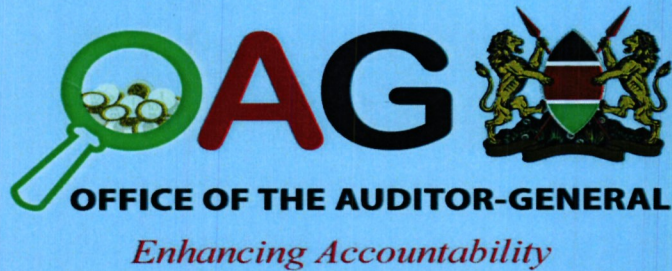


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE NATIONAL ASSEMBLY
PAPER LAIN

DATE: 15 FEB 2023

Day
Wed

TABLED
BY:

Deputy
majority leader

CLERK-AT
THE TABLE:

F. Muriuki

THE AUDITOR-GENERAL

ON

KENYA FORESTRY RESEARCH INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2021**

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Table of Contents

	Page
I. KEY INSTITUTE INFORMATION AND MANAGEMENT	III
II. THE BOARD OF DIRECTORS	VII
III. THE KEFRI MANAGEMENT TEAM.....	XII
IV CHAIRMAN'S STATEMENT.....	XV
V. REPORT OF CHIEF EXECUTIVE OFFICER	XVII
VI. CORPORATE GOVERNANCE STATEMENT	XXVI
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	XXXI
VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	XLI
IX. REPORT OF THE BOARD OF DIRECTORS	XLIX
X. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES.....	L
XI. REPORT OF THE INDEPENDENT AUDITORS ON KENYA FORESTRY RESEARCH INSTITUTE	LI
XII. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30TH JUNE 2021	1
XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021.	2
XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021.	3
XV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2021.	4
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2021.	5
XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021.....	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION.....	40
APPENDIX II: PROJECTS IMPEMENTED.....	41
APPENDIX III: TRANSFER FROM THE MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2020-2021	42

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

I. KEY INSTITUTE INFORMATION AND MANAGEMENT

a) Background Information

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established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013.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

i) Our Vision

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

ii) Our Mission

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

iii) Our Core Values

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

iv) Domicile

The Institute is domiciled in Kenya.

v) Principal Activities

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Key Management

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

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

vi) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were: -

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NO	DESIGNATION	NAME
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	Mr. George Otieno
4.	The Deputy Director –Forestry Research Support Services	Dr. Ebby Chagala – Odera Retired in December, 2020
5.	Ag. Deputy Director - Forest Biodiversity and Environment Management	Dr. James Ndufa
6.	The Deputy Director -Forest Product Development Research	Dr. Joseph Githiomi
7.	The Deputy Director - Social Economic Policy & Governance	Dr. Joram Kagombe
8.	The Deputy Director - Forest Productivity & Improvement	Dr. James Kimondo
9.	The Deputy Director -Corporate Affairs & Quality Assurance	Dr. Jackson M. Mulatya
10.	The Deputy Director - Human Resource	M/s. Evelyn I. Oroni
11.	Senior Administrative Officer	Mr. Fredrick Odhiambo
12.	The Deputy Director – Finance	M/s Rose B. Osoro
13.	Ag. Deputy Director – Supply Chain Management	Mr. Ngeny Kiprotich Tingos
14.	Chief Internal Auditor	M/s Karen N. Muka
15.	Corporation Secretary & Senior Legal Officer	Mr. Philip M. Kichana

vii) Fiduciary Oversight Arrangements

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

viii) KEFRI Headquarters

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

ix) KEFRI Contacts

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

x) KEFRI Bankers

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

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

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

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
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

II. THE BOARD OF DIRECTORS

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

 Mr. Kevin Kihara - Director Professional/Academic qualification: Master of International Public Policy	Date of Birth: 24th August 1975 Key qualification: Finance & International Development & Accredited Mortgage Professional Work experience: 22 years 2015-to date: Head of Strategy, Performance and market development at Habitat and Housing in Africa (Shelter-Afrique) 2011-2015: General Manager, Business Development at Housing Finance Company of Kenya Ltd 2010-2011: Senior Manager, Innovation and Strategic partnerships at Family Bank Ltd 2009-2010: Relationships Manager at Family Bank Ltd Independent Director- Chairman Research and development Committee Member Finance and Administration Committee
 Ms. Maureen Mwangovya - Director Professional/Academic qualification: Masters in Project Planning & Management (UoN) BA Economics & Government UoN	Date of Birth: 10th October 1964 Work experience: 17 years Key qualification: Development Programmes Specialist in Strategic Planning, Policy Advocacy, Monitoring and Evaluation, and Management of International Donor Partnerships for sustainable Development. Currently, Ms Mwangovya is a Part-time lecturer at Technical University of Mombasa 2013-2015: Assistant Consultant for Kenya Ferry Services 2009-2012: Chief Executive Officer at Solidarity with Women in Distress (K) 2000-2007: Senior Programme Officer with Plan International Member- Finance and Administration and Human Resource Committees
 Dr. Lucy Wambui Ng'ang'a Director Alt. PS Ministry of Environment and Forestry.	Date of Birth: 29th September 1964 Work experience: 30 years in agricultural and environmental management policy Key Qualification: Doctor of Philosophy (Ph.D) in Environmental Planning & Management -Kenyatta University (2017) Acting Director Multilateral Environmental Agreements Ministry Of Environment and Forestry Executive Director Member Research & Development and Audit Committee

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

 Dr. Ali M. Mohamud Mohamed-Director Professional/Academic qualification; MBA in Healthcare Management Concordia University, Doctor of Pharmacy (PharmD-USA) Degree.	Date of birth: 15th June, 1973 Work experience: 15 years Key Qualification: Pharmacist. 2013-To date, President and Chief Executive Officer (CEO) Jambostar Properties Ltd 2010- 2012, International Customer Relations Director (Middle Eastern & Other Asia) Allina Health Care, MN-USA. 2006-2010, Clinical Pharmacist and Mentor's Coordinator - Allina Healthcare, MN-USA. 2004-2005, Teaching Associate University of Minnesota Independent Director Chairman Human Resource Committee Member Audit Committee
 Naomi Apali Director Professional/Academic qualification: Land use Planner/Researcher	Date of birth: 2nd February, 1969 Work experience: 21 years Key Qualification: Professional land use planner, environmentalist, gender consultant, trainer and researcher. Currently, Lecturer at Jaramogi Oginga Odinga University of Science and Technology (JOOST) 2015 -2018 Board Member of the Kenya Forest Service (KFS) 1998-2011, Ministry of Lands, Physical Planning Department, where she rose to the position of Chief Physical Planning Officer. 2011, Member Advisory Committees for Planning of Konza City and Formulation of Integrated Tourism Area Plans. Ms. Apali is a certified professional mediator for the Judiciary. She is a member of Kenya Institute of Planners (KIP), Environmental Institute of Kenya (EIK), the Organization for Social Research in Eastern and Southern Africa (OSSREA) and Soroptimist International (SI). Independent Director Chairperson- Audit Committee and Member Research and Development

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

 Dr. Anthony Njagi Getambu - Director Professional/Academic qualification; PhD Entrepreneurship Education- University of Illinois	Date of Birth: 22 March 1951 Work Experience Over 20 years Key Qualification. He is a Business Development Services (BDS) Consultant in entrepreneurship and small business development specializing in Project Management, Value Chain Analysis, BDS Market Assessments and Project Evaluation. 2005- 2012; - Team Leader of the World Bank (WB) funded Value Chain Matching Grant Fund under the Ministry of Industrialization. Technical Adviser to the Tanzania Income Generating Skills Project- United Nations Development Programme (UNDP) funded. Served as a Member of the Board of Kenya Tourist Development Corporation (KTDC) and the Kenya Safari Lodges and Hotels (KSLH) 2014 -2015, served as a Member of the Agriculture Fisheries & Food Authority (AFFA) Taskforce He has also served as a member of the Board for Utalii College Independent Director Chairman Finance and Administration Committee Member Human Resource Committee
 Prof. Walter O. Oyawa, Director General NACOSTI Professional/Academic qualification; Doctor of Philosophy (PhD) Degree in Civil Engineering	Date of Birth: 23rd August 1965 Work experience: Director General NACOSTI Key Qualification: 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 & 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.

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

 Dr. Joshua Kiplongi Cheboiwo Accounting Officer/Director KEFRI Professional/Academic qualification: PhD. Environmental Economics	Date of Birth 20th August 1958 Key Qualification: Expertise in socioeconomics, policy and governance research. Work experience: 34 years
 Mr. Philip M. Kichana Corporation Secretary ICPSK NO. 1451 Professional/Academic qualification: CPS, Advocate of High Court of Kenya	Date of birth: 26th July 1971 Key Qualification: Master of Laws degree LL.M (Public International Law) Bachelor of Laws degree (LL.B) Diploma (Kenya School of Law) Membership: ICPSK & LSK

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

III. THE KEFRI MANAGEMENT TEAM

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

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

6. Dr. Joseph Githiomi Professional/Academic qualification: Ph.D – Forestry		Deputy Director – Forest Products Development
7. Dr. Joram Kagombe Professional/Academic qualification: Ph.D – Environmental Studies		Deputy Director – Socio-economics, Policy and Governance
8. Dr. Jackson M. Mulatya Professional/Academic qualification: Ph.D – Tree Ecology and Agroforestry system interactions and management		Deputy Director – Corporate Affairs and Quality Assurance
9. Mrs. Evelyn I. Oroni Professional/Academic qualification: MBA – HRM HND – Human Resource Management		Deputy Director – Human Resource Management
10. Mr. Fredrick Odhiambo Ochieng Professional/Academic qualification: BA – Public Administration and Sociology HND- in Human Resource		Senior Administrative Officer

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

IV 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, 2021 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. Section 81 of the Public Finance Management Act, 2012 requires the Director/CEO of KEFRI, to prepare annual financial statements in respect of the Institute. The Director/CEO reports to the Board of Directors which is the Institute's highest decision making organ.

The board has been committed to setting and overseeing the Institute's overall strategy and approving significant policies of KEFRI, the organizational structure, the annual budget & the annual procurement plan, monitoring of the Institute's performance and ensuring its sustainability. Above all, the Board ensured that the Institute's strategy is aligned with its statutory mandate & long term goals.

Over the year, the Institute continued to be guided by the law, government policy and circulars issued from time to time. One of the important policies that the Institute adheres to is *Mwongozo; The Code of Governance for State Corporations, 2015* that promotes accountability in the management of public resources.

The Board continued with the implementation of the 6th Strategic Plan 2018-2022 which is aligned to National Government Big Four Agenda, Vision 2030 Flagship Projects and the accelerated achievement of 10% tree cover by 2022 through doubling efforts in tree seed collection, distribution and establishment & maintenance of high quality seed sources. The Strategic Plan aims at diversifying and increasing stakeholders' access to high quality forest products and services including food, feed & fibre and providing quality raw materials for cottage industries, pharmaceuticals and nutraceuticals industries, manufacturing and housing sector and consequently improving livelihood. Unfortunately, as a result of COVID-19, the Institute was not able to hold a mid-term review of the Strategic Plan 2018-2022 as envisaged.

In the Financial Year ending 30 June, 2021, the Board was fully constituted to undertake its business. It undertook its business through four committees namely: Research & Development committee, Finance & Development Committee, Human Resource Committee and Audit Committee.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Following a directive from the State Corporations Advisory Committee (SCAC) to all state corporations, the chairpersons of Board Committees were rotated, resulting with leadership of:-Mr. Kevin K. Kihara, Research & Development Committee; Dr. Anthony Getambu, Finance & Development Committee; Dr. Ali Mohammed, Human Resource Committee and Dr. Naomi A. Mogoria, Audit Committee.

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

Over the period covered by this statement, COVID-19 pandemic continued unabated. At the institutional level, the Board took measures to hold virtual meetings and ensured all protocols issued by the Ministry of Health were fully observed. Unfortunately, as a result of pandemic, the Institute was not able to hold a mid-term review of the Strategic Plan 2018-2022 as envisaged.

