842	93,510
Hardship Allowance	4,485,871	2,140,560
Special Duty Allowance	422,331	277,604
Incentive Allowance	2,395,750	119,472
Incentive Allowance - Individual Vouchers	7,342,516	882,465
Entertainment Allowance	4,706,519	4,701,774
Responsibility Allowance	9,135,187	8,337,209
Other Allowances	9,493,451	7,129,256
Other Allowances (Individual Vouchers)	1,104,275	399,850
Risk Allowances	5,220	-
Commuter Allowance	57,901,164	54,644,652
Total	100,677,412	80,099,285
NOTE 9: OPERATING EXPENSES		
Electricity Expenses	16,117,687	18,951,225
Water & Conservancy	3,229,852	2,582,042
Telephone, Telex & Mobile Phone	3,073,465	5,898,788
Internet Costs	6,156,465	4,295,929
Postal Courier & Telegrams	1,344,886	1,217,700
Travelling & Accommodation Expenses	128,444,531	195,429,546
External Travelling Costs	8,548,442	7,777,679
Printing & Publishing	3,333,988	4,766,917
Subscription, Newspapers & Periodicals	958,477	1,133,081
Advertising & Publicity	8,045,100	12,289,976
Trade Show and Exhibitions	1,953,708	2,755,657
Training Expenses and Attachment fee	6,679,453	13,426,985
Cost of Conference & Seminars	-	278,200
Purchase of Coffin	220,000	233,500
Insurance of Buildings & Equipment	1,073,209	756,301
Insurance of Motor Vehicles	5,962,138	5,469,337
Supplies of medical Drugs	1,477,416	1,463,876
Supplies of Dressings	123,453	123,510



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: OPERATING EXPENSES (Continued)		2015-2016	2014-2015
		Kshs.	Kshs.
Fungicides & Insecticides		225,905	693,220
Purchase of Utensils and Cutlery		412,750	2,222,719
Purchase of Research Materials	9(b)	4,967,638	5,831,763
Library Expenses		93,475	382,531
Food & Ration		26,887,473	24,391,664
Staff Uniform Expenses		1,356,771	2,442,220
Purchase of Supplies for Production		32,049,165	23,342,724
Stationery Expenses		7,597,657	9,319,140
Computer Expenses		5,315,734	7,882,770
Sanitary & Cleaning Material		2,183,935	3,044,416
Fuel & Lubricants Expenses	9(c)	29,782,082	37,176,341
Bank Charges	9(d)	772,605	869,257
Membership Fees to Statutory Organization		4,281,329	1,516,861
Legal Dues, Arbitration and Compensation Payments		62,120	683,980
Contracted Professional Services	9(e)	12,158,178	6,758,518
Audit Fees		660,000	660,000
Security Operations		11,323,164	15,943,981
Write Offs/Bad Debts Expenses		102,250	219,137
Maintenance Expenses	9(f)	31,789,105	56,937,839
Land Rent & Rates		155,999	-
Withholding Tax on Interest Accounts		451,804	834,606
Import Duty (Kenya Revenue Authority)		-	639,373
N.S.S.F Penalty		-	27,251
Team Building Activities/Station Launching/Re-branding		3,670,429	1,166,200
Choir and Sports exp		159,250	638,856
Total Operating Expenses		373,201,088	482,475,617
NOTE 9(b): PURCHASE OF RESEARCH MATERIALS			
Chemicals & Industrial Gases		1,495,747	2,798,443
Laboratory Materials		3,039,766	2,207,818
Workshop Materials		233,719	433,410
Photographic & Audio Visual Material		198,407	392,091
Total		4,967,638	5,831,763



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: OPERATING EXPENSES (Continued)	2015-2016	2014-2015
	Kshs.	Kshs.
NOTE 9(c): FUEL EXPENSES		
Fuel & Lubricants Expenses	29,137,521	35,897,287
Other Fuels (wood, charcoal, gas etc.)	540,785	314,224
Fuel for Generators	103,775	964,830
Total	29,782,082	37,176,341
NOTE 9(d): BANK CHARGES		
Recurrent	495,168	603,900
Development	15,520	24,550
Various Projects	38,895	22,908
IFRI project	9,745	15,085
Gold Plus Revenue	56,937	36,249
Gold Plus Savings	1,304	1,550
KEFRI-MSB/UPP PROJECT -Millenium Seed for Life	9,981	18,123
KEFRI ITK/IIED PROJECT A/C-GEDE	9,606	10,331
SANREM - CRSP	-	24,167
EU FOREAIM	-	11,774
EURO A/C	3,197	2,176
Sinking Fund	7,161	6,665
KEFRI ITK/IIED PROJECT A/C-HQTS	6,113	8,663
KAPP Woodcurving	-	908
KAPP Prosopis	330	5,345
ASARECA	-	3,567
KEFRI US Dollar Account	2,536	10,755
KCDP-IDA	10,483	26,374
KCDP-GEF	23,380	11,560
MMMB GOF Project	5,306	4,219
KEFRI/REGIONAL TRAINING	-	1,540
KEFRI PALWECO PROJECT A/C	6,280	6,720
CLINTON CLIMATE INITIATIVE-SLEEK PROJECT	4,703	4,230
KEFRI CIFOR PROJECT A/C	11,350	7,900
KENYA WaTER TOWERS PROJECT HQTS	15,210	-
ADAPTATION FUND PROJECT	11,148	-
KENYA WaTER TOWERS PROJECT LONDIANI	10,155	-
NAS PEER PROJECT	10,933	-
KENYA WaTER TOWERS PROJECT MASENO	7,165	-
Totals	772,605	869,257



