

REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT 5 MAR 2023	
DAY: <i>Wednesday</i>	
TABLED BY:	<i>Leader of the Majority Party</i>
CLERK AT THE TABLE OF	<i>Gretna Chobor</i>

THE AUDITOR-GENERAL

ON

**KENYA INDUSTRIAL RESEARCH
AND DEVELOPMENT INSTITUTE**

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



KIRDI
Your Industrial Technology Partner...

OFFICE OF THE AUDITOR GENERAL
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KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Public Sector Accounting Standard (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
Email: dir@kirdi.go.ke**

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NAMES AND ACRONYMS

A in A	Appropriation in Aid
G.O.K	Government of Kenya
MOITC	Ministry of Industry, Trade and Co-operatives
R&D	Research and Development
R.T.I.	Research, Technology and Innovation
UNIDO	United Nations Industrial Development Organization

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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(KIRDI) is a statutory research organization established under the Science and Technology Act Cap 250, 1979 (now repealed and replaced by the Science, Technology and Innovation Act 2013), currently under KIRDI Act 2022. KIRDI is the country's principal national institution responsible for industrial research and development and domiciled under the Ministry of Industry, Trade and Co-operatives. 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 Ceramics. 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:

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- The Office of Director and Chief Executive Officer
- Research Technology and Innovation Department
- Finance and Administration Department
- KIRDI Enterprise Services Department
- Corporate Services Department
- Legal services & Corporate Secretary

(d) Fiduciary Management

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

S.N	Designation	Name
1	Director / Chief Executive Officer	Prof. David K. Rotich Tuigong
2	Ag. Director / Chief Executive Officer	Dr. Arthur Onyuka
3	Deputy Director – Finance, Human Resource and Administration	Dr. Josephine N. Mandere
4	Deputy Director, Research Technology and Innovation	Dr. Martha Induli
5	Deputy Director – Corporate Services	Mr.Nicodemus Mutinda
6	Assistant Director- Finance	Mr. Stanley Abonyo
7	Assistant Director – Human Resource and Administration	Mr.Jairus Ombui
8	Principal Internal Auditor	Mr. Thomas Kazungu
9	Head procurement	Mr. Mark Sichangi

(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 Dr. Kaberia E. Limukii. 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, Mrs. Omari Jane Bisieri (Nee Menge), Eng. Andrew Muigai, Ms. Rahab W. Lanoi and Prof. David K. Rotich Tuigong'.

Finance and Special Projects Committee

This committee consisted of five members. The committee was chaired by Ms. Rahab W. Lanoi. 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 Ms. Ophelia Nyawira, Maj. Rtd Hussein Abshiro Herin, Mr. Martin S. O. Gumo, Mr. Nobby Macharia and Prof. David K. Rotich Tuigong'.

Risk and Audit Committee

This committee consisted of five members. The committee was chaired by Dr. Stephen K. Mairori. It had an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk

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management and corporate governance processes; examining internal and external audit reports and recommendations therein. Other members of the committee include Prof. Christopher G. Nyagah, Mrs. Omari Jane Bisieri (Nee Menge), Mr. Martin S. O. Gumo and Eng. Andrew Muigai.

Human Resources and Administration Committee

This committee consisted of five members. The committee was chaired by Maj. Rtd Hussein Abshiro Herin. 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 include Dr. Stephen K. Mairori, Ms. Ophelia Nyawira, Dr. Kaberia E. Limukii, Mr. Nobby Macharia and Prof. David K. Rotich Tuigong'.

(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) 0202388216
E-mail: dir@kirdi.go.ke / directorkirdi@gmail.com
Website: www.kirdi.go.ke

(h) Institute 's Bankers

1. National Bank of Kenya
KEBS SOUTH C, Popo Road
NAIROBI, KENYA

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2. Absa Bank of Kenya
Bunyala Road Branch
NAIROBI, KENYA

(i) Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

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THE BOARD OF DIRECTORS

DIRECTOR	PROFILE
 Hon. Lelelit Lati Chairperson Board of Directors	<i>Appointed on 6th June, 2018 for 3 years' term</i> HON. LELELIT LATI holds an MBA from Brandeis University Massachusetts, USA; BSc. in Economics and Mathematics from St. Lawrence University, New York, USA. Previously a member of Parliament at the Kenya National Assembly (2013-2017) for Samburu West; Portfolio Manager, Sovereign Wealth at State Street Global Advisors, Boston MA USA (2006-2010).
 Dr. Dinah Mwinzi, PhD, CBS - Chair of the Board of Directors	<i>Appointed on 8th October 2021 for a 3 years</i> Dr. Mwinzi holds a Doctorate of Philosophy in Educational Communication & Technology, Master's Degree in Philosophy and Religion and a Bachelor of Education (Arts) Degree. She is a member of Kenya Association of Public Administration and Management (KAPAM). She is currently the Vice Chancellor KAG East University. She has served in various leadership and managerial positions in the Public Sector which include Chairperson, Director and Deputy Chairperson, She has served in other capacities as Principal Secretary, Vocational & Technical Training Director, Vocational Education and Training, Director, Youth Training, Lecturer - Moi University Deputy Dean of Students, Moi University Assistant Dean of Students, Moi University and High School Teacher.
 Prof. Christopher G. Nyagah Member of the Board of Directors.	<i>Appointed on 17th April 2015 and served for three years. His term ended on 16th April, 2018 and was reappointed on 21st September 2018</i> PROF. NYAGAH 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.

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Ms. Nyawira Ophelia Njeru
 Member of the Board of Directors

Appointed on 9th November, 2015 for a 3 years term which ended on 8th November, 2018 and was reappointed on 3rd May 2019

MS. NJERU 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 has worked for Sealed Air Corporation as Business Director, Eastern and Southern Africa and currently works with Becton Dickinson, Leading Global Health & Public Private Partnerships in Eastern Europe, Middle East and Africa.



Eng. Andrew Gichamba Muigai
 Member of the Board of Directors

Appointed on 31st May 2016 for a 3 years term which ended on 30th May 2019 and was reappointed on 30th May 2019

ENG. MUIGAI 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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	<i>Alternate to the Principal Secretary, Ministry of Industrialization</i> Mr. Macharia holds MBA(Entrepreneurship) from Kenya Methodist University and B.Sc. (Agriculture) from the University of Nairobi He is currently holding the position of Director of Industries-Agro Industries at the Ministry of Industrialization (State Department of Industrialization).
Mr. Nobby Macharia Alternate Member of the Board of Directors	
	<i>Alternate to the Executive Secretary, National Commission for Science, Technology and Innovation (NACOSTI)</i> Mrs. Omari is currently pursuing PhD in the department of Pathology School of Medicine, Kenyatta University. She holds an MSc (Zoology) Kenyatta University and BSc Botany and Zoology, Minor Education from Kenyatta University respectively. She is a Principal Science Analyst in Agriculture and Natural Resources at the National Commission for Science Technology and Innovation (NACOSTI).
Mrs. Omari Jane Bisieri (Nee Menge) Alternate to the Executive Secretary, National Commission for Science, Technology and Innovation (NACOSTI)	She is a former Grant Manager for the Kenya Policy component in the Biosciences Innovation Policy Consortium for Eastern Africa (BIPCEA) BioInnovate Phase I (2010-2015) and Grant Manager for the East African Regional Programme and Research Network for Biotechnology, Biosafety and Biotechnology Policy Development (BIO-EARN) respectively.

