

REPUBLIC OF KENYA

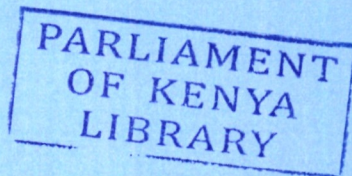


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OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

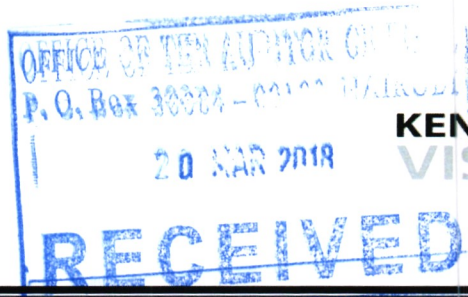
THE FINANCIAL STATEMENTS OF  
KENYA INDUSTRIAL RESEARCH AND  
DEVELOPMENT INSTITUTE

FOR THE YEAR  
ENDED 30 JUNE 2017



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**KENYA**

**VISION 2030**

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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)  
POPO ROAD, NAIROBI SOUTH C, P.O. BOX 30650 – 00100, NAIROBI, KENYA  
TELEPHONE: 0202388216/0202393466. Website: [www.kirdi.go.ke](http://www.kirdi.go.ke)  
Email: [dir@kirdi.go.ke](mailto:dir@kirdi.go.ke)**

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**NAMES AND ACRONYMS**

<b>OTA</b>	Coffee Ochratoxin a project funded by European Union
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>KAPP</b>	Kenya Agricultural Productivity Project of KARI
<b>IFS</b>	International Foundation for Science
<b>WIFIP</b>	Development of fertilizer from water hyacinth in Lake Region Project
<b>ATPS</b>	Africa Technology Policy Studies Network
<b>ADB</b>	Africa Development Bank
<b>DANIDA</b>	Danish Industrial Development Agency
<b>MOIED</b>	Ministry of Industrialization and Enterprise Development
<b>G.O.K</b>	Government of Kenya
<b>R &amp; D</b>	Research and Development
<b>R.T.I.</b>	Research, Technology and Innovation
<b>NGAAF</b>	National Affirmative Action Fund



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **KEY INSTITUTE INFORMATION AND MANAGEMENT**

#### **(a) Background information**

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

#### **(b) Principal Activities**

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

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

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

- The Office of Director and Chief Executive Officer;
- Research Technology and Innovation Department
- Finance and Administration Department
- KIRDI Enterprise Services Department
- Corporate Services Department

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

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

<b>S.N</b>	<b>Designation</b>	<b>Name</b>
1	Ag. Director , Chief Executive Officer	Eng. Joseph K. Kamau
2	Deputy Director, Research Technology and Innovation	Dr. Kenneth Chelule
3	Ag. Head KIRDI Enterprise Services & Chief Research Scientist	Dr. Moses Makayoto (OGW)
4	Deputy Director - Corporate Services	Mr. James Nyagah
5	Assistant Director- Finance	Ms.FloiceMukabana
6	Assistant Director - Human Resource and Administration	Mr.JairusOmbui
7	Principal Internal Auditor	Mr. John Kahura

### **(e) Fiduciary Oversight Arrangements**

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

#### **Research Technology and innovation Committee**

This committee consisted of five members. The committee was chaired by Prof. Tuikong D. K. Serem. It had a responsibility to oversee the Institute's research project plans, Technology and Research. It also reviews projects proposals. Other members of the committee include Prof. Christopher G. Nyagah, Dr. David Nubi, Eng. Andrew Muigai, Mr. Stephen Odua and Eng. Joseph K. Kamau.

#### **Finance and Special Projects Committee**

This committee consisted of four members. The committee was chaired by Mr. Ahmed M. Abdi. This Committee had oversight on all financial issues including budgets, financial reporting process and controls and procurement. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for recommendation to the Board. Other members of the committee include Prof. Tuikong Serem, Eng. Andrew Muigai, Mr. Stephen Odua and Eng. Joseph K. Kamau

#### **Risk and Audit Committee**

This committee consisted of five members. The committee was chaired by Prof. Christopher G. Nyagah. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations therein. Other members of the committee include Ms.



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Nyawira Njeru, Mr. Christopher K. Nkang'i, Mr. Martin S. O. Gumo, Eng. Kennedy J. Wafukho and Eng. Joseph Kamau.

### **Human Resources and Administration Committee**

This committee consisted of four members. The committee was chaired by Ms. Nyawira O. Njeru. It was responsible for human resource matters including recruitment, succession management, monitoring and appraising the performance of senior management, including the Managing Director, review of the HR policies, review of general administrative and procurement policies and oversight of corporate communication policies. Other members of the Committee of the committee include Mr. Ahmed M. Abdi, Mr. Christopher K. Nkang'i, Dr. David Njubi, Eng. Kennedy J. Wafukho, Mr. Martin S. O. Gumo and Eng. Joseph K. Kamau.

#### **(f) Institute's Headquarters**

P.O. Box 30650 00100  
KIRDI South C Campus  
Popo Road, off Mombasa Rd  
**NAIROBI, KENYA**

#### **(g) Institute's Contacts**

Telephone: (254) (020) 6000011  
E-mail: [dir@kiridi.go.ke](mailto:dir@kiridi.go.ke)  
Website: [www.go.ke](http://www.go.ke)

#### **(h) Institute 's Bankers**

1. National Bank of Kenya  
Harambee Avenue  
**NAIROBI**

2. Barclays Bank of Kenya  
N I C Branch  
**NAIROBI**

#### **(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
**NAIROBI, KENYA**



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**(j) Principal Legal Advisor**

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

Guserwa and Co. Advocates  
P. O. Box 8384 - 00200,  
**NAIROBI**

Kounah & Company Advocates  
2<sup>nd</sup> floor, Jameson Court  
Ngong Road  
P.O. Box 8035-00200  
**NAIROBI**





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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)  
BOARD OF DIRECTORS 2017**

DIRECTOR	PROFILE
 <p><b>Mr. Patrick Nduati Mwangi,</b> CBS ( ) Principal Secretary, State Department of Investment and Industry</p>	<p>Mr. Nduati is the Principal Secretary (PS), State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. He holds an MSc. in Water and Environmental Management from the University of Durban; a BSc in Civil Engineering from the University of Nairobi; and a Degree in Finance and Financial Law from the University of London. The PS has over 20 years of local and international work experience in the areas of Industrial Development; Infrastructure and Policy Development; Water and Sanitation Sector; Primary Health; Environmental Health and Agriculture Programs having worked in various positions. He rose to the position of Principal Secretary in the Ministry of Water and Irrigation where he served from December 2015 to March 2017 after which he was appointed to his current position. Mr. Nduati is an accomplished scholar having written four (4) publications focusing on the water sector</p>
 <p><b>Dr. Nathan Kitio Psiwa (50)</b> Chairperson Board of Directors</p>	<p>Dr. Psiwa holds MSc (Dent) from the University of Western Cape South Africa and BDS from the University of Nairobi. He is a Council Member of Rongo University College. Dr. Psiwa is a founder member and Honorary Secretary of the Orthodontic Society of Kenya (OSK) and a Registered Member of the Kenya Medical Practitioners and Dentists Board, among others. He has held various positions in the Public Service and currently practices as a Consultant Orthodontist at The Nairobi Orthodontic and Dentistry Centre</p>

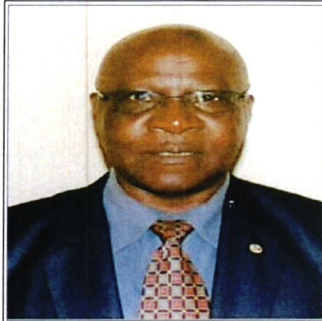


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**Prof. Tuikong D. K. Serem,**  
**OGW**  
Member of the Board of  
Directors

**PROF. SEREM (66)** holds a Doctor of Education (Ed. D) degree from the University of Wyoming (USA), MA degree in Education Administration and a BA degree in Education. He has had a long career in University Education particularly in the area of Administration. Prof. Serem has served as a Principal and Deputy Vice Chancellor (Maseno University), Principal (Narok University College) and Ag. Vice Chancellor (Maasai Mara University). He is a Fellow member of the Kenya Institute of Management (KIM) and also a Council Member. Prof. Serem has been decorated with OGW medal by the Kenya Government. He is currently a Professor of Education at Moi University and Chairman, Mount Kenya University Council.