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%. There was a budget cut on development of Kshs. 57,000,000. The Board intends to enhance establishment of strategic linkages and partnership to increase its resource mobilization capacity.

In conclusion, I take this opportunity to most sincerely thank the entire Board for their support and active participation in Board meetings and field activities that have contributed in a big way towards making the Institute a top performer in the Ministry of Environment & Forestry.

On behalf of the Board, I also recognize the work and dedication of the Director/CEO KEFRI, Management and all staff for their invaluable effort and commitment in serving the Institute. I hope and look forward to a better performance in meeting and surpassing targets set in the Performance Contract for the next financial year.



Dr. Sammy C. Letema

CHAIRMAN, KEFRI BOARD OF DIRECTORS

Date: 30/5/2022

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

V. REPORT OF CHIEF EXECUTIVE OFFICER



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

The year began with high expectations and a tenacious determination to improve the Institutes operations for enhanced overall performance towards fulfilling her national mandate. The Institutes main focus were and continue to be: 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.

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.

Financial Performance

During the financial year 2020/2021, the Institute received **Kshs.1, 450,580,996** as recurrent grants and development grant of **Kshs. 149,000,000**, of which **Kshs. 40,000,000** was for seed infrastructure and **2,000,000** for rehabilitation of Michuki Park. The funds were transferred to the Institute and were fully utilized for the approved projects and activities. The Institute collected **Kshs. 103,470,615** as Internally Generated Revenue and Donor grants amounted to **Kshs. 93,033,039**. The Institute continues to expand its linkages and partnerships to improve resource mobilization and technical capacity.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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 its service delivery. During the period the Institute as part its succession plan 2018-2023 recruited 58 new staff to replace exiting staff and the recruited staffs have undergone rigorous training and mentorship programme to ensure they are fully integrated into the workforce.

The Institute appraised and promoted 44 staff, gave merit increments to 4 and commendation letters to 57 staff. Over the period covered by this report, the Institute trained 21 staff members: four (4) at Ph.D. level, 6 were trained at the Kenya School of Government (KSG) in skills improvement (courses) and 11 acquired professional certificates. The Institute also engaged interns and students in research and support operations through various policy instruments such as the Voluntarism, Research Graduate School, and PSC Internships. At KEFRI, we ensures that staff are continuously trained to the highest professional levels to enable them deliver superb performance and excellent customer service.

Forestry Research Institutional Capacity and Infrastructural Improvements

The Institute through its Strategic Plan 2018-2022 Strategic Plan Objective Number Six (Strengthen Institutional Capacity for Research and Development) has expanded its presence in the counties to adequately address forestry and allied natural resource research gaps and provide forestry technologies to various stakeholders.

During the year under review, the Institute expanded its presence and impact in Laikipia through completion of Rimuruti sub-centre, in Narok with initiation of activities in proposed Maasai Mau sub-centre, Wajir by posting a forester and Tana River through revival of Hola sub-centre.

The Institute completed installation of CCTV systems in the KEFRI Headquarters, fencing of Kitui, Kibwezi KEFRI Headquarters and Rumuruti centres to enhance security. Two key projects, the Enterprise Resource Planning (ERP) system and ICT data centres were not implemented due to non-responsive bids during the tender process.

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

The Institute completed architectural designs of 18 seed infrastructure centres across the country in readiness for bidding and construction in the next financial year. When these facilities are developed, they will offer space to our employees and students on attachment and internship as well as meeting rooms which make it possible to conduct research and disseminate research findings to various stakeholders.

COVID-19

Throughout the FY 2020/2021, COVID-19 Pandemic continued to interrupt Institute operations through downscales on staff as well as movement restrictions and hampering award and implementation of contracted works. Some publicity events like the Kenya Commercial Forestry Investment Forum that was to be held in March has been postponed two times, some field days were also rescheduled or discontinued due peaks of the infections or health advisories.

In response to the pandemic, an Emergency Response Committee was set up to monitor the situation, recommend mitigations and follow-up on implementation of mitigation strategies. There was implementation of containment measures in line with all the government protocols and guidelines issued from time to time. Measures such as social distancing, use of face masks & sanitizers, regular cleaning and fumigation of work areas were adhered to maintain a safe working environment

Development Partners

During the FY 2020/2021, the Institute received funds from KEFRI from the JICA-Capacity Development Project for Sustainable Forest Management in Kenya (CADEP), ASAL Forest Landscape Restoration in Kenya, Biofuel4 Kenya Project, Dutch-Sino/INBAR-East Africa Bamboo Development Project, DIVERSify, SUNRISE and TRUE Projects, UNDP-FAO support to Commercial Forestry Investment and Expo Forum, AHRC/IIED, TWENDE, KCSAP, GATSBY Africa and Darwin Initiative that boosted the Institute's financial and research capacity.

Challenges

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

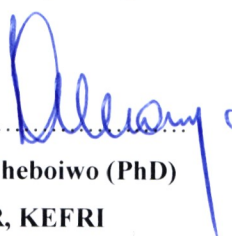
- i) Lack of legislative support mechanism to access research land from gazzeted forest land for experimental plots and seed sources and to guide forestry research in the country.
- ii) Covid-19 Pandemic that disrupted implementation of programmes and unplanned expenditures to combat the pandemic.
- iii) Budget cuts and delays in disbursement of funds from the National Treasury especially towards the end of the year
- iv) Extended ban on logging that has affected research in experimental plots.
- v) Ban on use of plastic potting tubes hindering the raising of seedlings.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

- vi) Changes in weather patterns which affected the raising and planting of seedlings as many regions of the country were hit by drought.
- vii) Procurements challenges through non responsive bids and appeals on awards that delayed implementation of projects

The Institute did its best to ensure implementation of its Strategic Plan (2018-2022) despite the many odds including funding cuts and the Covid-19 Pandemic. Through innovative interventions and good working relations with government agencies and partners the Institute ensured that it continued improving our service delivery, provision of new and innovative forest technologies and products, enhancing and reengineering our processes and operations and building strategic relations with our stakeholders.

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


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

VI. STATEMENT OF KENYA FORESTRY RESEARCH INSTITUTE'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

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

Pillar 1: Forest Productivity and Improvement

Pillar 2: Forest Biodiversity and Environment Management

Pillar 3: Forest Products Development

Pillar 4: Socio-Economics, Policy and Governance

Pillar 5: Forest Research Support Services

Pillar 6: Corporate Services

Pillar 7: Corporate Affairs and Quality Assurance

KEFRI develops its annual work plans based on the above 7 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2020/2021 period for its 7 strategic pillars as indicated in the diagram below;

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 1: Forest Productivity and Improvement	To enhance production of superior germplasm for priority tree species for different agro-ecological zones	No .Kgs of high quality tree seeds collected	Produce 55,000 Kgs of tree seeds from various species from all the eco-regions	45,476 kg of tree seeds were collected from various tree species
		No of tree seed source acreage	Increase tree seed source acreage by 95 ha	47 ha of seed orchards and 43 ha of seed stands were established

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Strategic Pillar	Objective	KPI	Activities	Achievements
	To generate technologies for establishing and managing forest plantations and trees on-farm	No. of technologies developed	To develop 38 new forestry technologies; and refine ongoing forestry technologies	33 new forestry technologies were established; 5 ongoing technologies were refined
Pillar 2: Forest Biodiversity and Environmental Management	To generate technologies for sustainable forest landscapes, wetland and riparian ecosystems	No. of forestry technologies developed	To develop new forestry technologies for wetland and riparian ecosystems	38 new forestry technologies were developed for sustainable management and conservation of wetland and riparian ecosystems
Pillar 3: Forest Products Development	To develop technologies for efficient processing and utilization of wood and non-wood forest products	No. of new tree products developed	Develop 2 new forest products (cape Chestnut lotion and Ximenia Americana soup)	2 new products from Cape chestnut and Ximenia Americana were developed were developed
		No. of tree products refined	To refine the following products: Soup from Mangrove leaves and bark, Guava jam, Cape chestnut facial cream and Ximenia Americana cream	The following 4 products were refined: Mangrove leaves Soup Guava Jam Cape chestnut facial cream Ximenia Americana Cream
		Number of protocols developed	To develop protocols for: Soup from Sandal wood oil and Lotion from Ximenia A. Seed oil	2 protocols were developed
		Number of products linked to SMEs	Link one Amarula jam product to SMEs/Communities for wealth creation	1 Amarula jam was linked to SMEs

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 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	Finalize KEFRI policy and bill and submit to CS Develop Forestry Research and development Strategy 2021-2030 Provide review comments on KEFRI mandate and role in the Draft Forest Policy 2020	KEFRI policy and bill submitted to the Cabinet Secretary- office 1 Forestry research and development strategy developed KEFRI team participated in the Review of Forest Policy
Pillar 5: Forest Research Support Services	To disseminate forestry technologies and enhance research capacity	No. of field days carried out	To organize field days to demonstrate forestry technologies for adoption	41 field days were conducted as below: CHERP-9,DERP-7 RVEP-6,CERP-7 NFPRP-5,LVERP-6
		No. of publications produced	To produce peer reviewed journal papers, technical notes, guidelines and policy briefs Promote Partnership and linkages for enhanced research and development output	38 publications were developed as below: 18 peer reviews- 5 technical notes- 8 guidelines –7 policy briefs KEFRI developed and signed 5 MOUs
		No. of resource mobilization concepts developed	To develop resource mobilization concepts to fundraise for purposes of research and capacity building of stakeholders to enhance livelihoods	15 resource mobilization concepts were developed and submitted for funding
		No of staff trained	To carry out staff Training Needs Assessment	Training needs assessment for FY 2020/21 was conducted

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 6: Corporate Services	To strengthen institutional capacity for Research & Development	Activity reports	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 and other skills enhancement mode
			To undertake staff performance appraisal	Staff appraisal was done for all cadres
	Enhance competence development	No of chances offered to youths	Offer youth internship & attachments	103 attachments offered to students 20 internships offered for 12 months
	To improve infrastructure and facilities	No. of facilities constructed/improved No of infrastructural development works	Water/fire hydrants and reticulation at Marigat Upgrade seed processing unit in Kibwezi, Nyeri, and Migori Construction of an office block laboratory and farmer resource centres Establish and operationalize a seed certification unit	Water hydrants installed in Marigat 3 seed processing units were upgraded No yet done because of inadequate financial resources. A certified and functional seed unit
Pillar 7: Corporate Affairs and Quality Assurance	To enhance communication with stakeholders and publicity of the Institute	No. of equipment and vehicles procured	Purchase of lab equipment Purchase of motor vehicles	Development budget cuts affected procurement
		No. of publicity activities carried out	Dissemination of forestry technologies through exhibitions, print and electronic media	The following publicity activities were done: ASK shows- 1 Radio talks – 6 TV talks – 2 Choir presentations – 3 Produced 4000 brochures leaflets Newsletters – 4

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Strategic Pillar	Objective	KPI	Activities	Achievements
		No. of national and international forums participated	To participation in National and International Environmental and Forest forums	Participated in the following forums: National Tree Planting Day World Environment Day (WED) International Day of Forests (IDF) World Food Day (WFD) National tree planting campaigns

VI. CORPORATE GOVERNANCE STATEMENT

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

a) The Board Size, Composition and Independence

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

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

b) Board Meetings Held in the Year

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

No	Board Member	Designation	FB* Meetings attended	Committee & Other Meetings	Total No of Meetings	Status
1.	Dr. Chris Kiptoo	Principal Member, PS, Ministry of Environment & Forestry	1 out of 6	-	1	Active
2.	Dr. Sammy Letema**	Chairman	6 out of 6	27	33	Active
3.	Maureen Mwangovya	Chair, Audit Committee	6 out of 6	7	13	Active
4.	Kevin Kihara	Chair, Research & Devpt	5 out of 6	8	13	Active
5.	Dr. Naomi Apali	Chair, Audit Committee	6 out of 6	7	13	Active
6.	Dr. Anthony Getambu	Chair, Finance Committee	6 out of 6	7	13	Active
7.	Dr. Ali Mohamed	Chair, Human Resource Committee	4 out of 6	8	12	Active
8.	Dr. Lucy Ng'ang'a	Alternate Member, Representing PS, Ministry of Environment & Forestry	6 out of 6	7	13	Active
9.	Mr. Julius Kamau	Chief Conservator Forests (CCF)	3 out of 6	1	4	Active
10.	Mr. Chrislogus Makokha	Human Resource Committee	5 out of 6	3	8	Active
11.	Mr. Patrick Kariuki	Alternate Member to the CCF	2 out of 6	2	4	Active
12.	Dr. Joshua K. Cheboiwo	KEFRI Director/CEO	6 out of 6	6	12	Active
13.	Mr. Elly Ongei	Alternate to the CS, The National Treasury	5 out of 6	8	13	Active
14.	Prof. Walter Oyawa***	Principal Member, Representing NACOSTI	1 out of 6	-	1	Active
15.	Dr. Roy Mugira	Member, Alternate to DG NACOSTI	4 out of 6			Replaced
16.	Dr. Jane Njuguna	Representing Director/CEO KEFRI	-	4	4	Acts in absence of Director/CEO
17.	Philip Kichana	Corporation Secretary	6 out of 6	10	16	Required to attend all Board meetings

*FB is short form for Full Board.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

**In addition to the Full Board attendances as shown on the table, the Board Chair who did not attend Committee meetings as required by regulations attended 27 other meetings/field events in the course of his duties.