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 Mr. Martin S. Gumo Alternate Member of the Board of Directors	<i>Alternate to the Principal Secretary, Ministry of Finance and National Treasury</i> MR. GUMO holds a Master of Science Degree in Finance from the University of Nairobi, Bachelor of Commerce (Accounting option) Degree and 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.
 Maj. Rtd Hussein Abshiro Herin Member of the Board of Directors	<i>Appointed Director on 3rd May 2019</i> MAJ. RTD. ABSHIRO HERIN is a retired Military/Airforce Officer with an illustrious career spanning over two and a half decades. Currently pursuing MSc. Procurement and Contract Management at JKUAT. Holds BSc. Business Management (Human Resource option) and Military Advance Intelligence Affiliation Courses both local and overseas. He has thorough knowledge of National Security and Security implication.

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 Dr. Kaberia Evans Limukii Member of the Board of Directors.	<i>Appointed Director on 3rd May 2019</i> Dr. Limukii holds PhD (Administration & Policy) from Moi university, Post- Doctoral Higher National diploma in Human resource management from Shaberere Technical Training Institute, M.E.D (Planning and Economics), Kenyatta University, B.E.D (Arts), Kenyatta University and he is I.T. compliant. He is widely published in referred journals, an expert in management and policy. He has served in several senior capacities in the university, County Government and several management boards. He is a member of the Education management society of Kenya, Life Member red cross Kenya and a member of the Institute Resource Management (IHRM). He has attended Seminars and workshops touching on Education, Democracy, Procurement and Administration.
 Ms. Rahab W. Lanoi Member of the Board of Directors	<i>Appointed Director on 3rd May 2019</i> MS. LANOI is currently pursuing Ph.D (Strategic Management at Kenyatta University, She has Master's degree in Business administration (Strategic Management) from Kenyatta University, BSC Computer information Systems, Advance Diploma in information Technology. She has worked as a Strategic consultant/Digital Marketing Manager at Herms solutions, a lecturer at CUEA department of computer science and school of business, she has also worked at Air Kenya express at various position i.e Operation shift manager ,Marketing account manager and system administrator strategic planning manager. She has attended various training and seminars related to her career.
 Dr. Stephen Kiptoem Mairori Member of the Board of Directors	<i>Appointed Director on 21st September, 2018 for a 3 years term</i> DR. MAIRORI holds a Bachelor's Degrees, Masters of Divinity with a focus on Leadership, Doctor of Ministry. He was a member of the County Government of Trans Nzoia Public Service Board selection panel in 2013. Served as a Board Member at NACADA and Kenya Institute of Public Policy (KIPPRA). Has served as a Regional Coordinator Global Leadership Summit, Executive Director of ICM Kenya and Equip National Director.

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 Mr. James K. Wang'ombe Alternate to the Inspector General, Inspectorate of State Corporations, Office of the Deputy President	<i>Alternate to the Inspector General, Inspectorate of State Corporations, Office of the Deputy President.</i> MR. WANG'OMBE is an Economist by Profession. He Holds an MBA and is a Member of Information Systems Audit and Control Association (ISACA). He has over 28 years of Experience in the Public Service having served in the Planning and Oversight Sectors. He is currently an Inspector with the Inspectorate of State Corporations.
 Ms. Nancy Muya Alternate Member of the Board of Directors	<i>Alternate to the Principal Secretary, Ministry of Industry, Trade and Co-operatives, State Department of Industrialization</i> MS. MUYA is pursuing MSc (Entrepreneurship) degree at Jomo Kenyatta University of Agriculture and Technology. Holds BSc. (Maths/Chem) degree from Kenyatta University. She has over 25 years of experience in civil service, offering her expertise in industrial development while in the Ministry. She has undergone several short term training programmes during her work experience in industrial development, Policy formulation, processing technologies, management and leadership, locally and internationally. She has served in various boards.
 Dr. David Njubi Alternate Member of the Board of Directors.	<i>Alternate to the Executive Secretary, National Commission for Science, Technology and Innovation (NACOSTI)</i> DR. NJUBI holds a 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. He is currently Chief Scientist & Head of Agriculture & 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 & Innovation.

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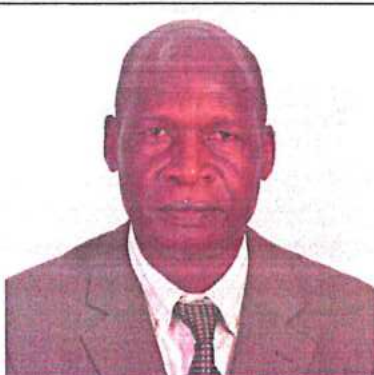
**Prof. David K.
Rotich Tuigong**
Director / Secretary to the
Board

Appointed Director / CEO on 4th June 2018

PROF. TUIGONG holds a Doctorate of Engineering (Textile Engineering) degree from Donghua University (2002-2006), Shanghai, China; Master of Engineering degree in Textile Technology from Ghent University (1996-1998), Belgium. A Bachelor of Technology (Textile Engineering) from Bharathiar University, India. Was Previously Deputy Vice Chancellor - Finance at Moi University (2014-2016) and Managing Director, Rivatex East Africa Ltd (2007-2014). He has several publications to his name and is a member of Kenya Institute of Management; International Society of Engineers Education; Registered Graduate Engineer; Member of the Textiles Institute - Manchester, UK.

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MANAGEMENT TEAM 2020/2021

MEMBER	PROFILE
 Prof. David K. Rotich Tuigong Director / Secretary to the Board	PROF. TUIGONG holds a Doctorate of Engineering (Textile Engineering) degree from Donghua University (2002-2006), Shanghai, China; Master of Engineering degree in Textile Technology from Ghent University (1996-1998), Belgium. A Bachelor of Technology (Textile Engineering) from Bharathiar University, India. Was Previously Deputy Vice Chancellor - Finance at Moi University (2014-2016) and Managing Director, Rivatex East Africa Ltd (2007-2014). He has several publications to his name and is a member of Kenya Institute of Management; Member: International Society of Engineers Education; Registered Graduate Engineer; Member of The Textiles Institute - Manchester, UK.
 Dr. Arthur Steven Onyuka Ag. Director / Deputy Director Technology Transfer and Extension Services	Dr. Onyuka holds a PhD degree in Leather and Waste Management (2006 - 2010) and BSc (Hons) in Leather Technology (2001 - 2004) from the University of Northampton (UK), Leadership Development Certificate (2010) from Institute of Leadership and Management (ILM), UK, and Senior Management Course (2020) from Kenya School of Government (Baringo). He has previously been the National Designated Entity (NDE) for Climate Technology Centre & Network (CTCN). He is a Fellow of the Society of Leather Technologists and Chemists (UK) and a member of the Chartered Institute of Waste Management (UK). He has done a number of publications in peer review journals and has over 20 years of experience in research, industry, academia and management in the areas of leather technology, climate change and environment management.

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Mr. Nicodemus Mutinda
Deputy Director, Corporate Services

MR. MUTINDA holds a Master's of Business Administration (MBA) in Strategic Management from Kenyatta University, Bachelor of Technology in Textile Engineering from Moi University and is a certified Quality Management Systems auditor.