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: OPERATING EXPENSES (Continued)	2015-2016	2014-2015
	Kshs.	Kshs.
NOTE 9(e): CONTRACTED PROFESSIONAL SERVICES		
Contracted Prof. Services- Valuation	-	1,482,800
Contracted Prof. Services- Others	6,135,915	3,488,862
Contracted Prof. Services- Consultancy	231,000	1,286,467
Contracted Professional Services - EMS surveillance Audit	886,383	293,700
Technical Services	4,904,880	206,688
Total	12,158,178	6,758,518
NOTE 9(f): MAINTENANCE EXPENSES		
Vehicle Maintenance Expenses	16,434,198	24,436,355
Maintenance of Plant & Machinery	4,047,913	3,871,490
Maintenance of Furniture	280,640	947,352
Maintenance of Buildings - Residential	552,162	3,909,670
Maintenance of Buildings	5,515,691	10,212,744
Maintenance of Roads	231,603	62,880
Minor Alterations	507,605	4,362,186
Maintenance of Computer Software	3,912,450	8,170,615
Maintenance of Water Supplies & Sewage	306,844	964,547
Total	31,789,105	56,937,839
NOTE 10: BOARD OF MANAGEMENT EXPENSES		
Board Costs	4,747,303	8,445,910
Conferences	600,000	520,674
KEFRI Chief Executive Officer's Remuneration	7,090,000	11,314,000
Medical Insurance Cover for Board Members	-	357,718
Total	12,437,303	20,638,302



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015-2016	2014-2015
	Kshs.	Kshs.
NOTE: 11(a) ESTABLISHMENT COST		
Sinking Fund	-	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.

NOTE 11(b): SINKING FUND

Balance b/f	18,401,477	18,869,753
Received during the Year	3,710,751	11,739,541
Available during the Year	22,112,228	30,609,294
Spent during the Year	(10,158,578)	(12,207,817)
Balance c/f	11,953,651	18,401,477

NB: See Note 32(c.) The fund was established by Management for the replacement of worn out fixed assets in future. The Institute contributes a determined amount every year to the fund account for this purpose.

NOTE 12: INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2015-2016	2014-2015
	Kshs.	Kshs.
Cost		
At the beginning of the year-Net	15,572,135	16,928,381
Additions for the year	7,717,427	2,536,788
Amortization on Intangible Assets - Software	(4,657,912)	(3,893,034)
At the end of the year	18,631,650	15,572,135

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.

NOTE 13: GAIN ON SALE OF FIXED ASSETS

	2015-2016	2014-2015
	Kshs.	Kshs.
Sale Proceeds	-	265,900
Value at Cost		1,870,000
Less: Accumulated Depreciation		(1,860,240)
Net Book Value		9,760
Gain on Disposal	-	256,140

NOTE 13(b): EXCHANGE GAIN/(LOSS)

Exchange Gain	703,117	166,799
Exchange Loss	-	(112,433)
Total	703,117	54,366

NOTE 14(a): CASH AND CASH EQUIVALENT -CASH AT BANK

Recurrent	13,901,847	1,192,130
Development	4,245,121	4,734,672
Various Projects	8,141,029	8,427,010
IFRI project	23,797	190,542
Sinking Fund	1,955,651	3,584,119
Gold Plus Savings	509,245	400,494
Gold Plus Revenue	6,621,357	2,103,692
KEFRI US Dollar Account	6,993,976	1,569,296
EURO A/C	5,869,621	6,823,966
KAPP Prosopis	-	467,309
KCDP-IDA	827,206	683,052
KCDP-GEF	2,483,068	-
MMMB GOF Project	-	2,535,419