***Prof. Walter Oyawa replaced Dr. Roy Mugiira in March, 2021.

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.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

iv. Audit Committee

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

d). Roles and Functions of the Board

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

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

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

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

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

e). Induction

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

f). 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.

g). Board Evaluation

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

h). Conflict of Interest

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

VII. MANAGEMENT DISCUSSION AND ANALYSIS

a) OPERATIONAL AND FINANCIAL PERFORMANCE

i) Operational Performance

During Financial Year 2020/2021, 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.

With the Covid-19 the institute introduced basic principles to help keep staff and customers safe within the protocols pronounced. Recommendations from the ministry of health and continuous guidance from the Office of the President, KEFRI, implemented the following measures; -

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

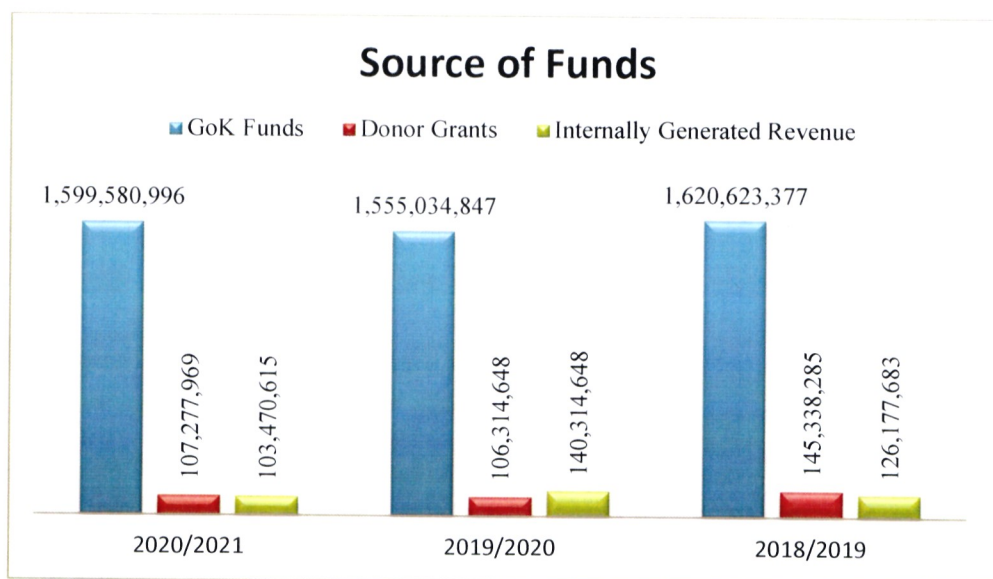
b) Financial performance

i) Income Trends

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

Source of Funds	2020/2021	2019/2020	2018/2019
GoK Funds	1,599,580,996	1,555,034,847	1,620,623,377
Donor Grants	107,277,969	106,314,648	145,338,285
Internally Generated Revenue	103,470,615	140,314,648	126,177,683

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021



ii) Absorption rate

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

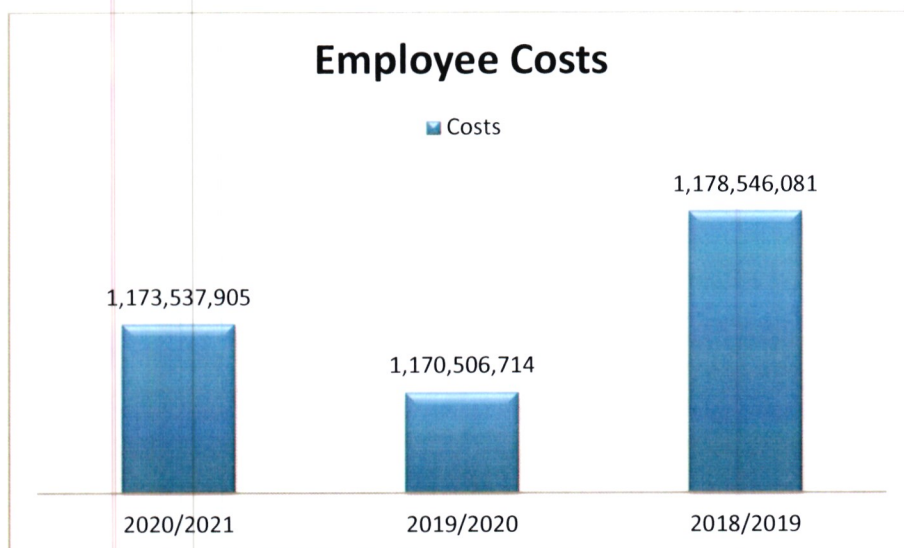
iii) Employee costs

The Institute's management strategy focuses on driving a culture of performance and creating a productive workforce by developing a strong, skilled and proactive team to sustain the organization. As at 30th June 2021 the institute had 879 employees compared to 873 the previous year.

The trend is as shown below:-

Particulars	2020/2021	2019/2020	2018/2019
No of Permanent Employees	879	873	910
Costs	1,173,537,905	1,170,506,714	1,178,546,081

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021



iv). Operating and Maintenance costs

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

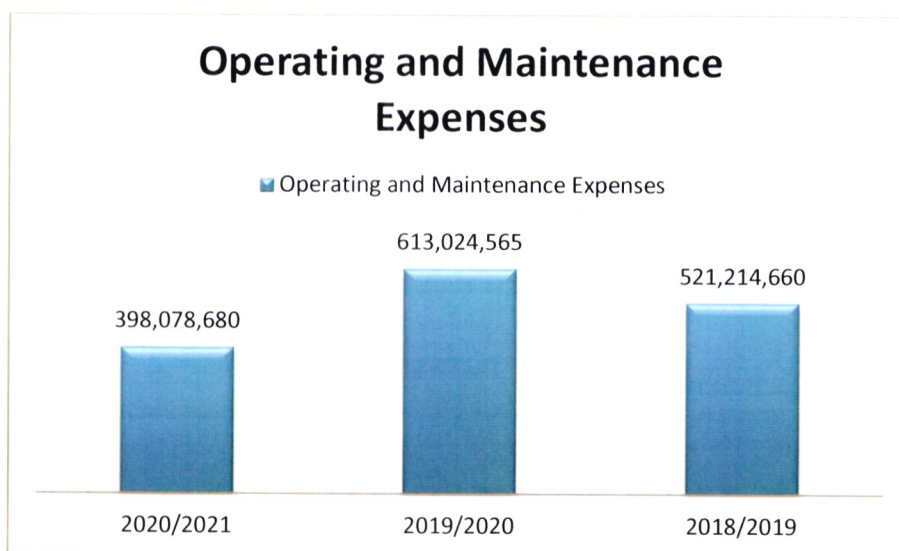
Repairs and Maintenance caters for maintenance of laboratory equipment, vehicles, plant and machinery, furniture, offices, roads, minor alterations, computer software, water supplies and sewerage.

This item also catered for the purchase of masks and sanitizers and provision of handwashing facilities to combat Covid-19 Pandemic. These expenses reduced from Kshs. 613,024,565 to Kshs. 398,078,680 as a result of reduced activities occasioned by COVID_19 pandemic.

The trend is as shown below: -

Particulars		2020/2021	2019/2020	2018/2019
Operating and Maintenance Expenses		398,078,680	613,024,565	521,214,660

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

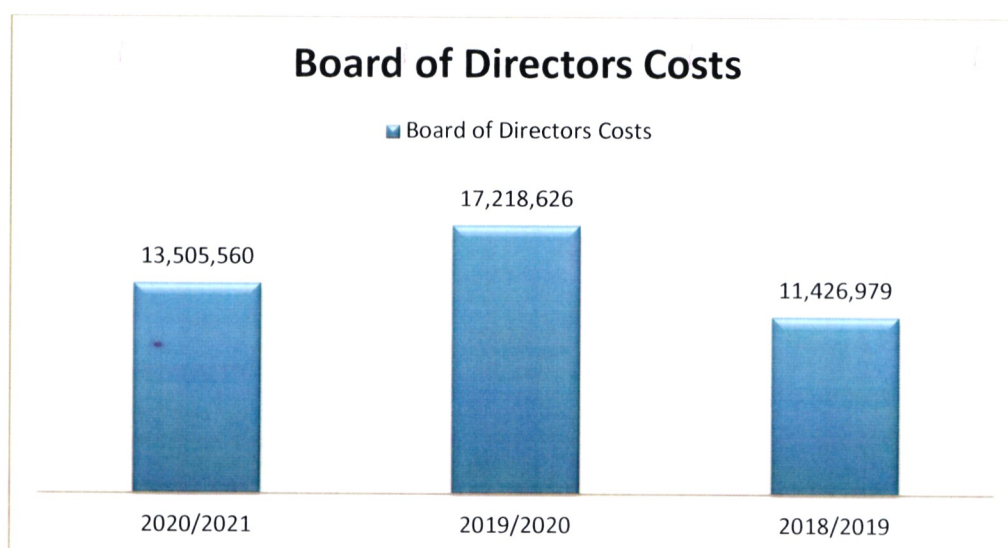


v) Board of Management Expenses

The expenses cater for allowances, meetings expenses and medical insurance. The decrease was as a result of the decreased activities occasioned by COVID_19 pandemic.