He has more than 15 years of experience in Business Processes Re-engineering, Product Development, Quality Management Systems, Performance Management and Project Management.

He is responsible for Planning, Strategy, Monitoring and Evaluation, Quality Assurance, Marketing and Corporate Communication functions within the Institute.



Mr. Jairus Ombui
Assistant Director, Human Resource & Administration

Retired on 2nd June 2021

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

He has undergone several short term training programmes during his work experience e.g. Senior Management Course, Brainstorm Management, Corporate Governance, Strategic Project Management, Effective Supervisory Skills, Corruption Risk Assessment among others.



Mr. Stanley Abonyo
Assistant Director-Finance

MR. ABONYO holds a Masters of accounting and Business Statistics degree from Rajasthan v. University India and Bachelor of Commerce (Accounting Option) degree from the same University. He is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK).

He has over fifteen (15) years' experience in finance and Accounting gained in Public and private sector. He has taught finance and accounting units in several public universities in Kenya as a part time Lecturer.

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 Ms. Florence M. K. Mwikya Corporation Secretary & Head of Legal Services	<i>Resigned from the services of the Institute on 31st January 2021</i> MS. MWIKYA 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.
 Mr. Thomas S. Kazungu Principal Internal Auditor	MR. KAZUNGU holds a Masters degree in Business Administration (MBA) in Finance from Jomo Kenyatta University of Agriculture and Bachelor of Business Management degree (Accounting Option) from Moi university. He is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK). He has over ten (10) years' experience in finance and Accounting gained in Public sector.
 Dr. Martha K. Induli Deputy Director Research Technology and Innovation	DR. INDULI holds a Doctor of Philosophy (Natural Products Chemistry) from Makerere University, a Master's of Science (Chemistry) from University of Nairobi and a Bachelor of Science (Chemistry) degree from Moi University. She is a member of the Natural Products Research Network for Eastern and Central Africa (Kenya Chapter). She is an expert in Plant and Microbial Natural products research and has over 20 years' experience in the field with several publications in various refereed journals.

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Dr. Josephine N. M. Akama
Deputy Director, Finance, HR & Administration

Dr. Mandere is currently pursuing PhD in Business Management from the International Internship University (IIU). She holds a Honorary Doctorate Degree in Humanities from Graduate College and Seminary International (USA) and holds an MBA from The University of Nairobi and B.Com (Finance option) from Catholic University of East Africa.

She is a qualified accountant with CPA (K) and a member of Institute of Certified Public Accountants (ICPAK), Kenya Institute of Certified Public Secretaries (ICS) and Association of Women Accountants of Kenya (AWAK). She is also a trained Chaplain. Other courses she has attended include Strategic Leadership and Development programme, Research Methodology Seminar, Corporate Governance and effective Directorship, Senior Management course from Kenya School of Government respectively among others.

She has a wide experience in Finance, Management & Governance having served in various leadership and managerial positions in both public and private sectors. She has worked for National Crime Research Centre (NCRC) as in-charge of Finance department, Kenya Aeronautical College as a Finance and Administration Manager and Trans Eastern Airlines Ltd (TEAL) as Ag. Chief Executive Officer.

CHAIRMAN'S STATEMENT

On behalf of the KIRDI Board of Directors, I am delighted to present the KIRDI Statement of Accounts for Financial Year 2020/2021. During the financial year KIRDI played a key role in driving the manufacturing pillar of the Big Four Agenda and the Kenya Vision 2030. Specifically, KIRDI developed technologies for value addition to agricultural and natural materials and transferred these technologies for commercial utilization by Micro, Small and Medium Enterprises. With access to the new technologies developed by KIRDI, MSMEs were able to manufacture high value, high quality and competitive products for both domestic and foreign markets.

The impact of technology development and transfer is increase in income for the manufacturing MSMEs as well as for the producers of the raw materials. Some of the technologies transferred to MSMEs during the year include: Banana value processing, nuts processing technology, vegetables processing technology, soya beans processing technology, camel meat processing technology, honey processing technology, irrigation technology, leather and leather goods manufacturing technology, soaps and detergents manufacturing technology, cosmetics manufacturing technology, animal feed formulation and production technology among others.

KIRDI also played a key role in job creation through provision of business incubation and common manufacturing facilities. Through the business incubation programme an MSMEs is able to nature their business ideas into products that can be sold in the local and regional markets. The common manufacturing facilities programme then provides an opportunity for the MSMEs to commercially produce their products at KIRDI facilities and sell their products as they build their own manufacturing facilities. In addition, through these programmes the MSMEs are able to expand and create employment opportunities.

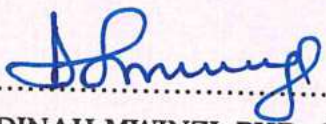
The Institute is committed to constitutionalism, governance and integrity. To this end the Institute continued to review and align its policies and programmes with the constitution. Policies that were developed or reviewed during the financial year include: Finance procedures and policy manual, ICT policy, Intellectual Property Policy, Incubation Policy, Common Manufacturing Facilities policy, Costing policy, Industrial Journal and Conferences policy,

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Human Resources Procedures and Policy manual, Safety, Health and Environment policy, among others.

During the financial year the Institute faced several challenges that affected its performance. One of the challenges was the emergency of the COVID-19 pandemic which disrupted the Institute's operations. The Institute scaled down its operations in the period between March 2021 to June 2021 in order to ensure social distancing and contain spreading of the Corona Virus. Another challenge the Institute faced was financial constraints to fund the implementation of planned activities. The allocated recurrent budget was only able to take care of the staff salaries and therefore the Institute had challenges in funding the research and development activities as well operations and maintenance. The Institute also faced challenges of lack of adequate technical staff occasioned by staff departure over time through retirement, resignation and natural attrition. The Institute also had its development budget reduced during supplementary budget which affected the implementation of Industrial Research Laboratories project in Nairobi, South B.

However, Despite of the above challenges. I am happy to report that the future of the Institute is very bright. First, with the new research and technology transfer equipment that have been installed at the Institute's Kisumu and South C campuses, the quality and quantity of research outputs as well as number of enterprises being created or expanded by the Institute will go up significantly and thus positively affecting the performance of the Institute.

Signature:  Date: 19/05/22
DR. DINAH MWINZI, PHD, CBS

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REPORT OF THE CHIEF EXECUTIVE OFFICER

I am delighted to present the KIRDI Financial Report for the 2020/2021 Financial Year. During the year, the Institute continued to implement programmes/ projects aligned to the Big Four Agenda and in particular supporting value addition and promotion of MSME growth and development. The following programmes were implemented during the financial year.

(a) Promotion MSMEs Development

During the 2020/2021 Financial Year the Institute supported 840 MSMEs through Business Incubation, Provision of Common Manufacturing Facilities, Product Development and Quality Assurance, Training and Capacity Building. The Institute also upgraded 37 MSME products to make them globally competitive. This support to MSMEs resulted to creation of job opportunities in the SME sector.

(b) Value Addition Technology Development.

During the financial year the Institute developed 13 new technologies for value addition to agricultural and natural products. Product prototypes from these new technologies were developed and the technologies taken up by MSMEs for commercial utilization. These value addition technologies will contribute to increase in incomes for the farmers and other players in the related value chains.