**Mr. Christopher K. Nkang'i**  
Member of the Board of  
Directors

**MR. NKANG'I (38)** holds a B.Com Degree Marketing option from the University of Nairobi and Higher National Diploma in Marketing From Kenya Institute of Management. He is a Business Manager of Dial-Up Associates Company Limited and Vice-Chairperson of Igembe Community Development Committee



**Ms. Nyawira Ophelia Njeru**  
Member of the Board of  
Directors

**MS. NJERU (43)** is an Accredited Certified Executive Leadership Coach (CELC) and holds an MSc. Marketing from the University of Wales and is pursuing a Masters in Public Policy and Administration at Kenyatta University. She holds a B.Com Degree from Catholic University of Eastern Africa and a Post Graduate Diploma in Marketing from Chartered Institute of Marketing UK. Ms. Njeru is a Member of Institute of Directors (Kenya), International Coach Federation and Chartered Institute of Marketing UK. She has over Fifteen (15) years' experience in Management having served in various leadership and managerial positions in both public and private sectors. She is currently working at Sealed Air Corporation as Business Director, Eastern and Southern Africa.

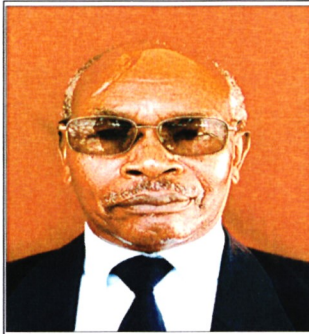


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**Prof. Christopher G. Nyagah**  
Member of the Board of Directors.

**PROF. NYAGAH (68)** holds a PhD in Chemistry, MSc. and B. Ed (Science) Hons from the University of Nairobi. He has more than 40 years of experience in Research, University Teaching and Management and has published many articles in referred journals. Prof. Nyagah is currently a Full Professor of Chemistry at Jomo Kenyatta University of Agriculture and Technology.



**Mr. Ahmed Muhumed Abdi**  
Member of the Board of Directors.

**MR. ABDI (43)** holds LLB. Hons. IIUM from Malaysia and B.Ed (Eng. & Literature) from Egerton University. He has over fourteen (15) years of experience in Development Work, Programme Management, Governance, Disaster Preparedness and Response working in various capacities for NGOs in liaison with Community Groups, International Humanitarian Organizations, Government Departments and UN Agencies as well as State Corporations undertaking different assignments



**Eng. Andrew Gichamba Muigai**  
Member of the Board of Directors

**ENG. MUIGAI (58)** holds a BSc. Degree in Civil Engineering from the University of Nairobi., Post Graduate Diploma in Procurement Management from Turin Italy and Post Graduate Certificate in Project Planning Appraisal & Financing from University of Bradford. He is Registered with the Engineers Registration Board of Kenya as well as a Corporate Member, of Institute of Engineers of Kenya; he is also a Member of the Institute of Directors (Kenya).He is an entrepreneur, engineer and consultant with over thirty (30) years of experience in Civil Engineering & Project Management Consultancy; and over twenty five (25) years of experience in Leadership and Management gained in both the public and private sectors. He is currently the Executive Director Kunene Partners Limited - an advisory and fund raising firm - in special situation investments in sectors that include but not limited to real estate, energy, agriculture and infrastructure



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 <p><b>Eng. Kennedy Juma Wafukho</b> Member of the Board of Directors</p>	<p><b>ENG. WAFUKHO ( )</b> holds a BSc. Degree in Electrical and Electronics Engineering from the University of Nairobi. Wafukho has 20 years' experience in Manufacturing, Quality Assurance, Project Management, Facilities Management, EHS (Environment Health and Safety) Management, and Energy &amp; outsourcing optimization. He worked for KEBS in 1998 in the Import Inspection Section before joining British American Tobacco Kenya as a Graduate Trainee. He is currently the Head of Manufacturing in British American Tobacco Kenya. Prior to this he served in various roles starting as Production Services Manager, Primary Manufacturing Manager, Projects Manager, Quality Assurance Manager, GLT (Green Leaf Threshing) Plant Manager and Engineering &amp; Facilities Manager in the same organization. He has extensive experience in managing Capital Expenditure and Project Management using PRINCE 2 methodology.</p>
 <p><b>Dr. David Njubi</b> Alternate Member of the Board of Directors.</p>	<p><b>DR. NJUBI (54)</b> holds Ph.D. (Animal Science), MSc. (Animal Breeding Genetics), MSc in Information Systems and BSc. in Agriculture from the University of Nairobi. He has several years of experience in Research and Development activities supporting sustainable smallholder programmes. He has previously worked for various organizations including; ILRI, ILCA, KARI and has authored and co-authored several research papers relevant to national development.</p> <p>Dr. Njubi is currently Chief Scientist &amp; Head of Agriculture &amp; Natural Resource Department at the National Commission for Science Technology and Innovation (NACOSTI). He is involved in Policy advice, promotion and Coordination of Science, Technology &amp; Innovation.</p>
 <p><b>Mr. Martin S. Gumo</b> Alternate Member of the Board of Directors</p>	<p><b>MR. GUMO (63)</b> is a holder of Bachelor of Commerce (Accounting option) Degree and Masters of Science Degree in Finance from the University of Nairobi. He is a qualified Accountant with CPA (K) and a member of ICPAK,. He is a career civil servant with vast experience in management and Public Finance having worked in the Public Service for over 35 years. He is currently the Deputy Director, Macro and Fiscal Affairs in the National Treasury. Previously, he worked with the Ministry of Finance (now the National Treasury) and the Kenya Revenue Authority.</p>



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**Eng. Joseph. K. Kamau**  
Ag. Director/Secretary to the Board

**ENG. JOSEPH. K. KAMAU (48)** holds BSc. (Hons) in Mechanical Engineering from the University of Nairobi. He has a wide experience in Mechanical Engineering having worked at KIRDI-EDSC for 25 years in various Managerial and Leadership positions. Through the years, he has been involved in the design and implementation of a range of Research, Engineering and Development Projects in KIRDI and in collaboration with diverse partners such as UNIDO, Kenyatta University, MESP-Trust, Ministry of Industry, Trade and Cooperatives among others.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)  
MANAGEMENT TEAM 2017**

MEMBER	PROFILE
 <p><b>Eng. Joseph. K. Kamau</b> Ag. Director/Secretary to the Board</p>	<p><b>ENG. JOSEPH. K. KAMAU</b> (48) holds a BSc. (Hons) in Mechanical Engineering from the University of Nairobi. He has a wide experience in Mechanical Engineering having worked at KIRDI-EDSC for 25 years in various Managerial and Leadership positions. Through the years, he has been involved in the design and implementation of a range of Research, Engineering and Development Projects in KIRDI and in collaboration with diverse partners such as UNIDO, Kenyatta University, MESP-Trust, Ministry of Industry, Trade and Cooperatives among others.</p>
 <p><b>Dr. Moses Makayoto (OGW)</b> Chief Research Scientist/ Deputy Director, Technology Transfer &amp; Extension Services</p>	<p><b>DR. MOSES MAKAYOTO</b> (64) holds a Ph.D degree in Chemical Engineering from the Norwegian University of Science and Technology, MSc degree, Chemical Engineering, Dar-es-Salaam University, Tanzania, and a BSc (Hons), Chemistry, University of Nairobi. He is a Chartered Chemical Engineer and Fellow of the Institution of Chemical Engineers, United Kingdom. He has over 30 years' experience in research, academia, policy and management in the areas in Chemical Engineering and Biotechnology</p>
 <p><b>Dr. Kenneth Chelule</b> Deputy Director Research Technology and Innovation</p>	<p><b>DR. KENNETH CHELULE</b> (47) holds B.Ed. (Tech) from Moi University, MSc (CAE) and PhD (Mechanical Engineering/Bioengineering) from Staffordshire University, UK. He has over 10 years' international experience in Product Development (R&amp;D), Product Certification (CE Marking) and Product Commercialisation. He is a Member of the International Society for Biomechanics (ISB).</p>



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**Ms. Florence M. K. Mwikya**  
Corporation Secretary &  
Head of Legal Services

**MS. FLORENCE M K. MWIKYA (39)** holds a Master of Laws Degree (LLM) from the University of Nairobi, a Bachelor of Laws Degree (LLB) from the same University and a Post Graduate Diploma in Law from the Kenya School of Law. She is a Commissioner for Oaths and Notary Public. Florence is a Certified Public Secretary of Kenya (CPSK) and a Member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and the Law Society of Kenya (LSK) in good professional standing. Florence has a wealthy of experience both Legal and Corporation Secretarial matters both from Private and Public Sector.