The trend is as shown below: -

Particulars	2020/2021	2019/2020	2018/2019
Board of Directors Costs	13,505,560	17,218,626	11,426,979

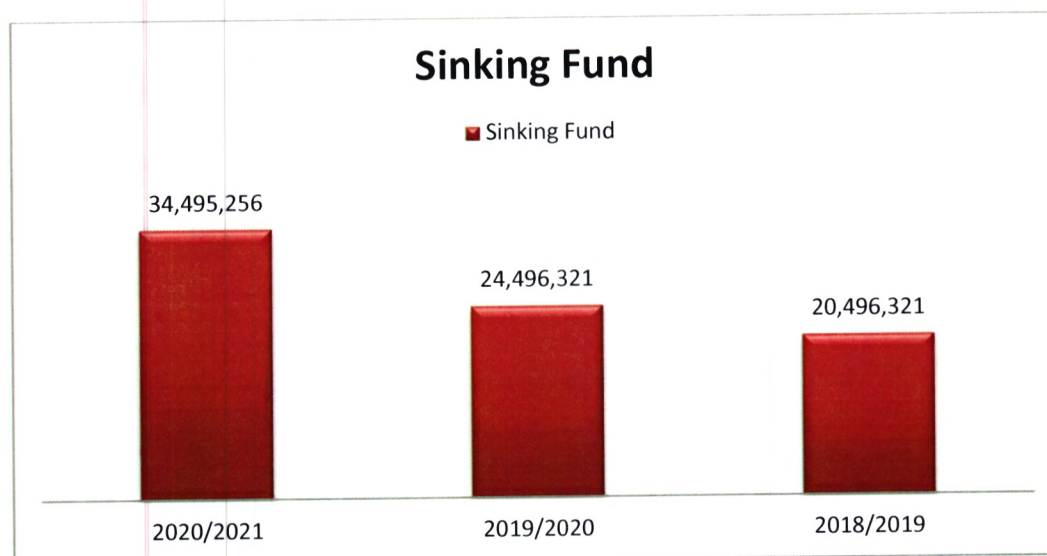


KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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	2020/2021	2019/2020	2018/2019
Sinking Fund	34,495,256	24,496,321	20,496,321



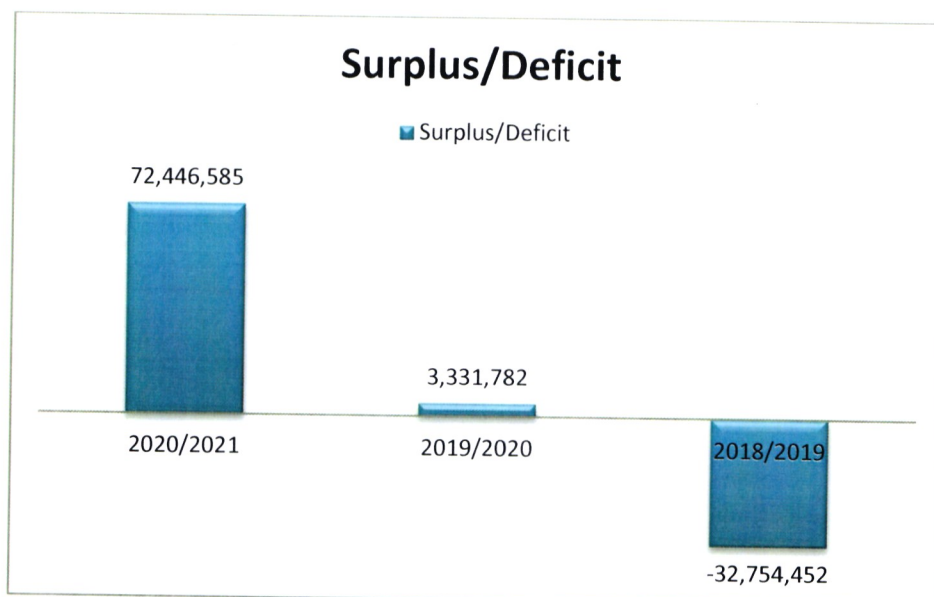
vii) Surplus/ (Deficit)

During the year, the Institute had a surplus of Kshs. 72,446,585 up from a surplus of Kshs. 3,331,782. This was as a result of reduced activities due to interruptions caused by Covid-19 Pandemic.

The trend is as shown below: -

Period	2020/2021	2019/2020	2018/2019
Surplus/Deficit	72,446,585	3,331,782	(32,754,452)

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021



c) Supply Chain Management

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

d) Asset Management

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

i) Inventory Management:

The Institute has an automated system for maintaining and controlling its inventory. As at 30 June 2021, our asset book value was around Kshs. 6.268 billion as compared to Kshs. 6.141 billion in the previous year.

ii) Repairs& maintenance

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

iii) Disposal of Assets

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

e) Institute's compliance with statutory requirements

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

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

f) Key projects the Institute is planning/ implementing

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

The key projects funded by the Government include:-

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

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

1. Universal Health Care

- i) Provision of clean and increased water flow for human consumption improves health and prevents disease occurrence.
- ii) Recharge of water aquifers with clean water mitigates pollution and reversal filtration of salty waters in our bore holes.
- iii) Contribution to the pharmaceutical industry through medicinal and herbal products
- iv) Forest mitigates climate change thus reversing the conditions for disease bearing vectors e.g. mosquitoes.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

v) Forest act as wind break thus taming down dust and air drift that would otherwise cause diseases.

vi) Forests has therapeutic effects on human beings particularly stress reducing effects

2. Food and Nutrition Security

i) Forests assist in soil formation, soil health, protection, nutrient circulation and nitrogen fixation that improve soil fertility.

ii) Grazing areas and fodder for animal production.

iii) Forest food production that include bamboo, *prosopis* and indigenous fruits with high nutritional values.

iv) Forest increases resilience and acts as safety nets during drought and lean times and substitutes foods for vulnerable groups.

v) Habitat for bees for honey and bees wax production.

vi) Habitat for birds, insects and other food crop pollinators.

vii) Biodiversity conservation improves pest control leading to improved and sustainable farm production.

viii) Wood energy for preparation and processing of food.

ix) Agro forestry provides varied goods and services at the farms.

x) Provision of water for domestic use.

3. Affordable Housing

i) Forests provide raw materials such as timber, poles, ropes and grass.

ii) Provision of raw materials including ceiling boards and veneers

iii) Forest act as a source of red soil

iv) Mangroves act as a source of building materials

v) Environmental education to youth and communities on tree growing as sources of raw materials for housing

4. Industrialization, manufacturing and agro-processing

i) Provision of raw materials for furniture, tools and utensils.

ii) Provision of raw materials for cosmetics, wood processing, curing and seasoning.

iii) Provision of employment to youth and women in Small and Medium Enterprises such as soap making, food stabilizers, briquette and Eco-stove.

g) Major risks facing the Institute

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

The Institute is committed to:

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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

Key risks the organization is exposed to: -

i) Financial risk

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

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

ii) Operational Risk

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

iii) Political/Legislation risk

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

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

h) Material arrears in statutory/financial obligations

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

i) The Institute financial probity and serious governance issues

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

VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

a) Sustainability Strategy and Profile

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

- i) Rehabilitation of water towers by establishment of 8 out of 10 hectares (ha) model demonstrations plots in Maasai Mau and Kaptagat Water Tower.
- ii) Developed a strategy (1) and two guidelines for control of Cestrum and Dodder invasive species
- iii) Production of tree seed species (45,475kgs of quality seeds) for increased tree cover, food security, health and creation of green jobs.
- iv) Bamboo conservation and development for industrial use, housing and food security through sensitization of stakeholders (2 open days); Undertook two community groups on bamboo propagation In Machakos and Kiambu counties as well as train 40 artisans o processing and utilization of bamboo
- v) Increased tree seed source acreage to achieve at least 10% tree cover by 2022 as per the Presidential directive by establishing 90 of seed stands and orchards.
- vi) Dissemination of forestry technology and information for adoption and up scaling forestry development through dissemination activities including ASK shows, radio talks, Newsletters, Annual Reports, 38 publications were developed including peer review journals, technical notes, guidelines and policy briefs. Capacity building for KEFRI partners and communities for adoption and up scaling of forestry technologies for environmental conservation and livelihood improvement.5 MOUs were signed.
- vii) 40 forestry technologies were developed.
- viii) 1 new forest products was developed and 2 refined forest products for quality assurance and linked to SMEs/ Communities for wealth creation.

b) Environmental Performance

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

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

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

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

Areas of focus are:

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

c) Employee Welfare

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

The Institute made concerted efforts to fill staffing gaps in its staff establishment through appointment of 73 new staff, staff rationalization, training and development, mentorship programmes and engagement of 31 interns and 103 attachees. During the period, two (2) Research Scientists graduated with Doctorate degrees bringing the total number of PhD holders to 33 for the Institute. The Institute also enhanced its medical care for staff as follows: Medical cover with GA Insurance Company at a cost of KES. 75,710,754; Group Life cover with the APA Insurance at a total cost of KES. 2,831,120; Group Personal Accident cover with Metropolitan Insurance at a total cost of KES. 800,000

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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

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

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

e) Corporate Social Responsibility / Community Engagements

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

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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

(i) A moment with the less privileged -Tumaini Children's Visit

KEFRI choir officials accompanied by the Assistant Regional Director, Nyeri Sub-centre Stephen Ndungu, visited Tumaini Children's Home in Riamukurwe, Nyeri County. The choir participated in: - tree planting cleaning and donated dry food stuff



(ii). Provision of health services to staff and their extended families

The Institute's well equipped clinics manned by trained health officers look after the wellbeing of staff and their extended families. In the wake of Covid-19 pandemic, the Institute realized that staff members and their dependents were having challenges acquiring Covid 19 vaccines. Arrangements were therefore out in place in liaison with Ministry of Health to ensure staff members and their dependents received the vaccination with ease. While the exercise went on, stipulated Covid 19 protocols were observed



iii) Participation in World Environment Day held in Garissa University

World Environment Day 2021 was celebrated on 5th June, 2021 under the theme of '**Ecosystem Restoration**' focusing on resetting our relation with nature. The day ended with tree planting to rekindle a new start after the great loss and a pledge to offer technical support when needed to the University



CS Keriako Tobiko leading tree planting at Garissa University

iv). Participation in environmental awareness activities

Senior Deputy Director, Research & Development, Dr. Jane Njuguna, participated in the launching of Fruity Schools Africa Project at Nairobi River Primary School, Starehe. The objective of the project is to grow over 1,000,000 grafted and suitable indigenous fruit trees in over 35,000 schools in Kenya. This will also educate children on importance of growing trees for nutrition, health as well contribute towards achieving 10% tree cover by 2022. The project is supported by a group of private and public institutions that include Ashut Engineers, Standard Media Group, Min of Education, MOEF, Min of Agriculture, KEPHSA, KESSHA, KPSA, The Kenya Prison Service, KEFRI and KFS.



v) 5th Annual Kaptagat Tree Planting Event

Matters of national interest such as tree planting in various regions have been an ongoing agenda lead by the Ministry of Environment and Forestry. As such, KEFRI has been a core participant especially during activities that aim at rehabilitation of the 5 main water tower sites. In FY 2020/21, KEFRI took part in providing seedlings that were planted together with the community and the sportsmen and women. An exceptional participation was acknowledged when a representative from the Paralympics team came to represent the bigger team that had ongoing activities around the area as in the photo below.

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

IX. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the Institute for the year ended June 30, 2021 are set out on page 1.

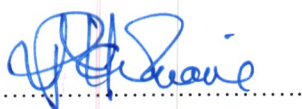
Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2021. The audit for the year ended 30th June 2021 has not been carried out

By order of the Board.



PHILLIP M. KICHANA
CORPORATION SECRETARY

Date: 30/3/2022

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

X. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 and 15 of the State Corporation Act 446, require the Directors to prepare financial statements in respect of the Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year and the operating results of the Institute for the year. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on June 30th 2021. 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 30th 2021, 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.

Approval of the Financial Statements

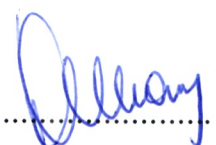
The Institutes financial statements were approved by the Board on **30/08/2021** and signed on its behalf by:



Dr. Sammy C. Letema

CHAIRMAN- KEFRI BOARD OF DIRECTORS

Date... 30/5/2022



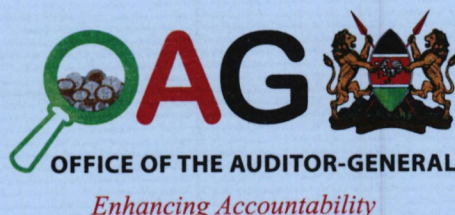
Joshua K. Cheboiwo (PhD)

DIRECTOR - KEFRI

Date... 30/5/2022

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

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 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 the statement of financial position as at 30 June, 2021, 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, 2021, 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, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects Kshs.5,713,085,096 (2020 - Kshs.5,750,406,850) with respect to property, plant and equipment. However, as previously reported, the balance excludes the value of buildings and properties on various parcels of land totalling 2,847 hectares located across the country on which the Institute has put up developments. These include parcels of land owned by Kenya Forest Service, Maseno University, Ministry of Agriculture 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 not provided for audit.

In the circumstances, it could not be confirmed that the property, plant and equipment balance of Kshs.5,713,085,096 as at 30 June, 2021 was fairly stated.

2. Inventories

The statement of financial position reflects a balance of Kshs.74,336,007 in respect of inventories which as disclosed at Note 15 to the financial statements, includes Kshs.44,217,679 and Kshs.23,525,115 relating to seeds and seedlings, and forest plantations respectively. Although 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, the basis of valuation for the inventories was not provided for audit.