(c) Technology transfer and extension services

During the financial year the Institute transferred 14 technologies to MSMEs to enable them to improve their product quality and increase their productivity and thus enabling to compete favorably in both domestic and foreign markets.

(c) Infrastructure Development

During 2020/2021 Financial Year the institute management to increase the construction level of the industrial research laboratories to 76%. The Institute also continued with installation and commissioning of the industrial research laboratories equipment at the Institute's Kisumu centers. Equipment for leather, food, natural products and energy laboratories have been installed and their operationalization is ongoing.

(d) Externally funded projects

During the 2020/2021 financial year the Institute continue to implement the following externally/Donor funded projects: -

- i. Adaptation and Promotion of Refractance Window Drying Technology for production of High-Quality Bio-products funded by Bio Innovate Africa.
- ii. Upgrading Artisanal Nyirinyiri Processing Technology in Northern Kenya for enhanced quality, safety and market access funded by National Research Fund, Kenya.
- iii. Production of polyphenol and Gama-Amino Butyric Acid enhanced tea varieties for mitigation against cancer and high blood pressure funded by National Research Fund, Kenya.
- iv. Approaches to value-addition and commercialization of climate smart crops for enhanced food security and nutrition in Africa and beyond funded by National Research Fund, Kenya.
- v. Developing microbial biotechnology industry from Kenya's soda lakes in line with the Nagoya Protocol funded by Global Environment Facility.
- vi. Africa Centre of Excellence in Phytochemicals, Textiles and Renewable Energy Funded by World Bank
- vii. Green and Circular Innovation for Kenyan Companies (GECKO) funded by the Strategic Sector Cooperation
- viii. Greening Kenya: Stimulating Competitiveness and Investment in the face of Resource Scarcity and Climate Change, funded by Green Climate fund

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- ix. Development of Milk-Fish and Kimarawali solar drying-cooling technology, value addition and Quality Assurance, funded by BMEL/BLE

The institute faced challenges during the financial year. One of the challenges was budget implementation was affected by reduced collection of internally generated income (A-in-A). This was on account of scaled down operation at the Institute Centers due to COVID-19 pandemic. Another challenge was reduction in the allocated development budget which affected the progress of the industrial research laboratories project in Nairobi, South B. However, despite of the challenges occasioned by the COVID-19 pandemic, the Institute found an opportunity for up-scaling its services to support local production of goods. This led to supporting more MSMEs that was initially planned. Going forward the Institute will put more effort in supporting upgrade of locally produced goods so as to expand the local manufacturing sector and ultimately create jobs and spur industrialization and economic development.

Signature:



Date:

19/05/2022

DR. ARTHUR STEVEN ONYUKA

STATEMENT OF KIRDI PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

KIRDI has three (3) strategic themes and objectives within its Strategic Plan for the FY 2016/2017- 2020/2021. These strategic themes are as follows: -

Theme 1: Transformational Industrial Research, Technology and Innovation

Theme 2: Organizational Capacity

Theme 3: Financial Sustainability

KIRDI develops its annual work plans based on the above three (3) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2020/2021 period for its strategic pillars, as indicated in table 1 below:

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Table 1: KIRDI's Achievements FY 2020/2021

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Theme 1: Transformational Industrial Research, technology and Innovation	Develop and transfer technologies for industrial development	Percentage completion level	Complete construction of Research, Technology and Innovation Laboratories at Nairobi South B	Achieved 76.5 % completion rate by June 2021
		No. of Research, Technology and Innovation Laboratories Equipped and Operationalized	Equip and operationalize Research, Technology and Innovation Laboratories in KWRC	Equipping and operationalization of Food, Natural Products, Energy laboratories and Common Manufacturing Facilities is ongoing estimated at 90 % completion level
		Number of technologies developed	Design, develop and package value addition technologies for identified agricultural and natural materials	Thirteen (13) technologies developed in agro-processing, and natural products development priority areas
		Number of Intellectual Properties Registered		Registration of four (4) intellectual properties initiated
		No. of Technologies transferred to MSME's	Transfer of developed technologies to MSME's	Fourteen (14) industrial technologies transferred to support value addition
		No. of MSME's products upgraded to enhance global competitiveness	Undertake product improvements and facilitate standardization of clients products	Thirty seven (37) MSME products upgraded to Standardization Mark
		No. of publications done	Publications in scientific journals	Seven (7) scientific papers published in various research journals
		No. of MSMEs supported	Provide incubation and common manufacturing Facilities, Training and Capacity Building, Product development and product Standardization and Consultancy services to MSMEs	840 MSME's supported during the FY 2020/2021
		Support start-ups, growth and development of Micro, Small and Medium Enterprises (MSMEs)		

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Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Theme 2: Organisational Capacity	Enhance the Institute's Operational Excellence, Human Resource Capacity and Corporate Culture	KIRDI Act Enacted	Finalize KIRDI Bill	Bill submitted to National Assembly and Public Participation done
		Training Report	Undertake Training Needs Assessment	Training Needs Assessment done and approved for implementation
		No. of staff trained	Undertake staff training as per training programme report	Trainings affected by budgetary constraints; 16 staff trained on ISO 17025 by KENAS.
	Enhance the Visibility of KIRDI Brand	Revised customer service charter in place	Review customer service charter	Customer Service Charter revised and displayed at all customer service points; Staff and stakeholders sensitized
Theme 3: Financial Capacity	Enhance the Institute's Financial Capacity	Number of infomercials and press briefs developed and published/aired	Publicity materials developed, published/aired	Four (4) news features done with Citizen TV, NCBI radio, and KNA. One print media feature with Standard Newspaper; Documentary done for BIAWE project.
		Number of marketing outreach activities undertaken	Marketing strategy developed and implemented	Marketing strategy developed; KIRDI Kisumu Biashara centre launched; Attended Kericho Enterprise EXPO, Mombasa and Eldoret Biashara Centre Launch
		Amount of revenue generated (Kshs)	Enhanced A-I-A collection	Raised Kshs. 17.3M as revenue against a target of Kshs. 26 M in the financial year.
		Amount received from donor funded/collaborative projects	Develop proposals for identified calls by development partners	Kshs. 8,991,233.76 realized towards implementation of R&D projects

CORPORATE GOVERNANCE STATEMENT

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.

a) The Board Role

The Board of KIRDI exercises its role collectively. The Board 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. The Board 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.

b) Composition of the BOD

The Board currently consists of one (1) executive and eleven (11) non-executive Directors. The composition of the Board and brief biographies of the Directors, which highlights the diverse experience and expertise which they bring to the Board as set out on pages vi to x.

c) Board Meetings

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

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During the year ended 30th June 2021, the Board held meetings as follows; Four (4) Full Board, One (1) Special Board meeting necessitated by recruitment of new employees, review and approval of Institute's policies and instruments and approval of Salaries and Remuneration commission (SRC) staff recommendations. Also the Board had Seven (7) RTI committee meetings, Five (5) Finance and Special Projects committee meetings, Four (4) Risk and Audit committee meetings and Three (4) HRA committee meetings. On top of that the Board held Nine (9) special HRA Committee meetings, Two (2) Special finance and special projects committee meetings, Two (2) Performance Contract Negotiations meetings, One (1) Board Induction and One (1) BOD retreat.