**Ms. Floice Mukabana**  
Assistant Director, Finance

**MS. FLOICE MUKABANA (42)** holds LLB Degree from the University of Nairobi and an MBA from Jomo Kenyatta University of Agriculture and Technology. She is a member of several professional bodies including the Institute of Certified Financial Analyst (ICFA), Institute of Certified Public Accountants (ICPAK), Institute of Certified Public Secretaries (ICPSK) and the Law Society of Kenya (LSK). She has over 10 years' experience in finance and accounting gained in Telecommunications Industry and in the Public Sector.



**Mr. Jairus Ombui**  
Assistant Director, Human  
Resource & Administration

**MR. JAIRUS OMBUI (56)** holds a Bachelor of Commerce Degree (Business Administration) from University of Poona, India and an MBA from the Management University of Africa. He is a member of the Institute of Human Resource Management, Kenya (IHRM) and has over 20 years' experience in the Public Sector.



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**Mr. John Kahura**  
Principal Internal Auditor

**MR. JOHN KAHURA** (59) holds a Bachelor of Business Administration (Accounting Option) from St. Pauls University and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 30 years' experience in Finance and Accounting gained in the Public Sector.



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

### **CHAIRMAN'S STATEMENT**



The Kenyan economy is still largely dependent on agriculture but due to rapid population growth and limited access to fertile land, the agricultural sector may not be able to deliver sustained growth in per capita income and job creation in the future. Therefore we need to rapidly grow our manufacturing sector that holds the future of job and wealth creation for this country. However the Kenyan manufacturing sector is facing serious challenges that are hampering its growth. The notable challenges in this sector include low productivity and poor product quality that make Kenyan manufactured products to be less competitive compared to imported ones. In addition the sector is also majorly dominated by Small and Medium Enterprises (SMEs) which face a host of other challenges as a result of lack of appropriate technological capabilities.

In order to assist the manufacturing sector, KIRDI has continued to invest in and undertake industrial research and development geared towards technological innovations aimed at addressing the above challenges of low productivity, poor product quality and technological backwardness.

During 2016/2017 financial year the Institute commenced the operationalization of the leather research, technology development and transfer laboratories in KIRDI Western Region Centre in Kisumu. The Institute also continued with the construction of the ultra-modern Research, Technology and Innovation laboratories at Nairobi, South B, which currently stands at 62% completion rate. The Institute also implemented Research, Technology and Innovation programmes aligned to the Government's priority sectors of Leather, Textile and Agro-processing. The Institute also supported Micro, Small and Medium Enterprises (MSMEs) development through technology transfer and provision of product development, incubation, common manufacturing facilities and laboratory services and thus contributing to wealth and employment creation.

The Institute is also taking matters of Constitutionalism, Governance and Integrity issues seriously and thus during the 2016/2017 financial year the Institute continued to review and align its policies and programmes with the constitution, adherence to the Mwongozo Code of Governance and Implementation of The Executive Order No. 6 of 2015.

Signature:  Date: 19/03/2018  
**DR. NATHAN PSIWA**



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **CHIEF EXECUTIVE OFFICER/DIRECTOR'S STATEMENT**



#### ***Background***

I am delighted to present the KIRDI financial report for the 2016/2017 financial year. The institute has continued to undertake its mandate as stipulated in the Science and Technology Act (2013) as well as play its role in the country's industrialization agenda as envisaged in the Vision 2030. KIRDI itself is a Vision 2030 Flagship project (transformation of KIRDI into a world class research organization) and therefore the institute has intensified its developmental and operational programmes to achieve that global competitiveness status. The institution continued to implement the Government's industrialization priority sectors of Leather, Textile and Agro-processing.

**During the 2016/17 financial year the Institute implemented the following programmes: -**

**(a) Technology transfer under identified thematic areas of the MTP II**

During the 2016/17 financial year, the Institute developed and transferred two (2) technologies under the natural products initiative namely; Miraa chewing gum and Miraa wine and two (2) technologies under value addition and productivity initiative namely; fruit juice processing technology and coconut nuts processing Technology. The Miraa chewing gum and Miraa wine processing technologies were transferred to an entrepreneur who is currently working on achieving standardization mark.

**(b) Promote MSMEs development**

During the 2016/2017 financial year the Institute supported five hundred and sixteen (516) MSMEs through provision of product development, incubation, common manufacturing facilities, laboratory services, training and capacity building services.

**(c) Enhance global competitiveness**

During the 2016/2017 financial year the Institute upgraded twenty eight (28) MSMEs products to achieve standardization mark. This enabled the MSMEs to sell their products in both the domestic and international markets.



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **(d) Enhance Industrial growth and development**

To support industrial growth and development the Institute undertook the following twenty (20) industrial and allied technologies research and development: -

1. Development of therapeutic flour from African indigenous food plants
2. Development of novel yoghurt enriched with Shitake Mushroom
3. Development of value added products from coffee berry pulp
4. Production of carbohydrates from wild edible mushrooms
5. Greening Kenya's special economic zones and industrial parks: achieving their competitiveness in the face of resource scarcity and a changing climate regime.
6. Development, optimization and standardization of packed particle bed water filter
7. Development of small biomedical incinerator
8. Generation of biogas from chrome shavings waste in leather industries
9. Feasibility study on the establishment of a multipurpose fruit processing facility in Runyenjes, Embu County.
10. Feasibility study for the establishment of an organic fertilizer plant in Riruta, Nairobi County.
11. Development of clean enzymatic technologies for fish leather processing
12. Production of bio-ethanol by cellulosic microbial fermentation of selected agro-waste.
13. Design and development of the new generation Kenya Clean Jiko plus.
14. Comparative analysis of the energy efficiency and emissions of a biomass semi-gasifier cook stove and wood fuel cook stoves.
15. Energy potential and efficiency of a TLUD gasifier cook stove utilizing bagasse briquettes.
16. Development of niche products from Jackfruit grown in Busia County.
17. Factors influencing household adaptation of renewable energy technologies in rural Kenya.
18. Feasibility study of a 300KW mini-hydro power generation and integrated fish farming in Vihiga County.
19. Production of fuel bioethanol from coffee pulp for cooking in rural Kenya.
20. Optimization of Carboxy Methyl Cellulose production.

### **(e) Infrastructure Development**

Under the transformation of KIRDI into a world class research institution programme, the Institute commenced the operationalization of the leather research, technology transfer and common manufacturing facilities in



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KIRDI Western Region Centre in Kisumu. The leather facilities were used to provide

On the job skills training to fifteen (15) youth from the Kisumu County. The institute also continued with the development of the Research, Technology and Innovation laboratories and related infrastructure at Nairobi South B which stood at 62% completion rate at the close of the financial year.

Signature: .....  ..... Date: ..... *16/03/2018* .....

ENG. J. K. KAMAU



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2017**

The Board and Management of KIRDI are committed to maintaining the highest standards of corporate governance. This statement describes KIRDI's governance principles and practices. The Institute's corporate values and ethics are entrenched in the strategic and Institutional objectives and are focused on transforming and accelerating growth in value for the benefit of all Institute's stakeholders.

#### **The Board Role**

The Board of KIRDI exercises its role collectively. It determines the Institute's Mission, Vision, Purpose and Core values, sets and oversees the overall strategy and approves significant policies of the institute, ensures that the strategy is aligned with the purpose of the institute and the legitimate interests and expectations of its shareholders and other stakeholders. The Board also ensures that the strategy of the Institute is aligned to the long term goals of the Institute on sustainability so as not to compromise the ability of future generations to meet their own needs. It also approves the organizational structure, approves the annual budget of the Institute, monitors the Institute's performance and ensures sustainability, enhances the corporate image of the Institute, ensures availability of adequate resources for the achievement of the Institute's objectives, hires the C.E.O on such terms and conditions of service as may be approved by the relevant government organs, approves the appointment of senior management staff and ensures effective communication with stakeholders.