In the circumstances, it could not be confirmed that the inventories balance of Kshs.74,336,007 was fairly stated.

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

1. 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, 2021.

2. Covid-19 Economic Stimulus

During the year under review, the Institute received Covid-19 Economic Stimulus conditional grants from the Ministry of Environment and Forestry amounting to Kshs.45,000,000 for various activities towards cushioning the vulnerable members of the society and injecting cash into the economy. However, as at the time of audit in February, 2022, there was no evidence that the funds had been spent on the intended activities.

In the circumstances, the objectives of the grant may not have been realized.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229 (6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Adopt e-Procurement

During the year under review, the Management procured various assets, goods and services. However, the procurements were not processed through the e-procurement module as required by Executive Order No.2 of 2018 which directed all public entities to undertake their procurements through the module.

Management was therefore, in breach of guidelines.

2. Appointment of Board Members

The statement of financial performance reflects Board expenses of Kshs.13,505,560. However, as previously reported, the members of the Board were not issued with appointment letters contrary to the provisions of Section 1.1(11) and (13) of the Code of Governance for State Corporations (Mwongozo) which requires each Board member to be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter to be issued, and that Board members signify their acceptance of the appointment in writing.

In the circumstances, the regularity of the appointments and the expenditure amounting to Kshs.13,505,560 on Board expenses could not be confirmed.

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 the 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 July, 2022

KENYA FORESTRY RESEARCH INSTITUTE

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30TH JUNE 2021

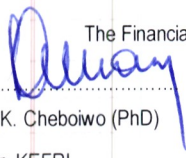
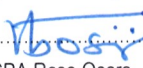
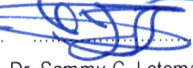
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021			
	Note	2020-2021 Kshs.	2019-2020 Kshs.
REVENUE			
Revenue from non-exchange transactions:			
Government Grants	3	1,499,769,674	1,642,248,013
External Grant for Research	4	107,277,969	89,662,908
Deferred Income from Donors	5(b)	21,692,463	24,014,149
Revenue from exchange transactions:			
Sale of Goods and Services	6	103,470,615	140,314,648
TOTAL REVENUE		1,732,210,720	1,896,239,718
EXPENSES			
Employee Costs	7	(1,154,481,167)	(1,170,506,714)
Operating Expenses	8	(398,078,680)	(613,024,565)
Board of Directors Expenses	9	(13,505,560)	(17,218,626)
Establishment Cost(Sinking Fund)	10(a)	(10,000,000)	(4,000,000)
Depreciation charge	5(a)	(79,870,957)	(84,397,518)
Amortization on Intangible Asset	11	(3,024,222)	(3,109,734)
TOTAL EXPENSES		(1,658,960,584)	(1,892,257,157)
OTHER GAINS/(LOSSES)			
Exchange Gain/(Loss)	12	(803,551)	(650,779)
		(803,551)	(650,779)
Surplus/(Deficit) for the Year		72,446,585	3,331,782

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021.

STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2021			
		2020-2021 Kshs.	2019-2020 Kshs.
ASSETS	Notes		
CURRENT ASSETS			
Cash and cash equivalents	13(a)	454,393,320	316,838,433
Receivables from exchange transactions	14(a)	28,292,719	23,003,847
Receivables from non-exchange transactions	14(b)	4,551,142	3,178,600
Inventories	15	74,336,007	35,194,364
		561,573,188	378,215,244
NON-CURRENT ASSETS			
Property, Plant & Equipment	5(a)	5,713,085,096	5,750,406,850
Intangible Assets	11	12,096,887	12,438,938
		5,725,181,983	5,762,845,788
TOTAL ASSETS		6,286,755,171	6,141,061,032
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	16	4,189,322	6,293,886
Auditor General- accrued audit fee	16(c)	1,173,969	513,969
Payables from non-exchange transactions	16(d)		8,124,400
Unexpended External Donor Grants	4	144,274,626	157,302,625
Medical Scheme Funds	17	345,205	742,883
		149,983,123	172,977,763
NET ASSETS			
Government Grants for capital assets	18(a)	1,143,349,103	1,043,537,781
Deferred Income on Donated Assets	5(b)	514,261,545	535,954,008
Sinking Fund	10(b)	34,494,191	24,495,256
Revaluation Reserves	18(b)	4,467,199,488	4,467,199,488
Revenue Reserves	18(e)	(22,532,279)	(103,103,264)
		6,136,772,048	5,968,083,269
TOTAL NET ASSETS & LIABILITIES		6,286,755,171	6,141,061,032

The Financial Statements set out on pages 1-42 are signed on behalf of the Board of Management by:

		
Joshua K. Cheboiwo (PhD)	FCPA Rose Osoro	Dr. Sammy C. Letema
Director KEFRI	Head of Finance	Chairman: KEFRI Board of Directors
	ICPAK Member	
	Number: 4555	
Date: 30/5/2022	Date: 30/5/2022	Date: 30/5/2022

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021						
	Government Grants for Capital Assets	Deferred Income on Donated Assets	Revenue Reserves	Revaluation Reserves	Sinking Fund	Total Kshs.
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Balance as at 1st July 2019	1,130,750,947	559,968,157	(106,435,046)	4,467,199,488	20,496,321	6,071,979,866
Prior period adjustment						
As restated	1,130,750,947	559,968,157	(106,435,046)	4,467,199,488	20,496,321	6,071,979,866
Surplus/(Deficit) for the year	-		3,331,782			3,331,782
Adjustments	-					-
Transfers from Sinking fund						-
Sinking Fund expenses					(1,065)	(1,065)
Additions during the year	92,053,850				4,000,000	96,053,850
To Income & Expenditure	(179,267,016)					(179,267,016)
Deferred Income for the year	-	(24,014,149)	-	-	-	(24,014,149)
Balance as at 30th June 2020	1,043,537,781	535,954,008	(103,103,264)	4,467,199,488	24,495,256	5,968,083,269
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						-
Sinking Fund expenses					(1,065)	(1,065)
Additions during the year	149,000,000				10,000,000	159,000,000
To Income & Expenditure	(49,188,678)					(49,188,678)
Deferred Income for the year	-	(21,692,463)	-	-	-	(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

KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	2020-2021 Kshs.	2019-2020 Kshs.
Cash Flows from Operating Activities		
Cash from Recurrent Grants	1,450,580,996	1,462,980,997
Cash from Development Grants	149,000,000	92,053,850
Cash from donor grants	92,985,539	106,819,504
Cash receipts from customers	58,485,669	155,353,928
Cash receipts from Insurance	5,513,034	2,653,052
Cash paid to employees	(1,154,481,167)	(1,171,024,082)
Cash paid for operations	(395,974,116)	(608,264,013)
Cash paid to board members	(13,505,560)	(17,218,626)
Cash paid to suppliers	(5,277,920)	(2,356,513)
Cash paid to employees for personal accident	(4,540,213)	(1,658,343)
Net cash from operating activities	182,786,262	19,339,754
Cash Flows from Investing Activities:		
Purchase of property, plant, and equipment	(42,549,203)	(82,041,956)
Purchase of Intangible asset	(2,682,171)	(1,592,840)
Net Cash from Investing activities	(45,231,374)	(83,634,796)
Net increase in cash and cash equivalents	137,554,888	(64,295,042)
Cash and cash equivalents at beginning of period	316,838,432	381,133,474
Closing Cash and cash equivalents at end of period	454,393,320	316,838,432

Dr. Sammy C. Letema
Chairman: KEFRI Board of Directors

FCPA Rose Osoro
Deputy Director Finance
ICPAK Member Number: 4555

Joshua K. Cheloiwo (PhD)
DIRECTOR KEFRI

Date: 30/5/2022

Date: 30/5/2022

Date: 30/5/2022



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2021.

KENYA FORESTRY RESEARCH INSTITUTE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Notes	Original budget 2020-2021 Kshs	Adjustments/S 2020-2021 Kshs	Full budget 2020-2021 Kshs	Actual on Comparable 2020-2021 Kshs	Performance difference 2020-2021 Kshs	Budget Vs Actual %
Revenue						
Recurrent Grants	1,450,580,996	-	1,450,580,996	1,450,580,996	(0)	100.00
Development Grants	164,000,000	-	164,000,000	149,000,000	15,000,000	90.85
Research Grants	105,264,786	-	105,264,786	107,277,969	(2,013,183)	101.91
Deferred Income from donors	21,692,463	-	21,692,463	21,692,463	-	100.00
Sale of Goods and Services	100,000,000	-	100,000,000	103,470,615	(3,470,615)	103.47
Total Income	1,841,538,245	-	1,841,538,245	1,832,022,042	9,516,202	99.48
Development Grants: Income Recognised	50,000,000	-	50,000,000	49,188,677.92	811,322	98.38
NET TOTAL INCOME	1,891,538,245	-	1,891,538,245	1,881,210,720	10,327,524	99.45
Expenses						
Employees Costs	1,155,000,000	-	1,155,000,000	1,154,481,167	518,833	99.96
Operation Expenses	400,565,489	-	400,565,489	398,078,680	2,486,809	99.38
Board Expenses	14,450,000	-	14,450,000	13,505,560	944,441	93.46
Establishment Cost(Sinking Fund)	10,000,000	-	10,000,000	10,000,000	-	100.00
Depreciation	79,870,957	-	79,870,957	79,870,957	-	100.00
Amortization Expenses	3,024,222	-	3,024,222	3,024,222	466	100.00
Total Expenditure	1,662,910,667	-	1,662,910,667	1,658,960,584	3,950,549	99.76
Other Gains/(Losses)						
Exchange Gain/(Loss)	(650,000)	-	(650,000)	(803,551)	153,551	123.62
Suplus/(Deficit) for the period without capital assets	227,977,577	-	227,977,577	221,446,585	6,530,527	90.85
Development Grants	164,000,000	-	164,000,000	149,000,000	-	
Suplus/(Deficit) for the period	63,977,577	-	63,977,577	72,446,585	6,530,527	
Capital Expenditure	40,150,000	-	40,150,000	42,549,203	-	
Notes:						
1. GoK : Development Grant						
Budget Estimates						
Less: Received from Exchequer						
Not Received from Exchequer						
2. Budget adjustment was done during internal reallocation of funds						
3. Capital Expenditure comprises of funds from opening balance and other development partners funded projects						
4. There was a reduction in Operating Expenses due to effects of COVID -19 Pandemic						



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

NOTE 1: GENERAL INFORMATION

a. Incorporation

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2. (r,i)&ii).

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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 2021.*

<u>Standard</u>	<u>Impact:</u>
<u>Other Improvements to IPSAS</u>	<u>Applicable: 1st January 2021:</u> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

Standard	Effective date and impact:
	provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2020/2021.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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.

i) 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.

ii) Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual rates in use are:

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

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

iii) Donated Assets - IPSAS 23

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

Assets	Years
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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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.



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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. .



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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 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 30TH JUNE 2021

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:

	2020-2021		2019-2020	
	Fully performing	Past due	Fully performing	Past due
Cash at banks	454,393,320	-	316,838,433	-
Receivables from exchange	3,078,660	6,157,321	7,667,949	15,335,898
Receivables from non-exchange	1,517,047	49,557,338	1,059,533	23,462,909
Total	458,989,028	55,714,658	325,565,915	38,798,807

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 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At 30 June 2021	2020-2021		2019-2020	
	1-6 months	6-12 months	1-6 months	6-12 months
Financial liabilities				
Trade payables	1,396,441	2,792,882	2,097,962	4,195,924
Auditor General- accrued audit fee	1,173,969	660,000	660,000	660,000
Payables from non-exchange	-	8,124,400	-	8,124,400
Unxpend External Donor Grants	-	144,274,626	-	157,302,625
Medical Scheme Funds	-	345,205	-	742,883
	2,570,410	156,197,113	2,757,962	171,025,832

iii) Market risk

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

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	8,739,061	8,391	71,054

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

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 endeavoured to bank with institutions that offer favourable interest rates.