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

d) 2020/2021 BOARD AND BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	FB	SFB	F&SP	SF&SP	RTI	RAC	HRA	SHRA	PC	BI	BR	SCO	CM	OTHERS
CS		1												
Hon. J. Lelelit Lati	7	4									1			
Prof. C. G. Nyagah	7	3	3		6	3					1			
Maj. Rtd. Hussein Herin	6	3	4	1		1	5	1			1			
Ms. Nancy Muya		1	1	1	2									
Mr. M. Gumo	7	4	6			3	1	2			1			
Eng. A. G. Muigai	7	4	1	1	6	4	1				1			
Dr. D. Njubi	1	1			2	1								
Dr. Kaberia E. Limukii	7	4	2	1	7		4				2			
Ms. N. Njeru	7	4	5	1			5	2						
Dr. Stephen K. Mairori	7	4				4	5	2			1			
Ms. Rahab W. Lanoi	7	4	6		4	1	2	2			1			
Mr. James Wang,ombe	3	3												
Mrs. Omari Jane Bisieri (Nee Menge)	5	3			5	4					2			
Mr. Nobby Macharia	6	3	6		1		3				1			
Prof. D. R. Tuigong'	6	4	7	1	6		5	2			1			

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KEY

<i>FB</i>	-	<i>Full Board</i>
<i>SFB</i>	-	<i>Special Full Board</i>
<i>F & SP</i>	-	<i>Finance and Special Projects</i>
<i>SF&SP</i>	-	<i>Special Finance and special Projects</i>
<i>RTI</i>	-	<i>Research Technology and Innovation</i>
<i>RAC</i>	-	<i>Risk and Audit</i>
<i>HRA</i>	-	<i>Human Resource and Administration</i>
<i>SHRA</i>	-	<i>Special Human Resource and Administration</i>
<i>PC</i>	-	<i>Performance Contract</i>
<i>BI</i>	-	<i>Board Induction</i>
<i>BR</i>	-	<i>Board Retreat</i>

BOARD COMMITTEES AND THEIR COMPOSITION

The Board committees, composition and mandate is as below;

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.

The members of the committee were:

Dr. Kaberia E. Limukii	-	Chairperson
Ms. Jane Bisieri Omari		
Prof. Christopher G. Nyagah		
Ms. Rahab W. Lanoi		
Eng. Andrew G. Muigai		
Prof. David K. Rotich Tuigong'		

The committee 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.

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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:

Ms. Rahab W. Lanoi - Chairperson
Ms. Nyawira Njeru -
Maj. Rtd. Hussein Abshiro Herin
Mr. Nobby Macharia
Mr. Martim S. O. Gumo
Prof. David K. Rotich Tuigong'

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 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.

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:

Dr. Stephen Kiptoem Mairori - Chairperson

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Prof. Christopher G. Nyagah
Mr. Martin Gumo
Ms. Jane Bisieri Omari
Eng. Andrew G. Muigai

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.

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:

Maj. Hussein Abshiro Herin	-	Chairperson
Dr. Stephen K. Mairori		
Ms. Nyawira Ophelia Njeru		
Mr. Nobby Macharia		
Dr. Kaberia E. Limukii		
Prof. David K. Rotich Tuigong'		

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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 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. They have been circulated to employees across the Institute and are also available on the Institute's website 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
- ✓ 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 xv to xvii. The financial position of the Institute, its

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cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 1 to 22.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year 2020/21, the Institute planned implementation of the Big Four Agenda programmes/projects to support growth of manufacturing contribution to GDP, Vision 2030 projects and paying special attention to implementation of COVID-19 Recovery strategies and plans. This include; (a) Infrastructure development which includes the construction of Research, Technology and Innovation laboratories at KIRDI South B, Nairobi and equipping of Research, Technology and Innovation laboratories in KIRDI, Kisumu, (b) Developing and transferring manufacturing value addition technologies, (c) Provision of technological support to MSMEs and (d) Upgrade of MSMEs products to substitute imports.

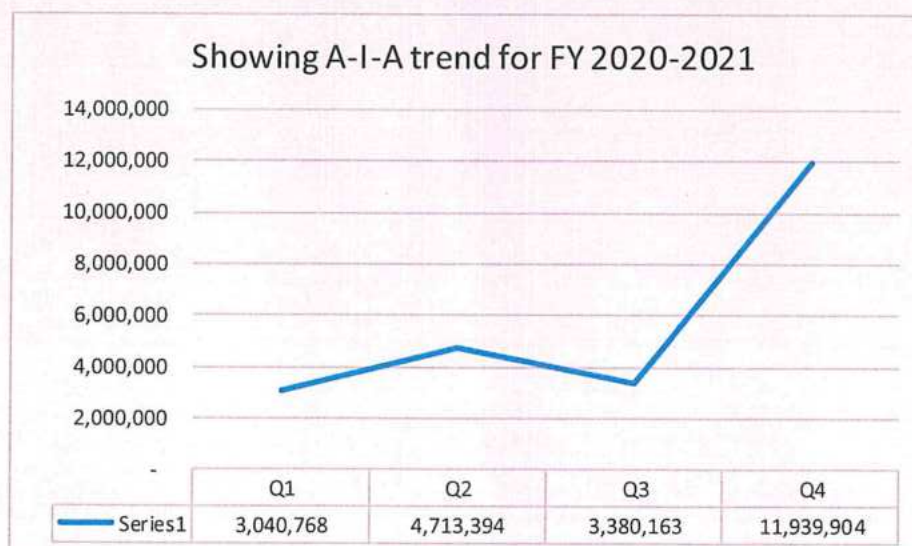
As per the approved Annual Work Plan FY 2020/21, KIRDI's major activities included: - to increase project completion rate at KIRDI South B to 80% completion level from 70%; complete equipment installation and commissioning of food, natural products, energy laboratories and common manufacturing facilities at KIRDI Kisumu and to upgrade the quality of products manufactured locally by MSME's to substitute imports in support of the post COVID-19 recovery strategy amongst other activities.

The Institute achieved the following major targets during the financial year: - Construction works at KIRDI South B are currently at 76.5%. The overall progress was slowed down by disruption of supply chain activities due to COVID-19 pandemic to conduct off-shore inspections for specialized equipment and reduction of development budget. Operationalization of KIRDI Kisumu attained a major milestone with the launch of KIRDI Kisumu Biashara Centre on 21st March 2021.

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In support of the post COVID-19 recovery strategy the Institute supported upgrade of thirty-seven (37) MSME's products under natural products, crops and livestock and engineering priority sectors to attain standardization marks and further transferred fourteen (14) value addition technologies to support the manufacturing pillar of the Big Four Agenda. Towards the promotion of MSMEs development, a total of 840 MSME's were supported through incubation and use of common manufacturing facilities, technical skills training in food processing and natural products value addition and laboratory services during the financial year.

The Institute realized internally generated incomes (A-in-A) of Kshs 17.3 Million against a target of Kshs 26 Million during the financial year. The target was not achieved on account of scaled down operations at the Institute service centers due to the COVID-19 pandemic. The figure below shows the trend on A-in-A growth during the financial year.