#### **Composition of the BOD**

The Board currently consists of one executive and Eleven non-executive Directors. The composition of the Board and brief biographies of the Directors, which highlights the range of experience they bring to the Board are as set out on pages viii to xii.

#### **Board Meetings**

A schedule of Board and Committee meetings is circulated to the Board in advance of the financial year.

During the year ended 30<sup>th</sup> June 2017, the Board held meetings as follows; Seven Full Board, Eight Special Board meetings, Three RTI committee meetings Three finance and special projects committee meetings, Four Risk



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

and Audit committee meetings and Four HRA committee meetings. On top of that the Board held five ad hoc committee meetings and six special HRA Committee meetings.

Individual attendance at these meetings is set out in the table below.

### **2016/2017 BOARD AND BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE**

#### **2016/2017 BOARD AND COMMITTEES MEMBERSHIP AND ATTENDANCE**

S/N	Director	Full Board	F&SP	RTI	RAC	ADHOC	HRA	SBM	SHR
1.	Dr. Nathan K. Psiwa	7						8	1
2.	Prof. Gathu Nyagah	7		2	4			7	
3.	Prof. Tuikong Serem	7	3	3		5		8	
4.	Mr. Steven Odua	4	3	1		4		6	
5.	Mr. Martin Gumo	3		2			2	6	4
6.	Eng. Andrew Gichamba Muigai	6	2	1		5	1	7	1
7.	Dr. David Njubi	6		3			4	8	6
8.	Mr. Ahmed Muhumed Abdi	7	3			5	4	7	5
9.	Ms. Nyawira Njeru	5			3		4	7	6
10.	Mr. Christopher Kinoti Nkang'i	7			4		4	7	5
11.	Eng. Kennedy Juma Wafukho	2				1	1	5	2
12.	Eng. Joseph Kamau	6	3	3		4	3	5	1

### **BOARD COMMITTEES AND THEIR COMPOSITION**

The Board committees, composition and mandate is as below;

#### **1. Research Technology and Innovation Committee**

This being the Core Mandate of the Institute, the committee deliberates on all matters pertaining to Research, Technology and Innovation policies, guidelines and management.



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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The members of the committee were:

Prof. Tuikong D.K. Serem-Chair RTI Committee  
Prof. Christopher Nyagah  
Dr. David Njubi  
Mr. Stephen Odua  
Eng. Andrew Muigai  
Eng. Joseph Kamau

It had had the responsibility to Monitor and evaluate Research, Technology, Innovation and Development in the Institute, Consider, define and recommend to the Board the scope of Research, Technology, Innovation and Development areas relevant to the Institute, Develop policy guidelines to manage Research, Technology, Innovation and Development portfolio of the Institute and Vet, monitor and inspect the extent of Research, Technology, Innovation and Development comparing with the world best practices.

### **2. Finance and Special Projects Committee**

The Finance and Special Projects (F&SP) Committee is the prime mechanism through which the Board ensures that the institution's decisions, policies and practices in relation to finance, procurement, infrastructural development and all special projects are in full compliance with relevant policies and statutory requirements.

The members of the committee were:

Mr. Ahmed M. Abdi - Chair Finance committee  
Prof. Tuikong D.K. Serem  
Eng. Adrew Muigai  
Mr. Stephen Odua  
Eng. Joseph Kamau

This Committee had the role of considering, advising and making appropriate recommendations to the Board of Directors on all aspects of financial strategy, including fundraising initiatives, Reviewing financial performance against budget and plans, Considering proposals for major capital expenditure projects and recommending to the Board, Reviewing progress on each major capital expenditure project during implementation, requesting and receiving reports from



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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other committees on any matter having a financial implication, Ensuring that adequate A in A was raised, providing oversight of the

arrangements for safeguarding institutional assets and making recommendations to the Board as appropriate.

### **3. Risk and Audit Committee**

The Risk & Audit (RAC) Committee of the Board dealt with risk management and audit matters. The internal audit unit within the institute was responsible for the institution's internal audit and provided secretariat to the Risk & Audit Committee of the Board.

#### **The members of the Committee were:**

Prof. Christopher G. Nyagah -Chair audit committee

Ms. Nyawira Njeru

Mr. Christopher Kinoti Nkang'i

Mr. Martin S.O. Gumo

Eng. K. Wafukho

The Committee reviewed the activities, resources and the operational effectiveness of internal audit office; including appointment, replacement, and dismissal of the Internal Auditor, and where appropriate made recommendations to the Board. It considered the respective scope of work and audit plans of the internal audit office, reviewed major findings on internal audit and investigations reports; and ensured that appropriate action was taken on issues arising from such reports, reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Auditor, reviewed the Comptroller and Auditor General /external auditor's management letters and management's response, discussed with external auditors any reservations and problems arising in the course of their audit, and any audit management letters and management responses prior to the issuance of the audit certificate, reported Committee actions to the Board with such recommendations as the committee may deem appropriate; and Undertook such other duties or functions as may be assigned by the Board of Directors which are relevant to audit and investigations.



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **4. Human Resources and Administration Committee**

The committee was expected to satisfy itself that the institute's human resources management and administration activities were adequate and effective.

#### **The Members of the Committee were:**

Ms. Nyawira Njeru -Chair HR&A Committee  
Mr. Ahmed Muhumed Abdi  
Mr. Christopher Kinoti Nkang'i  
Dr. David Njubi  
Mr. Martin S. Gumo  
Eng. K. Wafukho  
Eng. Joseph Kamau

The Role of the Committee was to consider, review, monitor and make recommendations to the Board of Directors on the institute's human resources strategy and policies that pertain to staffing, compensation, benefits, and related issues of strategic importance that directly affected the institute's ability to recruit, develop and retain highly-qualified staff needed for it to achieve its mandate, to deliberate on promotions, terminations, dismissals, and staff development within the specified job grades, to request and receive reports from other committees on any matter having a human Resource implication and undertake such other duties or functions as may be assigned by the Board of Directors which are relevant to Human Resource and Administration.

### **Directors' Remunerations**

Details of remuneration paid to the Directors are set out in the Remuneration Report on page 13.

### **Risk Management and Internal Control**

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



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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and in addition considered a report from the Audit Committee on the conduct of and the findings and agreed actions from the annual assessment of risk management and internal control.

### **Board Performance Evaluation**

Under the guidelines issued by the State Corporations Advisory Committee (SCAC), and the Performance Management office The Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors. The evaluation is conducted annually and the results of the evaluation are provided to the Ministry of Industrialization and Enterprise Development, SCAC and office of the President on Performance contracting.

### **Institute's Conduct Guidelines**

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

### **Ethical Policies**

The values of the Institute are Customer focus, Innovativeness and creativity, Integrity and professionalism, Quality, Partnerships and teamwork and Environmental Protection. The Board carries out its legal duties in accordance with these values and having appropriate regard to the interests of the KIRDI's stakeholders. Policies and codes of conduct have been established by the Board and management to support the Institute's objectives, vision and values.

### **Statement of Professional Practice**

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

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



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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- ✓ To be absolutely honest in all professional activities.

These standards are regularly communicated to the Institute's staff.

### **Going Concern**

The Institute's activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Chief Executive's officer on pages xvi to xvii. The financial position of the Institute, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 1 to 20.

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

### **Workplace Responsibilities, Behaviors and Compliance**

The Institute is strongly committed to maintaining an ethical workplace and to complying with its legal and ethical responsibilities. The Institute has a number of policies relating to workplace responsibilities, behaviors and compliance that apply to and must be observed by staff.

The Institute has a system in place which allows staff to report (and remain anonymous if they wish) suspected fraud or corrupt, unlawful or improper conduct.

### **Corporate Social Responsibility Statement**

At KIRDI, we are committed to conducting our business in a socially responsible and ethical manner. The institute recognizes its responsibility to contribute positively to the community that supports it. Below are a few examples of how the Institute and its staff have shown their commitment to practice responsible corporate behavior.