Fair value of financial assets and liabilities

Financial instruments not measured at fair value

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2020-2021	2019-2020
	Kshs.	Kshs.
Revaluation reserve	4,467,199,488	4,467,199,488
Retained earnings	(48,880,653)	(103,103,264)
Capital reserve	1,692,104,840	1,603,987,045
Total funds	6,110,423,675	5,968,083,269

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 2020-2021 was approved by the Board of Directors on 28th September 2020. 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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2021

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.

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

Evidence of impairment may include the following indicators:

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

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.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.*

	2020-2021	2019-2020
NOTE 3: GOVERNMENT GRANTS RECEIVED	Kshs.	Kshs.
Recurrent Grants	1,450,580,996	1,462,980,997
Development Grants	149,000,000	92,053,850
Totals	1,599,580,996	1,555,034,847
(b) Recognised Income		
Recurrent : Income & Expenditure	1,450,580,996	1,462,980,997
Development Grants: Income Recognised	49,188,678	179,267,016
To Income & Expenditure	1,499,769,674	1,642,248,013
Deferred Income -GoK Development Grants for capital assets	99,811,322	(87,213,166)
Totals	1,599,580,996	1,555,034,847



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: EXTERNAL DONOR GRANTS FOR RESEARCH 2020-2021

	KENYA															
	Various Projects (KSHS)	US DOLLAR					ITK/IIED			GIZ		KEFRI/	KENYA WATER		KENYA WATER TOWERS	
		(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	MSB-UPP	GEDE	PROJECT A/C-HQTS	BAMBOO PROJECT	LODWAR	REGIONAL TRAINING	TOWERS PROJECT HQTS	FUND PROJECT LONDIANI	NAS PEER PROJECT	PROJECT MASENO
Balance b/f 1st July 2020	43,717,124	1,872,060	145,588	530,373	70	661,051	8,816,356	2,564	181,894	86,202,369	13,431,820	1,738,101	774	2,481	157,302,625	
Adjustment	1,250,540														1,250,540	
Received during the Year	58,122,703	12,245,132	22,665,204												93,033,039	
Refund to the Donor	(47,500)														(47,500)	
Inter account transfers(MSB)	528,573			(528,573)												
Transfer from Dollar A/C	6,210,765	(6,210,765)														
Transfer from Euro A/C	4,460,338		(21,165,042)				16,704,704									
Available during the Year	114,242,543	7,906,427	1,645,750	1,800	70	661,051	25,521,060	2,564	181,894	86,202,369	13,431,820	1,738,101	774	2,481	251,538,704	
Spent during the Year	(80,996,993)	(257,111)	(569,896)	(1,800)	(70)	(7,764)	(23,120,736)	(252)	(21,692)	(559,944)	(1,065)	(1,738,100)	(774)	(1,781)	(107,277,969)	
Adjustment-Exchange gain		13,891													13,891	
Balance c/f as at 30 June 2021	33,245,560	7,663,206	1,075,854	(1)	0	653,287	2,400,324	2,312	160,202	85,642,425	13,430,755	(0)	0	700	144,274,626	



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

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

(a) Depreciation	ACCOUNT	3130101	3110201	3110502	3111113	3111004	3111107	3110801	3110704	3110705	3110701	1310	3111101	3110209	TOTAL
	COSTVALUATION	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 2019		4,123,385,000	1,946,388,362	66,148,438	4,528,691	8,887,298	348,544,354	108,299,458	177,430	39,401,147	287,994,424	216,556,084	36,317	38,347,275	7,189,294,278
Adjustment															
Acquisition during the Year			7,103,331	2,389,217	205,000	30,600	11,775,497	2,081,130			29,993,441	9,343,004		19,120,736	82,041,956
Donated Assets															
Elimination on revaluation															
Transfer to completed buildings			8,954,512											(8,954,512)	
Revaluation															
Disposal during the Year															
As at 30th June 2020		4,123,385,000	1,962,446,205	69,137,655	4,733,691	8,917,898	360,319,851	110,380,588	177,430	39,401,147	317,987,865	225,899,088	36,317	48,513,499	7,271,536,234
Depreciation															
As at 1st July 2019			585,849,397	44,515,632	3,700,721	6,823,019	248,677,204	91,197,777	169,590	39,271,342	240,455,204	194,639,820	29,163		1,438,531,867
Disposal															
Adjustment															
Elimination on revaluation															
Charge for the Year			34,914,920	3,077,753	129,121	261,860	13,830,331	2,397,851	980	47,552	19,383,165	10,353,089	894		84,397,518
As at 30th June 2020			600,764,317	47,593,385	3,829,842	7,084,879	263,507,535	93,595,629	170,570	39,321,894	259,838,369	205,192,909	30,057		1,520,925,384
Net Book Value															
As at 30th June 2020		4,123,385,000	1,361,681,888	21,544,270	903,849	1,833,019	96,812,317	16,784,959	6,860	79,253	58,149,498	20,706,179	6,260	48,513,499	5,750,408,850
As at 30th June 2019		4,123,385,000	1,380,538,965	22,232,806	827,971	2,064,279	98,867,151	17,101,680	7,840	126,805	47,539,220	21,716,264	7,154	38,347,275	5,752,762,412
5(b): Deferred Income Schedule on Donated Assets (See Note 18 (a) (ii))															
Donated Assets															
As at 1st July 2019			480,681,529	4,667,524	22,525	53,177	55,528,990	2,217,926	8,042	746	16,686,092	1,607			559,968,156
Additions															
Disposal															
Deferred Income			480,681,529	4,667,524	22,525	53,177	55,528,990	2,217,926	8,042	746	16,686,092	1,607			559,968,156
To income & expenditure for the year			12,017,038	583,440	2,816	6,647	6,953,624	277,241	1,005	279	4,171,523	536			24,014,149
As at 30th June 2020			468,664,491	4,084,083	19,709	46,530	48,875,367	1,940,885	7,036	466	12,514,569	1,071			535,954,008

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTE 5(a): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2021

[illegible]



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)				
	Notes	2020-2021	2019-2020	
NOTE 6(a): SALE OF GOODS AND SERVICES		Kshs.	Kshs.	
Sale of Forestry Produce	6(b)	56,546,734	93,865,898	
Other Income/Tenders and Hire of Grounds		378,300	846,370	
Nominal Income (Rent, Water & Electricity)		7,088,326	7,971,198	
Surcharges		730,483	310,669	
Commission Income		209,951	217,092	
Bus Charges (Income)		554,035	920,272	
Sale of Stores		-	34,660	
Hire of KEFRI Facilities	6(c)	34,867,674	31,642,396	
Clinic Revenue		321,975	1,996,969	
Lab Analysis	6(d)	1,534,335	2,509,125	
Project Administration Fees		1,238,802	-	
Totals		103,470,615	140,314,648	
NOTE 6(b): ANALYSIS OF FOREST PRODUCE INCOME				
Sale of Forestry Produce		4,567,721	2,080,441	
Sale of Seeds		18,429,763	51,793,704	
Karura Revenue		5,503,592	5,302,660	
Londiani Income		1,083,067	2,524,315	
Gede Income		1,349,630	958,095	
Turbo Income		352,500	611,285	
Kibwezi Income		1,134,640	401,135	
Kakamega Revenue		319,460	403,520	
Nyeri Income		724,975	1,389,554	
Lodwar Revenue		2,559,840	7,805,847	
Marigat Revenue		14,407,250	11,529,197	
Kuja River Revenue		137,260	50,600	
Ramogi Revenue		88,780	51,080	
Garissa Revenue		138,100	113,150	
Migori Revenue		771,450	340,310	
Lamu Revenue		4,641,326	8,308,735	
Taita Taveta Revenue		337,380	202,270	
Total		56,546,734	93,865,898	
NOTE 6(c): HIRE OF TRAINING FACILITIES				
Hire of Training Facilities - Training[Muguga]		8,327,636	1,765,069	
Kitui Revenue		18,055,403	19,679,469	
KEFRI House Income		8,484,635	10,197,857	
Total		34,867,674	31,642,396	
NOTE 6(d): LAB ANALYSIS				
Muguga Laboratory Revenue		138,900	343,500	
Maseno Revenue		1,395,435	2,165,625	
Total		1,534,335	2,509,125	



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2020-2021	2019-2020
NOTE 7: EMPLOYEE COSTS	Notes	Kshs.	Kshs.
Salaries and Wages	7(b)	719,025,958	718,039,766
Gratuity Costs		9,654,965	8,983,267
Staff Pension Cost/Administration Costs	7(c)	127,663,056	128,595,288
House Allowances		138,703,024	134,512,498
Medical Allowance N/A		32,400	24,300
Other Personal Allowances	7(d)	89,546,538	86,878,079
Staff Medical Costs (In-Patient)		277,249	517,479
Refund of Medical Expenses - Exgratia		266,700	118,000
Leave & Passage Expenses		4,678,167	4,987,333
Transfer Expenses		3,144,631	5,308,593
Group Life Insurance Premium		3,263,061	2,828,440
Group Personal Accident		953,756	704,560
Group Personal Accident Premium - Casuals		101,449	114,007
Medical Insurance Cover for Staff		57,170,213	78,895,104
Total		1,154,481,167	1,170,506,714
NOTE 7(b): SALARIES & WAGES			
Basic Salaries		683,705,492	677,224,935
Contractual Employee		-	4,291,072
Casual Labour		35,320,466	36,523,759
Total		719,025,958	718,039,766
The number of employees as at the end of the year		879	854
NOTE 7(c): STAFF PENSION COST			
Pension Employer Cost		126,936,577	127,894,123
Insurance Cover for Pension Trustees Liability		-	128,154
NSSF Employer		726,479	573,011
Total		127,663,056	128,595,288
NOTE 7(d): OTHER ALLOWANCES			
		Kshs.	Kshs.
Acting Allowance		687,486	1,406,810
Hardship Allowance		7,576,344	6,792,483
Special Duty Allowance		659,855	216,933
Incentive Allowance		6,571,984	3,589,217
Entertainment Allowance		3,786,871	5,239,304
Responsibility Allowance		7,778,435	9,687,990
Other Allowances		9,304,566	7,068,990
Risk Allowances		2,750,456	2,698,695
Commuter Allowance		50,430,541	50,177,657
Total		89,546,538	86,878,079



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
		2020-2021	2019-2020
NOTE 8: OPERATING EXPENSES	Notes	Kshs.	Kshs.
Electricity Expenses		21,344,799	18,460,115
Water & Conservancy		3,205,688	2,926,002
Telephone, Telex & Mobile Phone		3,253,262	3,164,898
Internet Costs		8,520,268	7,000,520
Postal Courier & Telegrams		823,289	997,982
Travelling & Accommodation Expenses		87,436,945	172,516,694
External Travelling Costs		22,105	7,295,487
Printing & Publishing		3,485,208	3,731,619
Subscription, Newspapers & Periodicals		697,478	1,820,525
Advertising & Publicity		8,485,657	10,667,105
Trade Show and Exhibitions		512,958	4,987,019
Training Expenses and Attachment fee		6,708,912	3,634,291
Cost of Conference & Seminars		17,500	8,000
Purchase of Coffin		528,226	240,000
Insurance of Buildings & Equipment		749,307	879,338
Insurance of Motor Vehicles		3,307,810	3,428,530
Supplies of medical Drugs		1,324,118	1,701,287
Supplies of Dressings		128,731	894,437
Fungicides & Insecticides		485,489	161,489
Purchase of Utensils and Cutlery		244,005	400,410
Purchase of Research Materials	8(b)	7,070,491	7,698,388
Library Expenses		58,399	25,503
Food & Ration		26,158,081	34,812,410
Staff Uniform Expenses		3,033,948	2,657,570
Purchase of Supplies for Production		76,310,165	157,672,652
Stationery Expenses		5,631,234	6,872,766
Computer Expenses		6,149,480	6,105,207
Sanitary & Cleaning Material		4,022,578	3,830,722
Fuel & Lubricants Expenses	8(c)	26,051,699	31,786,308
Bank Charges	8(d)	524,791	672,564
Membership Fees to Statutory Organization		2,890,115	15,665,254
Legal Dues, Arbitration and Compensation Payments		266,099	-
Contracted Professional Services	8(e)	18,443,496	17,999,333
Audit Fees		796,800	814,280
Security Operations		23,378,193	20,826,363
Maintenance Expenses	8(f)	44,824,964	58,438,859
Land Rent & Rates		1,136,393	1,162,782
Donations		50,000	199,956
Choir and Sports exp		-	867,900
Total Operating Expenses		398,078,680	613,024,565