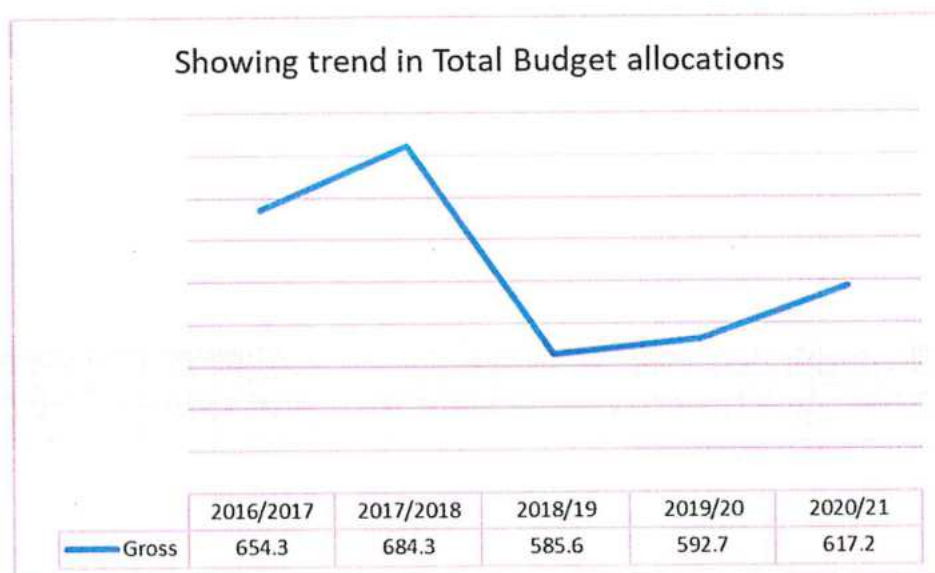
The rise in A-I-A during the fourth quarter is attributed to gains from disposal of assets done during the financial year. Overall performance at the close of the FY 2020/21 was slowed down by decreased budget allocation for planned

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recurrent activities, budgetary cuts on the capital development project and directives on the control of covid-19 pandemic that slowed down normal operations.

The major risk facing the Institute is legal action due to breach of contract for the project on Research, Technology and Innovation laboratories in Nairobi, South B. The project has run behind completion schedule due to low funding and the project has started incurring cost overruns. However, this risk is set to be mitigated with the budgeted allocation in FY 2021/22 and in the medium term.

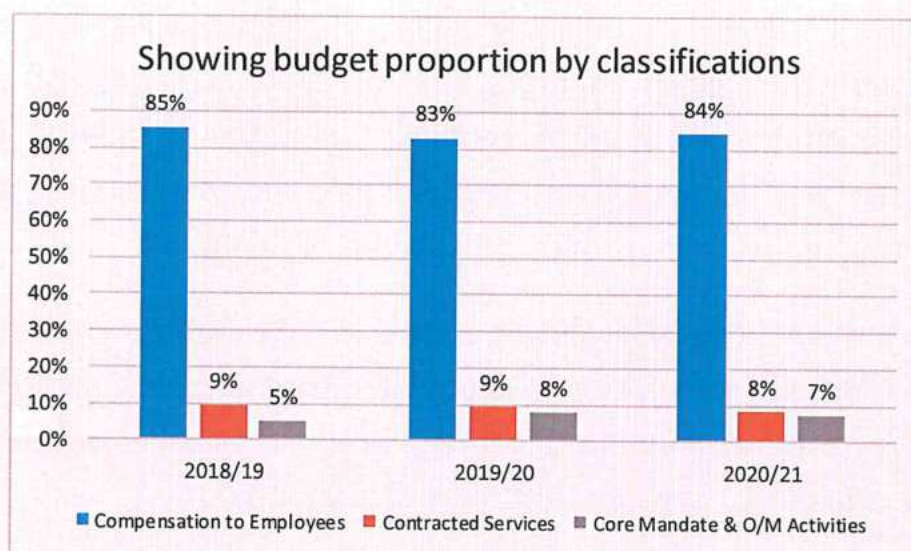
Continuous budget rationalization measures have in overall affected the Institutes budget provision. Trend analysis shows the approved budget declined by 14 per cent in the FY 2018/2019 as shown in the figure below. Efforts to close this gap has only improved by 4 per cent.



The Institute's budget is also not sufficient to cater for the core mandate i.e: - industrial research and technology transfer projects and related support services to MSMEs. Analysis of itemized budgets for the financial years 2018/2019 - 2020/2021 shows trend of reduced allocations for the core

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mandate and institute operations at an average of 6.7 % of the approved budgets as shown in the figure below: -



In addition, the covid-19 pandemic and government directives affecting normal operations are expected to slow down Institute operations. The Institute has put in place all necessary measures to ensure operations are ongoing.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KIRDI exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on our strategic themes: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

The mandate of the organization is to undertake industrial research and development in all industrial and allied technologies. To promote sustainable development, the Institute utilizes modern research

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technologies, facilities, enhanced technical skills, and ensures dissemination of research outputs.

Notable challenge in implementation of sustainability strategies was reduction in allocated resources. This affected operations at the Institute and generation of internal revenue. In addition, internal generated revenue was hampered by reduced demand for services linked to government restrictions to control spread of COVID-19.

As a measure, the management enhanced collaborations with the private sector, development partners and government agencies to ensure service delivery continued unaffected. In addition, the management re-organized work schedules to ensure continuity of operations.

2. Environmental performance

KIRDI management is committed to a proactive Safety, Health and Environmental (SHE) policy. Our objective is to ensure the health, safety and welfare of all employees by preventing or adequately controlling SHE risks, providing all of our employees with a safe and healthy workplace and achieving high standards of environmental performance for all aspects of our operation (SHE POLICY, 2021).

The Institute is guided by the Safety, Health and Environment policy of 2015, that is aligned to the Safety, Health and Environment Act (OSHA, 2007), Revised 2010 which was approved by the board of directors on April 2021.

During the financial year, prioritized implementation of the environmental sustainability report of 2019 on its activities to guide KIRDI in embracing energy efficiency, water use efficiency, waste minimization and management, as well as the much needed adoption of

clean tech renewable energy solutions. The Institute also spearheaded the accreditation of energy efficiency, cook stoves, biogas and chemical laboratories on ISO 17025:2017 to support the industry in conformity assessments. In addition, disposal of idle assets and chemicals using NEMA accredited suppliers was undertaken to avoid work related hazards.

3. Employee welfare

The Institute has a KIRDI Human Resource Policies and Procedures manual (2018) that guides the recruitment process. The regulations take into consideration recruitment, selection, appointment, promotion and transfer matters in KIRDI. This also take into account the gender rule and PWD's. The policies are updated from time to time to reflect policy changes affecting human resource management and development in the Institute. The policy also takes into consideration matters pertaining to performance management and training and development of employees. During the financial year senior management staff were trained on the senior management course and a number of research scientists are currently on their masters and doctorate programmes. The Institute has in place Safety, Health and Environment policy of 2013 (currently under review) in compliance with Occupational Safety and Health Act of 2007. (OSHA).

4. Market place practices

The Institute is instrumental in supporting clients upgrade their products to attain competitiveness through product research and supporting the clients attain quality mark of standardization. This promotes fair competition in the industry. During the financial year a total of 27 products attained certification. The Institute has also established corruption prevention mechanisms with a corruption prevention

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committee in place. In addition, the employees are encouraged to practice national values. Towards promoting transparency in procurement, the Institute has put in place an e-procurement system that integrates users and suppliers. In addition, tenders for goods and services are advertised in the Institute's website and the e-procurement portal.