#### **I. Working Environment**

KIRDI employees are one of our most important assets. The institute is proud to provide a work environment where employees are appreciated, valued and given regular feedback. All staff work in an open space, promoting an 'open door' policy for concerns, thoughts and feedback for staff. Staff members are promoted based on merits and skill and are not discriminated based on age, color, and creed or relationship orientation.

The Institute recognizes parental and family obligations of the employees and ensure that all staff members are supported by being

flexible with their hours, or allowing them personal time on short notice.



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### **II. KIRDI is customer service believer!**

KIRDI nurtures our relationships with customers based on quality products, honesty and extraordinary turnaround. We are excited to work closely with every one of our customer's in areas such as soap making, Food processing, honey processing among others.

### **III. Environment**

The institute has a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment through its environment divisions.

### **IV. Compliance**

KIRDI is conscious of its obligations to comply with all relevant legislation affecting its operations. It has implemented compliance policies, procedures and programs, including an education and training program for employees on areas of law relevant to their area of expertise. All other compliance matters are reported to and monitored by the Audit and Risk Management Committee

### **V. Fair Practices**

KIRDI ensures proper processes for tendering of services are conducted. Employees are educated about the laws to this end. They are required to deal with stakeholders honestly and at arm's length



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Institute's affairs.

#### **Principal activities**

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

#### **Results**

The results of the entity for the year ended June 30, 2017 are set out on page 1 of this report.

#### **Directors**

The members of the Board of Directors who served during the year are shown on page on viii.

#### **Auditors**

The Auditor General is responsible for the statutory audit of the Institute in accordance with the provisions of Public Finance Management (PFM) Act, 2012.

By Order of the Board

**Eng. Joseph K. Kamau**  
**Ag.CEO and Secretary to the Board**

Date: ..... 16/03/2018 .....



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30<sup>th</sup>, 2017, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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

Signature: .....  ..... Date: ..... 19/03/2018 .....  
Chairperson: DR. NATHAN PSIWA

Signature: .....  ..... Date: ..... 16/03/2018 .....  
Ag. Director / CEO: Eng. Joseph K. Kamau

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Research and Development Institute set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actuals for the year then ended and the summary of the significant accounting policies and other explanatory information in accordance with the provisions of the article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Industrial Research and Development Institute as at 30 June 2017, and 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 of Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis of Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Accounts Receivable

##### 1.1. Long Outstanding Balances

The account receivables balance of Kshs.12,756,945 as at 30 June 2017 includes an amount of Kshs.2,460,000 being reimbursement claims lodged by the Institute with the National Industrial Training Authority (NITA) in respect of industrial attachment services rendered for the Authority. As reported in the previous year, the claims have been outstanding for a considerable long time without evidence of any efforts having been initiated for their recovery.

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*Report of the Auditor-General on the Financial Statements of Kenya Industrial Research and Development Institute for the year ended 30 June 2017*

In the circumstances, the Institute is likely to lose funds unless management establishes proper debt collection mechanisms.

## **1.2. Non-Recovery of Excess Medical Expenditure**

Included in the account receivables balance of Kshs.12,756,945 is Kshs.3,374,390 being excess medical expenditure due for recovery from some members of staff. Out of this balance, an amount of Kshs.1,581,599 relates to officers who have passed on. The accounting policies disclosed in the financial statements do not give clear guidance on provisions to be made in case of death of a staff member. In addition, the rate of recovery of the expenditure is, when compared to the respective outstanding amounts, evidently very low with some balances having not been recovered at all.

In the circumstances, the recoverability of the account receivables balance of Kshs.12,756,945 is doubtful.

## **2. Property, Plant and Equipment**

### **2.1. Revaluation of Non-Current Assets**

The statement of financial position reflects a balance of Kshs.4,089,999,956 under property, plant and equipment as at 30 June 2017. However, as reported in the previous year, the last valuation for these assets was conducted over 38 years ago in 1980. The long delay contravenes International Accounting Standard No.16 which stipulates that property, plant and equipment be revalued after every five years.

Consequently, it has not been possible to confirm that the property, plant and equipment balance of Kshs.4,089,999,956 as at 30 June 2017 is fairly stated.

### **2.2. Procurement of Leather Processing and Production Machinery**

During the year 2015/2016, the Institute entered into a contract agreement with a local company for the supply, installation, training and commissioning of leather processing and production machinery at a total cost of Kshs.373,163,111. A review of the procurement process revealed that the contracted company had partnered with another company from Italy in a joint venture to execute the contract contrary to Section 2.1.3(i) of the contract agreement, signed between the Institute and the company on 27 March 2015.

Further, contrary to Section 2.1.3(ii) of the contract agreement, both companies did not submit audited accounts for the previous three (3) years as required in requirements set in the tender to confirm the financial capability of bidders. In particular, the first company did not meet the mandatory requirement considering it was registered on 9 May 2012 and therefore was less than three years old at the time of tendering. Non-adherence to procurement procedures may lead to unnecessary legal challenges by dissatisfied bidders leading to delays in project implementation.

Whereas the leather processing equipments were destined for the Kisumu regional offices, an audit verification at the station in October 2016, revealed that some of the machines delivered were not installed and commissioned mainly due to lack of appropriate space. It was not clear why the Institute went ahead to procure and purchase the machines without having arranged for adequate and appropriate space for their installation. Failure to have the machines installed in a secure place has left them vulnerable to vandalism and breakdown and has withheld from the intended beneficiaries economic and other benefits envisaged at the time the project was initiated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Industrial Research and Development Institute in accordance with ISSAI 30 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 judgement are of most significance in the audit of financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Institute is expected to cease operations.

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 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.

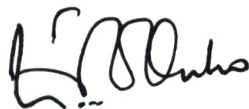
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or 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 continue as a going concern or 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 May 2018**



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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTES	2016/2017 KSHS.	2015/2016 KSHS.
<b>REVENUE</b>			
<b>Income from non-exchange transactions</b>			
Re-Current Grants	2	654,335,777	601,713,100
Development grants	3	227,145,150	192,511,617
Deferred grant income	4	94,578,445	88,019,510
		<b>976,059,372</b>	<b>882,244,227</b>
<b>Income from exchange transactions</b>			
Rendering of services	5	23,449,425	26,840,337
Others	6	144,566	0
		<b>23,593,991</b>	<b>26,840,337</b>
<b>Total revenue</b>		<b>999,653,363</b>	<b>909,084,564</b>
<b>EXPENSES</b>			
Staff Cost	7	534,674,849	491,171,731
Board Expenses, conferences & seminars	8	29,680,378	15,849,662
Administrative Expense	9	404,338,256	252,803,236
Research feasibility studies and projects	10	53,751,936	45,998,702
Depreciation Expenses	11	94,578,445	88,019,510
Decrease in stock	15	4,150,284	6,660,537
		<b>1,121,174,148</b>	<b>900,503,378</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(121,520,785)</b>	<b>8,581,186</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017**

ASSETS	NOTES	2016/2017 KSH	2015/2016 KSH
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	11	4,089,999,956	4,040,355,420
R & D projects	12	132,395,771	132,395,771
<b>Total</b>		<b>4,222,395,727</b>	<b>4,172,751,191</b>
<b>CURRENT ASSETS</b>			
Accounts Receivable	13	12,756,945	12,539,941
Cash and Cash Equivalents	14	85,291,946	247,496,828
Stores and inventories	15	3,317,192	7,322,910
<b>Total</b>		<b>101,366,083</b>	<b>267,359,679</b>
<b>TOTAL ASSETS</b>		<b>4,323,761,810</b>	<b>4,440,110,870</b>
<b>ACCUMULATED FUNDS &amp; LIABILITIES</b>			
Capital funds G.O.K	16	3,987,332,149	3,921,921,909
Revenue Reserves	17	78,799,206	200,319,991
<b>Accumulated Funds</b>		<b>4,066,131,355</b>	<b>4,122,241,900</b>
<b>NON-CURRENT LIABILITIES</b>			
Retentions	18	212,147,467	222,091,256
<b>CURRENT LIABILITIES</b>			
Accounts payable	19	19,804,804	82,201,307
Unused Project Funds	20	23,724,184	11,626,407
Provisions	21	1,954,000	1,950,000
<b>Total</b>		<b>45,482,988</b>	<b>95,777,714</b>
<b>TOTAL ACCUMULATED FUNDS &amp; LIABILITIES</b>		<b>4,323,761,810</b>	<b>4,440,110,870</b>

Signature .....  ..... Date: .....  .....