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)				
			2020-2021	2019-2020
NOTE 8: OPERATING (Continued)	Notes		Kshs.	Kshs.
Chemicals & Industrial Gases			3,559,262	1,232,559
Workshop Materials			152,195	156,360
Laboratory Materials			2,844,023	6,070,580
Photographic & Audio Visual Material			515,011	238,889
Total			7,070,491	7,698,388
NOTE 8(c): FUEL EXPENSES				
Fuel & Lubricants Expenses			24,893,720	30,772,131
Other Fuels (wood, charcoal, gas etc.)			627,410	42,250
Fuel for Generators			530,569	971,927
Total			26,051,699	31,786,308
NOTE 8(d): BANK CHARGES				
Recurrent			357,350	435,539
Development			19,700	140,059
Various Projects			25,285	14,995
Sinking Fund			1,065	1,065
Gold Plus Savings			320	1,065
Gold Plus Revenue			90,417	37,635
KEFRI US Dollar Account			5,739	2,360
EURO A/C			3,826	5,693
KEFRI-MSB/UPP PROJECT -Millenium Seed for Life			1,800	4,680
KEFRI ITK/IED PROJECT A/C-GEDE			70	4,320
KEFRI ITK/IED PROJECT A/C-HQTS			7,764	8,940
Bamboo Project			1,185	1,783
GIZ Project Lodwar			252	2,193
KEFRI/REGIONAL TRAINING			1,692	2,196
KENYA WaTER TOWERS PROJECT HQTS			1,745	1,065
ADAPTATION FUND PROJECT			1,065	2,985
KENYA WaTER TOWERS PROJECT LONDIANI			2,960	1,191
NAS PEER PROJECT			774	4,800
KENYA WaTER TOWERS PROJECT MASENO			1,781	-
Totals			524,791	672,564
NOTE 8(e): CONTRACTED PROFESSIONAL SERVICES				
Contracted Professional Services - Valuation			172,499	590,967
Contracted Prof. Services- Others			11,775,620	13,747,092
Contracted Prof. Services- Consultancy			206,221	1,468,948
Contracted Professional Services - EMS surveillance Audit			-	142,098
Technical Services			6,289,156	2,050,228
Total			18,443,496	17,999,333



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
NOTE 8: OPERATING EXPENSES (Continued)	2020-2021 Kshs.	2019-2020 Kshs.
NOTE 8(e): CONTRACTED PROFESSIONAL SERVICES		
Contracted Professional Services - Valuation	172,499	590,967
Contracted Prof. Services- Others	11,775,620	13,747,092
Contracted Prof. Services- Consultancy	206,221	1,468,948
Contracted Professional Services - EMS surveillance Audit	-	142,098
Technical Services	6,289,156	2,050,228
Total	18,443,496	17,999,333
NOTE 8(f): MAINTENANCE EXPENSES		
Vehicle Maintenance Expenses	20,132,649	23,023,006
Maintenance of Plant & Machinery	2,308,906	3,061,522
Maintenance of Furniture	484,774	761,746
Maintenance of Buildings - Residential	829,066	1,791,964
Maintenance of Buildings and Stations	11,545,394	20,448,810
Maintenance of Roads	19,750	719,550
Minor Alterations	247,658	1,522,677
Maintenance of Computer Software	7,480,067	5,734,117
Maintenance of Water Supplies & Sewage	1,776,701	1,375,466
Total	44,824,964	58,438,859
NOTE 9: BOARD OF DIRECTORS EXPENSES		
Board Costs	11,107,723	15,291,110
Conferences	1,845,736	1,406,440
Medical Insurance Cover for Board Members	552,101	521,076
Total	13,505,560	17,218,626
NOTE 10(a) ESTABLISHMENT COST	Kshs.	Kshs.
Sinking Fund	10,000,000	4,000,000
The Establishment cost relates to the contributions for the year to the Sinking Fund Account. Each year's contribution is dependant on the availability of funds. The fund is for future replacement on wornout assets.		
NOTE 10(b): SINKING FUND	Kshs.	Kshs.
Balance b/f	24,495,256	20,496,321
Received during the Year	10,000,000	4,000,000
Available during the Year	34,495,256	24,496,321
Spent during the Year	(1,065)	(1,065)
Balance c/f	34,494,191	24,495,256
NB: See Note 2(v.) The fund was established by Management for the replacement of worn out fixed assets in future. The Institute contributes a determined amount every year to the fund account for this purpose.		
NOTE 11: INTANGIBLE ASSETS - COMPUTER SOFTWARE	2020-2021 Kshs.	2019-2020 Kshs.
Cost		
At the beginning of the year-Net	12,438,938	13,955,832
Additions for the year	2,682,171	1,592,840
	15,121,109	15,548,672
Amortization on Intangible Assets - Software	(3,024,222)	(3,109,734)
At the end of the year	12,096,887	12,438,938
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 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)				
			2020-2021	2019-2020
NOTE 12: EXCHANGE GAIN/(LOSS)			Kshs.	Kshs.
Exchange Gain			13,891	147,767
Exchange Loss			(817,442)	(798,547)
Total			(803,551)	(650,779)
NOTE 13: CASH AND CASH EQUIVALENT -CASH AT BANK			2020-2021	2019-2020
Name of Bank Account	Acct. Number	Bank	Kshs.	Kshs.
Recurrent	1106971361	KCB	85,985,857	70,929,639
Development	1106749944	KCB	30,607,071	4,206,623
Various Projects	1106750012	KCB	37,621,876	46,113,195
Sinking Fund	1106972643	KCB	34,494,191	24,495,256
Gold Plus Savings	1107063272	KCB	26,306,535	498,835
Gold Plus Revenue	1107063558	KCB	128,649,093	65,679,118
KEFRI US Dollar Account	1107182867	KCB	7,663,204	1,872,059
EURO A/C	1107064929	KCB	1,075,857	145,591
KEFRI-MSB/UPP PROJECT -	01136151733101	Co-op	-	530,373
KEFRI ITK/IED PROJECT A/C-GEDE	01136151733103	Co-op	-	70
KEFRI ITK/IED PROJECT A/C-HQTS	01136151733102	Co-op	653,286	661,050
BAMBOO PROJECT	1208326104	KCB	2,099,955	166,622
GIZ Project Lodwar	1183017367	KCB	2,312	2,564
KEFRI/REGIONAL TRAINING	6433340016	CBA	160,202	161,894
KEFRI WATER TOWER PROJECT -	1176894080	KCB	85,642,425	86,202,369
KEFRI ADAT ATION FUND	1178886956	KCB	13,430,756	13,431,821
KEFRI WATER TOWER PROJECT- LONDIANI	1178145298	KCB	-	1,738,101
KEFRI/NAS PEER PROJECT	1136151733105	Co-op	-	774
KEFRI WATER TOWER PROJECT- MASENO	1178145298	KCB	700	2,481
Totals			454,393,320	316,838,433



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)		2020-2021	2019-2020
		KShs	KShs
NOTE 13(b): Cash Generated from Operations			
Surplus for the year before tax		72,446,585	3,331,782
Adjusted for:			
Depreciation	5(a)	79,870,957	84,397,518
Amortization on Intangible Asset	11	3,024,222	3,109,734
Increase in deferred income	5(b)	(21,692,463)	(24,014,149)
Normal income		(804,615)	(651,845)
Contributed assets	3	99,811,322	(87,213,166)
Sinking Fund	10(a)	10,000,000	4,000,000
Contribution to provisions		8,124,400	-
Finance income/(foreign exchange gain)/(loss)	12	803,551	650,779
Working Capital adjustments		251,583,959	(16,389,346)
Increase in inventory	15	(39,141,643)	23,272,475
Increase in receivables	14	(6,661,414)	(7,857,822)
Increase in payables		(22,994,640)	20,314,447
Net cash flow from operating activities		182,786,262	19,339,754
NOTE 14: DEBTORS SCHEDULE (RECEIVABLES) & PREPAYMENTS			
14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Water and Electricity Debtors		2,548,671	2,350,667
Kenya Forest Service		-	12,601,260
Plan International		18,250	18,250
FAO Kenya		48,000	48,000
ICRAF		528,500	669,600
World Vision		544,300	401,900
Sundry Debtors		221,950	82,600
Kitui County Government		562,250	562,250
Agricultural Develpt. Support Program.		-	350,380
Pastoral Resilience		79,840	51,040
Baringo County Government		441,800	350,400
Southern Eastern Kenyan University		61,200	61,200
Turkwel CIP		30,200	30,200
GIZ SIF Programme		172,700	172,700
ILRI		33,900	33,900
IEBC		150,500	150,500
Kenya Red Cross		-	308,750
Marie Loreto		50,920	50,920
Friends of Lake Turkana-FOLT		137,500	137,500
Save the Children		-	250,000
Afya Uzazi		141,500	131,500
IRC (International Rescue Committee)		100,000	100,000
Homestay Safari Group Ltd		10,000	10,000
Catholic Diocese of Machakos		31,500	31,500
KCB Kitui/Marigat		35,450	33,450
African Population Health Research Centre		50,000	50,000
Eastern Produce of Kenya		-	12,680
One Acre Fund Nairobi		-	2,000
KYEOP		-	133,750
Commissioner of General Prisons		-	765,000
Kitui Law Courts		-	31,350
Nairobi Water Co. - Kitui		351,000	351,000
Strathmore University		-	150,000
Pure African Delights		14,000	14,000
Sapcome		100,000	100,000
ADS North Rift		66,000	66,000
Centre for Enhancing Democracy		21,000	21,000
Turkana Veterinaries		35,000	35,000
KOAN		114,000	-
Tower Tech		77,350	31,500
Better Globe		-	10,000
Clerk of the Senate		258,000	258,000
KENGEN		-	60,000
ASDF		10,000	10,000
Kenya Wild Life Conservation		-	10,400
KCSAP		-	31,200
Lamu County Government		8,000	725,000
NEMA-Baringo		11,000	11,000
National Museums		121,500	121,500
Cookswell Jikos		-	120,000
KERRA		-	72,000
Career centre		120,000	120,000
NET FUND		-	703,000
KSG Matuga		60,000	-
SHA		248,200	-
Micro and Small Enterprises		100,000	-
Feed the Children		150,000	-
NANCHA		450,000	-
The National Treasury		750,000	-
Ministry of Public Service and governance		172,000	-
Prepaid Insurance		19,056,738	-
Total		28,292,719	23,003,847



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

KENYA FORESTRY RESEARCH INSTITUTE NOTES TO THE FINANCIAL STATEMENTS (Continued)		
	2020-2021 Kshs.	2019-2020 Kshs.
14(b) RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS(Continued)		
Travelling Imprest	1,761,600	41,100
Station/Special Imprest	2,768,726	3,131,500
Salary in Advance	11,653	-
Salary Advance	9,163	6,000
Total	4,551,142	3,178,600
Total Debtors	32,843,861	26,182,447
NOTE 15: INVENTORIES	Kshs.	Kshs.
Drugs & Dressings	222,973	491,276
Cutlery & Utensils	130,770	6,260
Laboratory Chemicals	10,651	-
Food Stuff	142,752	18,668
Uniforms & Clothings	71,438	103,911
Stationery/Computer Accessories	1,804,010	1,877,429
Motor Vehicle Spare Parts & Fuel	27,200	97,461
Hardware, Electricals & Cleaning Materials	4,183,420	2,116,213
Seeds & Seedlings	44,217,679	21,283,236
Forest Plantations 1. (e)(ii)	23,525,115	9,199,910
Total	74,336,007	35,194,364
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