5. Community Engagements

During the financial year the Institute donated yogurt and honey processing equipment to Ruskebei Dairy Farmers Cooperative Society in Londiani, Kericho County. The equipment will enable the cooperative add value to their milk and honey and therefore increase their incomes and enable the families of the members of the cooperative have a decent livelihood.

6. Environmental Performance

In many ways, KIRDI operates both as a research institute and as a fully-fledged manufacturing facility. As a research institute, it contains offices, laboratories and a library while as a manufacturing facility it contains the pilot plants for food, leather and Services Centers such as Engineering. The common denominator for the two faces of the institute is that they all consume energy, water and materials with subsequent generation of wastes and emissions. If these wastes and emissions are not well managed, they will eventually become an environmental liability for the institute. In order for the institute to attain and continually improve on its environmental stewardship, it has to put in place mechanisms that will enable it to improve on its energy efficiency; develop green and sustainable procurement practices; develop water conservation practices; develop waste management procedures; facilitate shifts in behavioral management; and help develop a *green office* self-assessment monitoring and reporting mechanism

Efforts put in place to manage waste, biodiversity and reduce the environmental impact include

- The Institute has developed a Policy that integrates Safety, Health and Environment (SHE Policy).
- The policy stipulates the establishment of a Safety Health and Environment Committee who will be tasked to undertake systematic, documented, periodic and objective assessment of the Institute's activities and services in relation to:
 - Assessment of the institute's compliance with relevant statutory and internal requirements;
 - Facilitation of management control of environmental practices;
 - Promotion of good environmental management practices;
 - Maintenance of credibility with the public
 - Raising of staff awareness and enforcement of commitment to the Institute's environmental policy
 - Exploration of improvement opportunities
 - Establishing the performance baseline for the development of an Environmental Management System (EMS).
- The Institute has sunk a borehole to ensure adequate water supply
- There are ongoing efforts to increase the tree cover of the institute. Currently there are only 30 trees onsite at the KIRDI South C Headquarters.
- There are ongoing efforts to establish a compartmentalized solid waste transfer station to facilitate waste segregation, reuse and recycling.

Shortcomings and areas of improvement

- Inadequate resource allocation to support Environment Health and Safety initiatives that have been well documented under the Environment Management Plan for KIRDI. The need to reinforce the management's commitment to a clean, healthy and safe environment. This means allocation of adequate resources for infrastructure that will support the environmental performance for KIRDI, manage waste, boost biodiversity

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and ensure safe working environment for instance the elimination of asbestos roofing among others.

- Limited employee/client awareness on the importance of a clean, safe and healthy environment. There is need for adequate and frequent training of employees to facilitate behavior change.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2020 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 30th June, 2021 are set out on page 1 to 26 of this report.

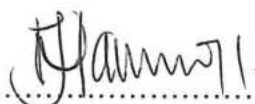
Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 227 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

Sign: 

Date: 19/05/2022

CORPORATE SECRETARY

Kenya Industrial Research and Development Institute (KIRDI)
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For the year ended 30th June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of Public Finance Management Act, 2012 and Section 14 of 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 30th, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 30th, 2021, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Kenya Industrial Research and Development Institute (KIRDI)
Annual Reports and Financial Statements
For the year ended 30th June 2021

Approval of the financial statements

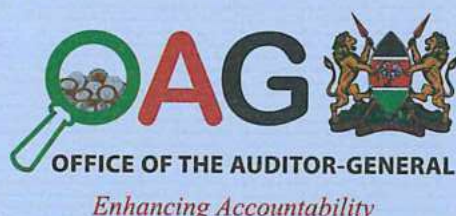
The Kenya Industrial Research and Development Institute's financial statements were approved by the board on 2021 and signed on its behalf by:


.....
Chairperson of the Board


.....
Accounting Officer/CEO

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Research and Development Institute set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Industrial Research and Development Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

Basis for Qualified Opinion

1.0 Lack of Revaluation of Property, Plant and Equipment

As previously reported and as disclosed in Note 10 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.5,269,279,624. However, other than motor vehicles with a net book value of Kshs.9,700,000 which were revalued in the year 2018/2019, assets with a net book value of Kshs.5,259,579,624 were last valued forty-two (42) years ago in 1980. This is contrary to the requirement of Paragraph 49 of the International Public Sector Accounting Standards (IPSAS) No.17, which provides that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued, and it may be necessary to revalue the items only every three or five years.

In the circumstances, it was not possible to ascertain the accuracy and completeness of the property, plant and equipment balance of Kshs.5,269,279,624 as at 30 June, 2021.

2.0 Long Outstanding Accounts Receivables

As previously reported, and as disclosed in Note 13 to the financial statements, the statement of financial position reflects accounts receivable balance of Kshs.132,836,189. The balance includes excess medical expenditure due for recovery from some members of staff amounting to Kshs.4,077,781. However, 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 guidance or provisions to be made in case of death of a staff member.

In addition, the rate of recovery of the dues compared to the outstanding amount is very low with some balances having not been recovered at all.

In the circumstances, the accuracy, completeness and recoverability of the excess medical receivables balances totalling Kshs.4,077,781 as at 30 June, 2021 could not be confirmed.

3.0 Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of financial performance reflects a deficit of Kshs.89,986,471 (2019/2020-Kshs.70,766,039) during the year under audit, thus increasing accumulated losses from Kshs.415,423,826 as at 30 June, 2020 to Kshs.488,666,869 as at 30 June, 2021. If strategies are not put in place to reverse the loss-making trend, the Institute is likely to face financial challenges in the future, and its continued existence will depend on the financial support of the Government and its creditors. This is an indication that the Institute may be experiencing financial difficulties in meeting its obligations as and when they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the Institute will continue to receive financial support from the National Government and its creditors. However, this material uncertainty in relation to going concern and mitigating measures put in place by the Institute's Board of Directors to reverse the deteriorating financial position have not been disclosed in the financial statements.

Consequently, it has not been possible to ascertain the appropriateness of use of the going concern basis of accounting and that the survival of the Institute is dependent on the support from its stakeholders.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Delay in Project Completion - Proposed Techno Centre

As previously reported, the Institute contracted a local construction company for implementation of the proposed Techno Centre (Research, Technology and Innovation Laboratories and related infrastructure) in South B, that commenced on 25 February, 2013 at an estimated contract sum of Kshs.3,933,008,763 and was to take one hundred and fifty-six (156) weeks, with an initial completion date of 3 March, 2016.

Audit review of the project records at the time of audit in March, 2022 established that the project period was extended by 82 weeks for the fourth time bringing the total cumulative project period to 507 weeks with a new completion date of 25 November, 2022 at a revised contract sum of Kshs.5,455,099,842. Further, it was observed that the project was at 79.5% completion rate and works amounting to Kshs.3,473,958,114 had been cumulatively certified through certificate No. 52 of 25 January, 2022.

In the circumstances, the value for money on this project may not have been obtained by 30 June, 2021.