Chairperson: Dr. Nathan K. Psiwa

Signature .....  ..... Date: .....  .....

Acting Director: Eng. Joseph Kamau



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2017**

	Capital Funds Ksh	Revenue Reserve Ksh	Total Ksh
<b>As at 30th June 2015</b>	<b>3,230,868,554</b>	<b>191,738,805</b>	<b>3,422,607,359</b>
G.O.K Grants (net increase)	779,072,865		779,072,865
Amortization	(88,019,510)		(88,019,510)
Surplus/(Deficit) for the year		8,581,186	8,581,186
<b>As at 30th June 2016</b>	<b>3,921,921,909</b>	<b>200,319,991</b>	<b>4,122,241,900</b>
G.O.K Grants (net increase)	157,854,850		157,854,850
Amortization	(94,578,445)		(94,578,445)
Capitalization of Assets	2,133,835		2,133,835
Surplus/(Deficit) for the year		(121,520,785)	(121,520,785)
<b>As at 30th June 2017</b>	<b>3,987,332,149</b>	<b>78,799,206</b>	<b>4,066,131,355</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2016/2017 KSHS.	2015/2016 KSHS.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating surplus/(deficit)		(121,520,785)	8,581,186
Adjustment for items not involving movements of cash:			
Deferred grant income	4	(94,578,445)	(88,019,510)
Depreciation expenses	11	94,578,445	88,019,510
<b>Surplus/Deficits before working capital changes</b>		<b>(121,520,785)</b>	<b>8,581,186</b>
<b>WORKING CAPITAL CHANGES</b>			
Decrease in inventories		4,005,718	6,660,537
Accounts receivable		(217,004)	(6,161,584)
Change in provisions		4,000	700,000
Creditors and Accruals		(72,340,292)	(191,480,583)
Changes in Working capital		(68,547,578)	(190,281,630)
<b>Net cashflow generated from Operating Activities</b>		<b>(190,068,363)</b>	<b>(181,700,444)</b>
<b>Cash Flow in Investing Activities:</b>			
Additions to Property, plant and Equipment		(142,089,146)	(751,318,466)
<b>Cashflow from financing:</b>			
Capital grants		157,854,850	779,072,865
Changes from Donor project funding		12,097,777	-
<b>Net cash generated from financing activities</b>		<b>169,952,627</b>	<b>779,072,865</b>
Net increase/ decrease in cash and cash equivalents		(162,204,882)	(153,946,045)
Cash at the beginning of the year		247,496,828	401,442,873
Cash at the end of the year	14	85,291,946	247,496,828



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - RECURRENT BUDGET 2016/2017**

ITEM	VOTE HEAD	Approved Estimates	Actual received	Variance	%
	<b>Appropriation in Aid</b>				
3540400	Receipts from the Sale of Non-Produced Asset Collected as AIA	20,000,000	23,593,991	3,593,991	18
1330300	Recurrent grants	654,335,777	654,335,777	-	0
	<b>Total income</b>	<b>674,335,777</b>	<b>677,929,768</b>	<b>3,593,991</b>	<b>1</b>

	VOTE HEAD	Approved budget	Actual expenditure	Variance	%
		Kshs	Kshs	Kshs	
2110100	Basic Salaries - Permanent Employees	261,554,350	239,824,022	21,730,328	8
2110200	Basic Wages - Temporary Employees	3,500,000	10,322,268	(6,822,268)	-195
2110300	Personal Allowance Paid as Part of Salary	151,465,890	149,919,762	1,546,128	1
2110400	Personal Allowance Paid as Reimbursements	15,000,000	16,920,271	(1,920,271)	-13
2120100	Employer Contributions to Compulsory National Social Security Schemes	66,340,000	49,996,682	16,343,318	25
	<b>sub-total</b>	<b>497,860,240</b>	<b>466,983,005</b>	<b>30,877,235</b>	<b>6</b>
2210100	Utilities, Supplies and Services	13,000,000	13,773,303	(773,303)	-6
2210200	Communication Supplies and Services	10,000,000	11,465,455	(1,465,455)	-15
2210300	Domestic Travel and Subsistence and Other Transport costs	11,500,000	50,290,270	(38,790,270)	-337
2210400	Foreign Travel and Subsistence and Other Transport Costs	8,000,000	15,216,508	(7,216,508)	-90
2210500	Printing, Advertising and Information Supplies and Services	8,500,000	8,958,206	(458,206)	-5
2210600	Rental of Produced Assets	3,500,000	18,215,449	(14,715,449)	-420
2210700	Training Expenses (including capacity building)	6,000,000	6,992,100	(992,100)	-17
2210800	Hospitality Supplies and Services	20,000,000	25,364,214	(5,364,214)	-27
2210900	Insurance Costs	26,000,000	24,325,275	1,674,725	6
2211000	Specialised Materials and Supplies	7,275,537	54,559,437	(47,283,900)	-650
2211100	Office and General Supplies and Services	13,000,000	39,199,188	(26,199,188)	-202
2211200	Fuel Oil and Lubricants	4,200,000	4,083,861	116,139	3
2211300	Other Operating Expenses	13,000,000	13,095,262	(95,262)	-1
2220100	Routine Maintenance - Vehicles and Other Transport Equip.	4,000,000	5,112,246	(1,112,246)	-28
2220200	Routine Maintenance - Other Assets	8,500,000	11,916,268	(3,416,268)	-40
3111400	Research, Feasibility Studies, Preparation ,design & Supervision	20,000,000	25,050,222	(5,050,222)	-25
	<b>sub-total</b>	<b>176,475,537</b>	<b>327,617,264</b>	<b>(151,141,727)</b>	<b>-86</b>
	<b>Grand total</b>	<b>674,335,777</b>	<b>794,600,269</b>	<b>(120,264,492)</b>	<b>-18</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS -  
DEVELOPMENT BUDGET 2016/2017**

ITEM	VOTE HEAD	Approved Budget	Actual received Received	Variance	%
1330304	Development grants	385,000,000	385,000,000	-	0
	<b>VOTE HEAD</b>	<b>Approved Budget</b>	<b>Actual expenditure Expenditure</b>	<b>Variance</b>	<b>%</b>
221000	Purchase of specialized materials and supplies	-	-	-	-
3110200	Construction of Buildings	357,000,000	133,035,644	223,964,356	63
3110300	Refurbishment of Building			-	-
3110500	Construction of civil works			-	-
3110701	Purchase of Motor vehicles			-	-
3111000	Purchase of Furniture & General Equipment	15,000,000	16,779,240	(1,779,240)	- 12
3111100	Purchase of specialized equipment plant and machinery	13,000,000	8,039,966	4,960,034	38
3111200	Rehabilitation and Renovation of plant Equipment/machinery			-	-
3111400	Research, Feasibility Studies, Preparation ,design & Supervision		227,145,150	(227,145,150)	-
	<b>Total</b>	<b>385,000,000</b>	<b>385,000,000</b>	<b>-</b>	<b>-</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**STATEMENT OF RECONCILIATION BETWEEN THE COMPARIASION OF BUDGETED AND ACTUAL AMOUNTS AND STATEMENT OF FINANCIAL PERFORMANCE AS AT 30TH JUNE 2017**

**RECURRENT BUDGET**

<b><u>PARTICULARS</u></b>	<b><u>Ksh AMOUNT</u></b>	<b><u>Ksh AMOUNT</u></b>
Surplus as per Statement of Comparisons of budget and actual amounts		(116,670,501)
Less Non Cash expenditure included in the SFP not in the SCBA		
Provision for audit fees	(700,000)	
Decrease in stock-Amortization	<u>(4,150,284)</u>	<u>(4,850,284)</u>
Deficit as per Statement of financial performance	-	-
		<u>(121,520,785)</u>

**STATEMENT OF RECONCILIATION BETWEEN THE COMPARIASION OF BUDGETED AND ACTUAL AMOUNTS AND STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017**

**DEVELOPMENT BUDGET**

<b><u>PARTICULARS</u></b>	<b><u>AMOUNT (Ksh)</u></b>
Total expenditure as per Development budget	385,000,000
Less operating expenditure charged to development budget (Note 27)	<u>(227,145,150)</u>
Development funds utilized in financing capital assets	157,854,850
Less Amount paid out for retentions and capitalized	<u>(15,765,704)</u>
Net increase in assets as per statement of financial position (Note 11)	<u>142,089,146</u>



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **Budget variances**

- a) The over-expenditure (negative variances) reflected in recurrent and development budget vote-lines were due to under-provision for various programmes at the level of activities that were based on the original estimates.
- b) The under-expenditure (positive variances) recorded in various votes both in recurrent and development budgets was a result of shift in expenditure priorities by limiting spending on the items after the budget-cut as a remedy to cater for the budget- lines that were exhausted.