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTE 16: CREDITORS SCHEDULE		2020-2021 Kshs.	2019-2020 Kshs.
Sundry Creditors - Merchants		717,322	3,384,405
Accruals - (KPLC)		1,625,629	1,376,147
Insurance Compensation		1,074,587	1,015,966
Miscellaneous Recovery (Unpaid June BTLs)	16(b)	771,784	517,368
Totals		4,189,322	6,293,886
NOTE 16(b): MISCELLANEOUS RECOVERIES			
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	47,167
Hazina Cooperative		67,800	-
Harambe Co-operative		18,000	18,000
Jubilee Insurance		53,484	-
Corporate insurance		16,460	-
ICEA INSURANCE		30,741	30,741
Prudential Assurance		8,730	8,730
Turbo Welfare		96,321	96,321
Director NVRC-House & Electricity Charges		19,400	-
Union of civil servants		53,677	53,677
Kenya Professional Association of Women in Agriculture		2,400	1,200
KENASA		3,600	3,600
Select Management Services		110,904	-
Wahasibu Welfare Group		-	57,540
Kuja River Self Help Group		17,392	17,392
Total		771,784	517,368
NOTE 16(c): Auditor General- accrued audit fee			
Auditor General- accrued audit fee		1,173,969	513,969
NOTE 16(d): Accrued Remuneration for CEO(Dr B. Chikamai)			
			8,124,400



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
	2020-2021 Kshs.	2019-2020 Kshs.
NOTE 17: KEFRI MEDICAL SCHEME FUND ACCOUNT A/C		
Items contributing to Fund balance:		
Contribution to the Fund	-	-
Items Reducing Fund balance:		
Bank charges	3,315	2,345
Reduction to the Fund	3,315	2,345
Fund Surplus/(Deficit)	(3,315)	(2,345)
Current Assets:		
Cash at Bank	29,167,372	29,170,687
Debtors: GoldPlus Savings Account	345,205	345,205
Recurrent	397,678	397,678
Fund Net Assets	29,910,255	29,913,570
Fund Balance as at 01.07.2020	29,913,570	29,915,915
Surplus /(Deficit) for the year	(3,315)	(2,345)
Fund Balance as at 30.06.2021	29,910,255	29,913,570
NOTE 18: Nature and Purpose of Reserves		
The Institute creates and maintains reserves in terms of specific requirements.		
a) CAPITAL GRANTS/DEFERRED INCOME & RESERVES		
(i) Deferred Income from Government Grants for Capital Assets	2020-2021	2019-2020
Government Grants for Capital Assets /Donations	Kshs.	Kshs.
	Note	
Balance b/fwd	1,043,537,781	1,130,750,947
Transfers from Sinking fund	-	-
Additions	99,811,322	(87,213,166)
Balance C/d	1,143,349,103	1,043,537,781
(a) (ii) Deferred Income from External Donors on Donated Assets		
Balance b/fwd	535,954,008	559,968,157
Deferred Income	(21,692,463)	(24,014,149)
Balance C/d	514,261,545	535,954,008
(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:		



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

REVALUATION SURPLUS RESERVE			Date
LAND PARCEL NO.			
23877			29/03/1999
23879			29/03/1999
23883			29/03/1999
TOTAL			
BUILDINGS ON LAND PARCEL NO.			
23877			29/03/1999
23879			29/03/1999
23883			29/03/1999
TOTAL			
Total Gain on revaluation			
Revaluation on heavy vehicles			30/6/2013
Balance on 1/1/2013			
Revaluation gain on Land			
NOS. 23877/23879/23883	Muguga		30/6/2014
NOS. 24000	Kitui-I Iva		30/6/2014
BLOCK 11/127	Kitui-Hqs		30/6/2014
Revaluation gain on Buildings			
Muguga Hqs/Seed Centre			30/6/2014
Kitui-Hqs/Kitui-I Iva			30/6/2014
Revaluation gain for the year 2014			
Balance on 30/6/2014			
(b) Revaluation Reserves (Continued)			
The Institute has the following title deeds:			
Location	L.R. No.	Hectares	
North West of Kikuyu Township	23879 IR 77468	122.90	
North West of Kikuyu Township	23883 IR 79467	46.66	
North West of Kikuyu Township	23877 IR79471	134.60	
Kyanqwithya/Misewani-Kitui	Kyanqwithya/Misewa	0.20	
Kitui Municipality-Kitui	Block 11/127	6.06	
Kitui-Tiva	IR 86318	1,150.90	
Total		1,461.32	
With Title but no valuation figure		0.70	
Kamaqambo	Miqori	1,462.02	
Total with Title Deeds			
The Institute does not have ownership documents for the land amounting to 1385.01 hectares where it has put up developments though pursuing through KFS to the National Land Commission as tabulated below:			
Region		Size in Hectares	
Rift Valley			
Londiani		500.00	
Turbo		100.00	
Mariqat		4.45	
Lodwar		2.70	
		607.15	
Central Highlands			
Muguga		220.00	
Nyeri		50.00	
Rumuruti		9.71	
		279.71	
Coastal Region			
Gede		200.00	
Lamu		1.78	
Taita Taveta		4.05	
		205.83	
Lake Basin			
Maseno		4.05	
Kakamega		50.00	
Miqori		4.45	
Ramoi		100.00	
Kuja River		8.09	
		166.60	
Drylands			
Kitui		0.28	
Garissa		2.43	
Wajir		2.02	
Kibwezi		100.00	
Hola		21.00	
		125.73	
Total without title deeds		1,385.01	
Grand Total of Land		2,847.03	



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18: Nature and Purpose of Reserves (Continued)

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

The Institute sets aside a determined amount of money every year from its internal sources to the fund account for the purpose of purchasing and maintenance

	2020-2021	2019-2020
	Kshs.	Kshs.
Sinking Fund		
Balance b/f	24,495,256	20,496,321
Received during the Year	10,000,000	4,000,000
Available during the Year	34,495,256	24,496,321
Spent during the Year	(1,065)	(1,065)
Balance c/f	34,494,191	24,495,256

(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

(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

	2020-2021	2019-2020
	Kshs.	Kshs.
Accumulated Surplus / (Deficit)		
Balance b/f	(103,103,264)	(106,435,046)
Adjustments	-	-
Surplus/(Deficit) for the Year	72,446,585	3,331,782
Balance c/f	(30,656,679)	(103,103,264)

NOTE 19: IPSAS 20 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Institute include those parties who have ability to exercise control or exercise significant influence over its operating and

Government of Kenya

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

- i) The Ministry of Environment and Forestry
- ii) The National Treasury
- iii) Kenya Forest Service
- vii) Key management
- v) Board of Directors

		2020-2021	2019-2020
	Note	Kshs.	Kshs.
RELATED PARTY TRANSACTIONS			
Remuneration and other costs of Board of Management	9	13,505,560	17,218,626
Transfers from GoK- Ministry of Environment and Forestry	3	1,599,580,996	1,555,034,847
Salaries and other staff employment benefits of Senior Management	7	11,544,812	11,705,067
Staff receivables	14b	4,551,142	3,178,600
Total		1,629,182,509	1,587,137,141

NOTE 20: Contingent Liability

The former director has filed and appealed against the ruling of the high court but the appeal hasn't been determined. No provision has been made in the financial statements for the amounts as the directors are of the view that the appeal has a high probability of not being successful.



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

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
2019/2020 Report.				
a) Property, Plant and Equipment	The value of the land equivalent to 2,735 ha was not recorded in the fixed assets register nor reported in the Financial Statements. This is due to lack of Title deeds (ownership documents). As explained in previous responses, the Institute have been pursuing the issue of land with KFS. With the new conservation and Management Act 2016 part 1, which defines KEFRI Mandate, we expect 10% of KFS land to be set aside for forestry research in future	Director KEFRI	Not yet resolved	Until the National Land Commission issues KEFRI with these title deeds
b) Lack of appointment letters for Board Members	KEFRI has sent several reminders to the Ministry of Environment and Forestry to formalize the appointment of Board Members	Cabinet Ministry and Forestry	Not yet resolved	
c) Abscondment from duty and Irregular Salary Payments	These matters are still in court and we are awaiting court's determination.	Deputy Director, Human Resource	Not yet resolved	Until Court determination

Note: The Institute is yet to receive final audit certificate

Dr. Sammy C. Letema

Chairman: KEFRI Board of Directors

Date: 30/5/2022

Joshua K. Cheboiwo (PhD)

Director KEFRI

Date: 30/5/2022



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2021

APPENDIX II: PROJECTS IMPEMENTED

Appendix II: PROJECTS IMPLEMENTED BY KEFRI IN THE FINANCIAL YEAR 2020-2021						
Projects implemented by the Institute Funded by development partners						
No	Project title	Donor	Period/ duration	Donor Commitment	Separate donor reporting(yes/no)	Designated Bank Account(yes/no)
1	CABI INTERNATIONAL PROSOPIS	CABI INTERNATIONAL	3 Years	2,929,156.00	No	No
2	BIOFUEL FOR KENYA PROJECT- MIGORI	Government of Norway	5 Years	37,759,541	No	No
3	INBAR BAMBOO EAST AFRICA	NORAD	3 Years	7,335,582	Yes	Yes
4	SUNRISE	European Union	3 Years	2,369,249	No	No
5	OPENNESS	European Union	3 Years	114,405.50	No	No
6	STRENGTH AND TREATABILITY PROPERTIES OF VARIOUS EUCALYPTUS SPECIES FOR ELECTRICITY - KEFRI KARURA, GILGIL AND KAKUZI	Government of Kenya -NRF	3 Years	11,246,500	No	No
7	INTEGRATED COLLABORATIVE RESEARCH ON CLIMATE CHANGE, WATER RESOURCES AND FOOD SECURITY IN UPPER EWASONGIRO	Government of Kenya -NRF	3 Years	11,229,311	No	No
8	ENHANCE PROPAGATION AND CONSERVATION OF SANDALWOOD IN LAIKIPIA	Government of Kenya -NRF	3 Years	5,016,064	No	No
9	ENHANCING PRODUCTIVITY OF PLANTATION FORESTS IN KENYA THROUGH TREE IMPROVEMENT- NATIONWIDE	Government of Kenya -NRF	3 Years	4,079,082	No	No
10	PROMOTION OF TERMINALIA BROWNII PROPAGATION FOR AGROFORESTRY, LIVELIHOOD IMPROVEMENT AND RESILIENCE TO CLIMATE CHANGE IN KITUI	Government of Kenya -NRF	3 Years	4,669,797	No	No
11	KDI CONSULTANCY	Various	1 Year	215,200	No	No
12	KEFRI/KALRO 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	SRC PROJECT	Swedish Research Council	1 Year	894,636	No	No
16	PCP- OSHO CONSULTANCY	Various	1 Year	442,950	No	No
17	STOCKHOLM ENVIRONMENT INST. (SEI)	Swedish Research Council	2 Years	1,071,709	No	No
18	TRUE PROJECT	European Union	3 Years	1,964,600	No	No
19	ICRAF GHU	ICRAF	1 Year	453,436	No	No
20	ICRAF Wood Management	ICRAF	1 Year	324,720	No	No
21	THE NATURE CONSERVANCY (TNA)	TNA	2 Years	538,600.00	No	No
22	IIEDITK	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 ASALs 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 Kajado 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 2021

APPENDIX III: TRANSFER FROM THE MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2020-2021

Appendix III: TRANSFER FROM MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2020-2021			
NAME: KENYA FORESTRY RESEARCH INSTITUTE			
Break down of Transfers from the Ministry of Environment & Forestry			
FY 20/21			
a. Recurrent Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
6-Aug-20	362,645,249	2020/2021	
30-Nov-20	362,645,249	2020/2021	
1-Feb-21	362,645,249	2020/2021	
5-May-21	362,645,249	2020/2021	
Total	1,450,580,996		
b. Development Grants			
Bank Statement Date	Amount (KShs)		
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
21-Aug-20	82,000,000	2020/2021	
1-Dec-20	2,000,000	2020/2021	
28-Jan-21	25,000,000	2020/2021	
17-May-21	40,000,000	2020/2021	
Total	149,000,000		
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	<i>[Signature]</i>	Sign	<i>[Signature]</i>
Date	30/6/2022	Date	30/6/22