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14(a): CASH AND CASH EQUIVALENT -CASH AT BANK (Continued)	2015-2016	2014-2015
	Kshs.	Kshs.
KEFRI-MSB/UPP PROJECT -Millenium Seed for Life	1,969,492	45,226
KEFRI/REGIONAL TRAINING	129,954	278,933
KEFRI ITK/IIED PROJECT A/C-HQTS	402,100	335,683
KEFRI CIFOR PROJECT A/C	64,082	-
KEFRI PALWECO PROJECT A/C	35,760	408,402
CLINTON CLIMATE INITIATIVE-SLEEK PROJECT	58,518	2,446,720
KEFRI ITK/IIED PROJECT A/C-GEDE	327,549	65,102
KEFRI/NAS PEER PROJECT	10,667,990	-
KEFRI WATER TOWER PROJECT-HQTS	70,512,411	-
KEFRI ADATATION FUND	10,253,637	-
KEFRI WATER TOWER PROJECT-LONDIANI	23,387,641	-
KEFRI WATER TOWER PROJECT-MASENO	27,042,781	-
Totals	196,423,833	36,291,766

NOTE 14(b): Investment in Fixed deposit account

The Institute had no short term Investments by 30/6/2016 as all the Investments reported in year 2014/2015 had matured.

NOTE 15: DEBTORS SCHEDULE (RECEIVABLES)

(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015-2016	2014-2015
	Kshs.	Kshs.
Water and Electricity Debtors	2,571,402	1,597,717
Interest Receivable-Accrued	-	6,403,953
Sundry Debtors	362,400	559,830
Kitui County Government	1,308,400	-
State Department fo East African Affairs	355,500	-
NEMA	52,250	-
Action Aid Mwingi	3,200	-
Total	4,653,152	8,561,500

(b) RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Travelling Imprest	317,700	25,650
Station/Special Imprest	462,200	-
Salary in Advance	139,302	108,294
Salary Advance	422,495	229,486
Total	1,341,697	363,430
Total Debtors	5,994,849	8,924,930



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)		2015-2016	2014-2015
NOTE 16: INVENTORIES		Kshs.	Kshs.
Stationery/Computer Accessories		1,315,127	1,837,417
Motor Vehicle Spare Parts & Fuel		240,958	387,959
Uniforms and Clothings		9,320	104,567
Food Stuff		21,357	31,598
Hardware, Electricals & Cleaning Materials		2,895,703	6,880,916
Seeds & Seedlings		53,063,326	44,303,372
Forest Plantations	1. (e)(ii)	25,413,432	4,668,919
Drugs & Dressings		156,236	620,685
Fungicides & Sprays/Chemicals		33,300	-
Utensils and cutlery		21,695	-
Total		83,170,453	58,835,433

NB: Note 1. (e) ii) The Institute's Forests Plantations are for research purposes (experiments) and not for commercial use. The plantations are harvested at the end of the experiment hence the provision of IPSAS 27 are not applicable.



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17: CREDITORS SCHEDULE (PAYABLES)		2015-2016	2014-2015
		Kshs.	Kshs.
Sundry Creditors - Merchants		8,899,840	9,623,018
Accruals - (KPLC)		1,629,288	1,734,322
Insurance Compensation		275,769	360,419
Miscellaneous Recovery (Unpaid June BTLs)	17(b)	644,143	538,677
Totals		11,449,040	12,256,435
NOTE 17(b): MISCELLANEOUS RECOVERIES			
Family Remittance		23,550	21,697
Sheria Coop		20,613	-
Blue Shield		4,850	4,850
Cooperative Ins (C.I.S.)		3,955	3,955
S.A.Y.E.		68,000	68,000
Attachment fees		63,000	63,000
Ukulima Fosa - Advances		347,289	347,289
Lomu Welfare		38,705	-
Kenya Professional Association of Women in Agriculture		4,800	4,800
KANASA		8,400	1,200
Marigat Welfare Society		8,390	8,390
Imarisha SACCO		23,400	3,200
Elimu SACCO		12,296	12,296
Kakamega Staff Welfare Group		5,895	-
Admin Staff Welfare		11,000	-
Total		644,143	538,677
NOTE 17(c): Auditor General- accrued audit fee			
Auditor General- accrued audit fee		1,320,000	1,320,000



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18: KEFRI MEDICAL SCHEME FUND ACCOUNT A/C