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

#### **Notes to the Accounts**

##### **Note 1: Principal accounting policies**

###### **Basis of Preparation**

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

###### **(b) Currency**

The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency.

###### **(c) Property, Plant and Equipment**

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

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

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

###### **(d) Depreciation**

Provision is made for depreciation on the straight-line method designed to write off the original cost or valuation of fixed assets other than land, and work in progress over the actual life of the asset. A whole year's depreciation is charged on assets acquired



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

nine months or more prior to the closure of the financial year and none to those acquired three months or less to the end of the financial year. The annual rates for this purpose are: -

1. Building .....	2%
2. Machines .....	12.5% or as per valuer's recommendation
3. Motor vehicles .....	25%
4. Office furniture & equipment ...	12.5% or as per valuer's recommendation
5. Computers .....	30%

#### **(e) Revenue**

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

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

#### **(f) Bad Debts**

Bad debts are written-off after all efforts to collect them have been exhausted.

#### **(g) Stores and Inventory**

Stock is valued at cost with the exception of donations which is reported at revaluation. Loose tools acquired as donation are amortized annually at a uniform rate over the period of their expected useful life.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**(h) Insurance cost**

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

**(i) Retirement Benefits/Gratuity**

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

**(j) Government grants**

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

**(k) Accounts receivable**

Accounts receivable are stated at anticipated realizable value.

**(l) Accounts payable**

Accounts payable are stated at nominal value.

**(m) Budget information**

The annual budget is prepared on accrual basis, and all planned costs and income are presented in separate statements as recurrent and development budgets to determine the operating needs of the Institute. The basis difference in preparation and presentation would require reconciliation between actual and comparable amounts and the



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## **KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

amount presented as separate additional financial statement in the statement of comparison of budget and actual amounts.

#### **(n) Cash and cash equivalents**

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

#### **Note 2. Recurrent grants**

The institute receives grants from exchequer for personnel emoluments, operations and maintenance costs.

#### **Note 3. Development grants**

These represents grants received from the exchequer to finance acquisition of capital assets and other expenses related to research and development activities. Apportionment is made on Development grants based on the nature of commitment that is acquisition of assets and the recurrent expenditure on related expense for R & D activities based on budgetary allocation.

The total amount received for the year was Ksh 385,000,000 out of which Ksh 227,145,150 has been attributed to the statement of financial performance. This relates to R & D expenses incurred under development vote that are non-capital in nature.

#### **Note 4. Deferred grant income**

Government grants and donations related to the acquisition of capital assets are recognized as deferred grant income in the statement of financial performance on a systematic basis over the period in which depreciation of related assets are charged.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 5: Rendering services**

	2016/2017 KSHS.	2015/2016 KSHS
Rents and sundry revenue	9,101,965	15,607,544
Service fees	14,347,460	11,232,793
<b>Total</b>	<b>23,449,425</b>	<b>26,840,337</b>

**Note 6: Other Income**

	2016/2017 KSHS.	2015/2016 KSHS
Increase in stock-General stores(Note15)	144,566	0

**Note 7. Staff Costs**

	2016/2017 KSHS.	2015/2016 KSHS.
Basic salary	250,146,290	254,738,522
House allowance	102,194,911	84,729,751
Other personal allowance	35,968,469	36,492,562
Medical Allowance	11,756,382	12,269,583
Medical Expenses	18,962,490	18,447,359
Passage and Leave	5,142,900	5,387,000
Training expenses	46,970,462	21,380,430
Group life & personal accident(GPA)	1,758,892	1,834,867
Fees commission and Honoraria	11,777,371	4,074,543
Gratuity, Pension and NSSF	49,996,682	51,817,114
<b>TOTAL</b>	<b>534,674,849</b>	<b>491,171,731</b>

**Note 8: Board expenses, conferences & seminars**

	2016/2017 KSHS.	2015/2016 KSHS.
Sitting allowances	5,924,895	3,105,000
Travel costs	6,106,248	3,608,058
Hospitality & insurance costs	7,216,850	2,860,742
Conferences and seminars	3,455,385	1,724,862
Daily subsistence	6,017,000	3,591,000
Remuneration & honoraria	960,000	960,000
<b>Total</b>	<b>29,680,378</b>	<b>15,849,662</b>



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 9. Administrative Costs**

	2016/2017 KSHS.	2015/2016 KSHS.
Transport operation expenses	3,389,873	2,444,402
Postal and telecom expenses	17,921,324	11,737,806
Telephone expenses	11,465,767	2,132,760
Official entertainment	25,364,214	12,748,045
Electricity	11,256,135	10,102,432
Gas purchase	12,250,584	4,124,380
Travelling and subsistence	80,506,497	60,974,242
Water and conservancy	2,517,168	2,065,438
Publishing and printing	18,988,382	11,934,663
Purchase of consumables	17,691,592	6,579,936
Uniform and clothing	5,353,271	867,332
Library expenses	13,095,262	7,651,858
Purchase of stationery	21,507,596	13,652,115
Advertising and publicity	8,958,206	7,347,409
Show expenses and market research	13,978,792	6,891,415
Rent and rate(non-residential)	5,964,865	2,269,592
Computer expenses	25,226,927	14,638,649
Misc. and other charges	982,809	1,519,598
Contribution to other bodies	3,168,207	2,468,971
Contracted guards & cleaning services	12,292,427	8,514,306
Provision for audit fee	700,000	700,000
Laboratory chemicals	29,332,510	12,108,188
Contracted professional services	5,147,517	2,334,058
Refined fuels & lubricants-production	693,988	0
Maint. of office, furniture & equip.	12,850,436	12,343,629
Maint. of build. & stations-non res.	11,916,268	8,486,799
Maint. of plant machinery & equip.	23,101,500	17,260,817
Maint. exp-motor vehicles	5,112,246	5,342,314
Insurance of property	3,603,893	3,562,082
<b>TOTAL</b>	<b>404,338,256</b>	<b>252,803,236</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 10. R & D Expenses**

	2016/2017 KSHS.	2015/2016 KSHS.
Research feasibility studies & projects	53,751,936	45,998,708

The expenditure on R& D projects amounting Ksh.53,751,936 includes travel expenses for the year is related to feasibility studies, project preparation, designs and supervision.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 11: FIXED ASSETS SCHEDULE**

	LAND	WORK IN PROGRESS	BUILDINGS	MACHINERY & EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS & EQUIPMENT	TOTAL
	SHS	SHS	SHS	SHS	SHS	SHS	SHS	SHS
VALUE/COST as								
at 01.07.2016	26,865,000	2,549,006,443	1,088,221,014	652,374,426	76,114,232	31,654,515	46,450,728	4,470,686,358
Additions during								
the year	-	117,269,940	-	8,039,966	-	9,325,940	7,453,300	142,089,146
Prior year adjust.	-	-	-	4,415,338	-	33,802	-	4,449,140
TOTAL								
as at 30.06. 2017	26,865,000	2,666,276,383	1,088,221,014	664,829,730	76,114,232	41,014,257	53,904,028	4,617,224,644
Depreciation for								
previous year	-	-	21,764,420	57,569,364	5,446,954	1,456,616	1,782,156	88,019,510
Accumulated								
Depreciation b/f	-	-	76,688,184	205,341,471	76,114,232	26,523,638	45,663,413	430,330,938
Depreciation								
adjust. for prior								
year	-	-	-	2,298,403	-	16,902	-	2,315,305
Depreciation for								
this year	-	-	21,764,420	69,202,388	-	2,208,358	1,403,279	94,578,445
Total								
Depreciation	-	-	98,452,604	276,842,262	76,114,232	28,748,898	47,066,692	527,224,688
Net Book Value								
30:06:2017	26,865,000	2,666,276,383	989,768,410	387,987,468	0	12,265,359	6,837,336	4,089,999,956
Net Book Value								
30:06:2016	26,865,000	2,549,006,443	1,011,532,830	447,032,955	0	5,130,877	787,315	4,040,355,420

The capital work in progress relates to ongoing RTI laboratories construction project in Nairobi South B and Kisumu Leather annex that began in the year .The expenditure for the projects during the year amounted Ksh 113,303,436 and Ksh 3,966,504 respectively.



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 12 R & D Projects**

These is composed of expenditure amounting Kshs.132,395,771 transferred from Development vote to R & D on recognition that R & D projects will generate future economic benefits.

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

**Note 13: Accounts Receivable**

	<b>2016/2017 KSHS.</b>	<b>2015/2016 KSHS.</b>
National Industrial Training Authority	2,460,000	2,460,000
Traveling imprest(local)	0	184,100
Traveling imprest(overseas)	503,343	93,755
Temporary imprest	1,040,758	2,238,115
Salary advance	675,384	594,924
Excess medical	3,374,390	2,877,953
Plot scheme	133,719	133,719
Fuel deposit	366,000	366,000
Oxygen deposit	30,000	30,000
Hospital deposit	10,000	10,000
Electricity deposit-Kisumu	308,138	308,138
Electricity deposit-South C & Eldoret	50,000	50,000
Miscellaneous deposits a/c	3,805,213	3,193,237
<b>TOTAL</b>	<b>12,756,945</b>	<b>12,539,941</b>

**Note 14: Cash and Bank balance**

	<b>2016/2017 KSHS.</b>	<b>2015/2016 KSHS.</b>
HQ(main Account)	63,481,678	53,351,256
LDC A/c	810,786	352,915
EDSC A/c	513,298	185,293
Kisumu imprest A/c	13,924,224	1,822,456
LSC A/c	643,209	1,962,574
BBK A/c	164,319	173,480,126
NIIC/Projects Account	5,754,432	16,342,208
<b>TOTAL</b>	<b>85,291,946</b>	<b>247,496,828</b>



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 15: Stores and Inventories**

	<b>2016/2017 KSHS.</b>	<b>2015/2016 KSHS.</b>
General Stores	1,933,761	1,789,195
Loose tools	1,383,431	5,533,715
<b>Total</b>	<b>3,317,192</b>	<b>7,322,910</b>

**Note 16 Capital funds G.O.K.**

The Kshs.3,987,332,149 stated as Capital funds is the net accumulation of Development releases going way back to 1980 when the Institute began self-Accounting.

**Note 17 Revenue Reserves**

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

**Note 18 Retentions**

These are retention monies on bills settled for construction contracts which are held for more than a year pending projects completion and expiry of defects liability period.

	<b>2016/2017 KSH</b>	<b>2015/2016 KSH</b>
Balance at the beginning	222,091,256	249,845,655
Additions during the year	5,821,915	34,350,445
Amount paid in the year	(15,765,704)	(62,104,844)
Closing balance	212,147,467	222,091,256



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**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

	2015/2016 KSH	2014/2015 KSH
<b>Note 19: Accounts Payable</b>		
Payroll deductions	5,059,920	5,130,470
Other Creditors	14,744,884	77,070,837
<b>TOTAL</b>	<b>19,804,804</b>	<b>82,201,307</b>
<b>Note 20: Project funds</b>		
WIFIP hyacinth project	546,500	546,500
ATPS-ICT project	158,891	158,891
Horticultural ADB	55,803	55,803
GTZ-Mini-hydro project	84,813	84,813
DANIDA-Fish leather/Arc welding	7,628,315	7,628,315
KAPP/ ILRI-Mushroom project	3,062,175	3,062,175
Lake and sea resources	89,910	89,910
NGAAF project	12,097,777	0
<b>TOTAL</b>	<b>23,724,184</b>	<b>11,626,407</b>
<b>Note 21: Provisions</b>		
Provision for Audit fee	1,954,000	1,950,000

**Note 22: Recurrent and Development expenditure**

The expenditure is financed by both recurrent and development funds received from G.o.K.

**Note 23: Related party transactions**

At the closing of the financial year the institute had received the allocated grants in full from the ministry of Industry, Trade & Cooperatives.

**Note 24: Contingent liabilities**

At the yearend there were no contingent liabilities and subsequent events foreseeable.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

**Note 25: Financial risk management**

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

**Note 26. Capital commitments**

Authorized and contracted for is the proposed construction of RTI laboratories in Nairobi south B at a cost of Ksh.4,812,400,055.

**Note 27. Recurrent Expenditure charged to Development Vote-lines**

<u>Particulars</u>	<u>Vote</u>	<u>Amount (Ksh)</u>
Communication supplies & services	Research feasibility & projects	17,921,324
Domestic travels and subsistence	Research feasibility & projects	15,000,031
Printing, advertising & information supplies	Research feasibility & projects	18,988,382
Training expenses (capacity building)	Research feasibility & projects	39,978,362
Other operating expenses	Research feasibility & projects	70,603,401
Routine maintenance-other assets	Research feasibility & projects	35,951,936
Research feasibility studies and projects	Research feasibility & projects	28,701,714
<b>Total</b>		<b>227,145,150</b>



## KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

### PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1	The Audit observed that property, plant and Equipment valuation of the Institute was done more than two decades ago and thus the balance may not be fairly stated.	The Institute to consider budgetary allocation for the purpose in the subsequent year for property in Kisumu and Nairobi South C.	Director/ Board of Directors	Property in Nairobi South B that includes land and construction works has since been revalued.	Not definite
2(I)	It was observed that included in the Accounts receivable was Ksh2,460,000 debt that had not been collected for considerably long time from National industrial training Authority NITA for reimbursement of claims lodged with the Authority.	Proper policy/debt collection mechanism to be put in place and the institute to re-initiate a follow-up. Several reminders have been sent in the past.	Director/ Board of Directors	Not resolved	Not definite
(II)	Also observed that Ksh 2,877,953 remained outstanding in respect of staff excess medical expenses upon which the recoveries were yet to be effected and some had since passed on.	In complying with the one-third salary rule the affected staff could not be subjected to further deductions. However some recoveries were	Director/ Board of Directors	Not resolved	Not definite



**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
3	<p>The audit observed that the institute entered into a contract with a local company for installation, training and commissioning of leather processing and production machinery which had partnered with an Italian firm for the contract but only the local firm alone had signed the contract contrary to section 2.1.3(i) of the contract agreement.</p> <p>Further, contrary to section 2.1.3(ii) of the contract agreement both companies did not submit audited accounts for the previous three years as required by the bidding</p>	<p>made from Life insurance benefits as the Institute seeks ways of enhancing the staff medical scheme.</p> <p>Reference made to the same section 2.1.3 (iii) stated that one of the partners shall be nominated as a lead contractor and this authorisation shall be evidenced by submitting a power of attorney signed by legally authorised signatories of all the partners and this was done and submitted alongside the tender. Ms Precision Civil Engineering was appointed to that effect.</p> <p>Treasury circular No.1/2015 on implementation of 30% reservations for</p>	Director/ Board of directors	Resolved	N/A



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Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designati on)	Status:  (Resolved / Not Resolved)	Timeframe :  (Put a date when you expect the issue to be resolved)
	<p>requirements on financial capability.</p> <p>In particular the first company did not meet the mandatory requirement considering it was registered on 9th May 2012 and was yet to attain three years at the time of tendering.</p> <p>Whereas the equipment was destined and delivered at kisumu regional offices, an audit verification at the station conducted in october 2016, revealed that some of the machines were not installed and commissioned due to lack of space.</p> <p>Failure to have the machinery installed in a secure place could result to vandalism and breakdowns in addition to withholding vital services envisaged at the time of inception of the project.</p>	<p>youth, women and persons with disability in which target groups were not to be subjected to further pre-qualification.</p> <p>The initial plan was to set up a pilot plant for training. Along the way the Government priority changed to have a facility that would serve entire western region in value addition to leather. A budget for the same was provided for construction of extra space.</p>			

Signature.....

Date: 16/03/2018

Ag. Director /CEO

Signature.....

Date: 19/03/2018

Chairperson