	2015-2016	2014-2015
	Kshs.	Kshs.
Items contributing to Fund balance:		
Income: Interest from FDR	314,103	671,875
Contribution to the Fund	314,103	671,875
Items Reducing Fund balance:		
Medical Claims Paid	-	-
Bank charges	5,940	6,335
Withholding Tax on Interest Accounts	104,514	-
Printing & Publishing	-	-
Food & Ration	-	18,000
Transport operating exp	-	-
Travelling & Accommodation	-	254,825
Reduction to the Fund	110,454	279,160
Fund Surplus	203,649	392,715
Current Assets:		
Cash at Bank	1,029,208	3,153,684
FDR Account	-	25,000,000
Debtors: GoldPlus Savings Account	345,205	345,205
Recurrent	28,397,678	397,678
Interest Receivable	-	671,875
Fund Net Assets	29,772,091	29,568,442
Fund Balance as at 01.07.2015	29,568,442	29,175,727
Surplus for the year	203,649	392,715
Fund Balance as at 30.06.2016	29,772,091	29,568,442



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19: CAPITAL GRANTS/DEFERRED INCOME & RESERVES

Nature and Purpose of Reserves

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

(a)(i) Deferred Income from Government Grants for Capital Assets

Government Grants for Capital Assets /Donations

		2015-2016	2014-2015
		Kshs.	Kshs.
Balance b/fwd	Note	774,922,665	696,460,355
Additions	3	68,364,357	78,462,310
Transfer from/ to Deferred Income/ Donated Assets		-	-
Balance c/a		843,287,022	774,922,665
(a) (ii) Deferred Income from External Donors on Donated Assets			
Balance b/fwd		691,450,034	737,930,202
Deferred Income/ Donated Assets	5(b)	-	-
Deferred Income	5(b)	(39,835,101)	(46,480,169)
Balance c/a		651,614,933	691,450,034

(b) Revaluation Reserves

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

REVALUATION SURPLUS RESERVE

LAND PARCEL NO.	Date	Kshs.
23877	29/03/1999	51,400,000
23879	29/03/1999	41,442,800
23883	29/03/1999	18,000,000
TOTAL		110,842,800
BUILDINGS ON LAND PARCEL NO.		
23877	29/03/1999	6,867,630
23879	29/03/1999	7,076,500
23883	29/03/1999	6,656,000
TOTAL		20,600,130
Total Gain on revaluation		131,442,930
Revaluation on heavy vehicles	30/6/2013	2,967,483
Balance b/f 1/7/2013		134,410,413
Revaluation gain on Land		
Nos. 23877/23879/23883	Muguga	3,829,157,200
Nos. 24600	Kitui-Tiva	117,160,000
Block 11/127	Kitui-Hqts	27,900,000
		3,974,217,200
Revaluation gain on Buildings		
Muguga Hts/Seed Centre	30/6/2014	318,324,237
Kitui-Hqts/Kitui-Tiva	30/6/2014	40,247,638
		358,571,875
Revaluation gain for the year 2014		4,332,789,075
Balance c/f 30/6/2014		4,407,199,488



KENYA FORESTRY RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19: CAPITAL GRANTS/DEFERRED INCOME & RESERVES (Continued)

(c) Sinking Fund (See Note 12(b))

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

Sinking Fund	2015-2016 Kshs.	2014-2015
Balance b/f	18,401,477	18,869,753
Received during the Year	3,710,751	11,739,541
Available during the Year	22,112,228	30,609,294
Spent during the Year	(10,158,578)	(12,207,817)
Balance c/f	11,953,651	18,401,477

(d) External Grants Reserve

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

(e) Accumulated Surplus / (Deficit)

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

Balance b/f	(22,082,489)	12,324,695
Surplus/(Deficit) for the Year	(154,292,883)	(34,407,184)
Balance c/f	(176,375,373)	(22,082,489)

NOTE 20: IPSAS 20 Related Party Disclosures

Related parties are parties that control or have significant influence over the reporting Institute including key management personnel and parties that are controlled or significantly influenced by the reporting Institute.

RELATED PARTY TRANSACTIONS	Note	2015-2016 Kshs.	2014-2015 Kshs.
Remuneration and other costs of Board of Management	10	12,437,303	20,638,302
Transfers from GoK- Ministry of Environment and Natural Resources	3	1,104,084,049	1,184,040,000
Salaries and other staff employment benefits of Senior Management	8	57,530,388	756,437,132
Staff receivables	15	-	363,430
Total		1,174,051,740	777,438,864



KENYA FORESTRY RESEARCH INSTITUTE

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

a) Reference No. on the external audit report b) Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Remarks	
a) No. 1 2013/2014 Report. b) Property, Plant and Equipment	A joint task force of KFS and KEFRI on asset sharing is at an advanced stage of completing the exercise. The Institute is also engaging county governments on the acquisition of land for research and development.	Bernard Kigomo, Senior Deputy Director	Note that the Final audit report on the financials statements for the year ending 30/6/2015 has not been received from Auditor General	

Robinson Ngethe..... *[Signature]*
Director, KEFRI Board of Directors

Date 25/7/17 .

Ben Chikamai (PhD)..... *[Signature]*
Director, KEFRI

Date 25/7/17