2.0 Unapproved Over-Expenditure on Remuneration of Directors

The statement of financial performance and as disclosed in Note 8 to the financial statements, reflects an amount of Kshs.23,109,889 in respect to remuneration of directors. Audit review established that the expenditure represents 26% of operations and maintenance costs totalling to Kshs.90,528,954 and comprising of use of goods and services and repairs and maintenance amounting to Kshs.69,717,061 and Kshs.20,811,893 respectively. However, evidence of approval granted by The National Treasury was not provided for audit review. This is contrary to the provisions of The National Treasury Circular dated 11 March, 2020 which provides that the Board expenses for a financial year shall be capped at Kshs.30 million or 5% of the operations and maintenance budget of a State Corporation, whichever is less, unless otherwise approved by the Cabinet Secretary for The National Treasury.

In the circumstance, Management was in breach of the guidelines.

3.0 Employee Costs

3.1. Payments of Employees in Acting Capacity for more than 6 Months

The statement of financial performance reflects employee costs of Kshs.581,281,869 and as disclosed in Note 7 to the financial statements. However, included in the balance is an amount of Kshs.2,160,545 paid to twelve (12) employees as acting allowance for periods exceeding six (6) months contrary to Section C14(1) of the Public Service Commission Human Resource Policies and Procedures Manual of May 2016, which provides that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he/she is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary and acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the Policy.

3.2. Employees Paid Special Duty Allowance for more than 6 Months

Included in employees costs balance of Kshs.581,281,869 and as disclosed in Note 7 to the financial statements, are other personal allowance balance of Kshs.40,279,127 which includes payment of special duty allowance to two (2) employees for twelve (12) months. This is contrary to Section 16(1) and 16(4) of the Institute's Human Resource Policies and Procedure Manual of August, 2018, which provides that when an officer is called upon to perform duties of a higher post but does not possess the necessary qualifications for appointment to that post, he shall be paid special duty allowance at the rate of fifteen per cent (15%) of the officer's basic salary and that special duty allowance will not be payable to an officer for more than six (6) months.

Further, there was no evidence provided by Management to confirm authority for extension of the period.

In the circumstances, Management was in breach of the Policy.

4.0 Lack of Automation of the Financial Reporting and Inventory Processes

Review on the Institute's financial reporting processes revealed significant reliance manual interventions. Similarly, Management has not put in place an inventory management system that describes the processes, documentation and responsibilities of key personnel contrary to Regulation 109(1) of the Public Finance Management (National Government) Regulations, 2015, which provides that the Accounting Officer shall for efficient and effective utilization of electronic systems in processing financial data, develop and regularly issue standard operating procedures and instructions on the automated integrated financial management system operations, use and maintenance.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Inadequate Staffing in Key Functional Areas

During the year under review, the Institute had in-post of three hundred and four (304) staff members representing 41% of the approved establishment of six hundred and forty (640) members of staff spread across the various functional areas. Available records indicated that the low number is attributed to inadequate funding to facilitate recruitment.

In the circumstances, there is inadequate segregation of duties and this impairs effective service delivery to the stakeholders.

2. Failure to Perform Annual Governance Audit

Review of records provided for audit during the year under review revealed that the Institute was not subjected to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose contrary to Chapter 1.13(1) of Mwongozo Code of Governance for State Corporations, 2015 which provides that the Board in conjunction with the oversight office should ensure that it subjects a state corporation to an annual governance audit to ensure conformity to the highest standards of good governance and in areas of; leadership and strategic management; transparency and disclosure, compliance with laws and regulations, communication with stakeholders, board independence and governance, board system and procedures, consistent stakeholder value enhancement and corporate social responsibility and investment.

In the circumstances, Management was in breach of the Code of Governance.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 July, 2022

Kenya Industrial Research and Development Institute (KIRDI)
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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

	NOTES	2020/2021 KSHS.	2019/2020 KSHS.
REVENUE			
Income from non-exchange transactions			
Transfers from Government	2	716,429,681	682,531,823
Grants and subsidies from Donors	3	10,960,065	9,171,241
		<u>727,389,746</u>	<u>691,703,064</u>
Income from exchange transactions			
Rendering of services	4	15,975,787	12,866,160
Other income	5	7,098,442	3,465,431
		<u>23,074,229</u>	<u>16,331,591</u>
Total revenue		<u>750,463,975</u>	<u>708,034,655</u>
EXPENSES			
Use of goods and Services	6	69,717,061	66,950,472
Employee Costs	7	581,281,869	549,675,162
Remuneration of Directors	8	23,109,889	21,756,433
Repairs and maintenance	9	20,811,893	17,647,211
Depreciation and Amortization	10	125,138,988	108,821,623
Grants and Subsidies	11	20,390,746	13,949,793
		<u>840,450,446</u>	<u>778,800,694</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>(89,986,471)</u>	<u>(70,766,039)</u>

The notes set out on pages 7 to 24 form an integral part of these financial statements

Kenya Industrial Research and Development Institute (KIRDI)
Annual Reports and Financial Statements
For the year ended 30th June 2021

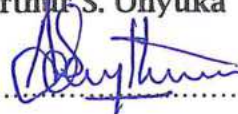
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

ASSETS	NOTES	2020/2021 KSH	2019/2020 KSH
CURRENT ASSETS			
Cash and Cash Equivalents	12	311,247,409	939,524,186
Accounts Receivable	13	132,836,189	133,174,032
Stores and inventory	14	5,189,958	595,261
Total		449,273,556	1,073,293,479
NON CURRENT ASSETS			
Property, Plant and Equipment	10	5,269,279,624	4,479,731,994
R & D Projects	15	160,424,504	160,424,504
Total		5,429,704,128	4,640,156,498
TOTAL ASSETS		5,878,977,684	5,713,449,977
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	16	93,021,926	63,514,197
Unused Project Funds	17	18,250,780	27,681,461
Provisions	18	3,358,000	2,658,000
Total		114,630,706	93,853,658
NON-CURRENT LIABILITIES			
Retentions	19	242,301,310	259,637,749
TOTAL LIABILITIES		356,932,016	353,491,407
Net Assets		5,522,045,668	5,359,958,570
Capital/Development funds	20	6,010,712,537	5,775,382,396
Accumulated loss	21	(488,666,869)	(415,423,826)
TOTAL NET ASSETS & LIABILITIES		5,878,977,684	5,713,449,977

The financial statements set out on pages 1 to 24 were signed on behalf of the Board by:

Ag. Director/ CEO

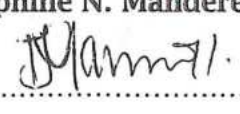
Dr. Arthur S. Onyuka

Sign.....

Date 19/05/2022

Head of Finance

Josephine N. Mandere

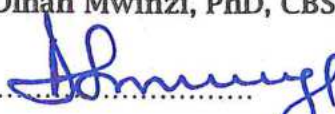
Sign.....

ICPAK M/No.9950

Date 19/05/22

Board Chairperson

Dr. Dinah Mwinzi, PhD, CBS

Sign.....

Date 19/05/22

Kenya Industrial Research and Development Institute (KIRDI)
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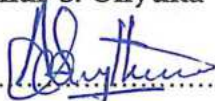
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021

	Capital/ Development Funds Ksh	Retained earnings Ksh	Total Ksh
As at 30th June 2019	4,269,588,719	(316,956,760)	3,952,631,959
G.O.K Development grants	1,568,000,000		1,568,000,000
Amortization of assets	(108,821,623)		(108,821,623)
Prior year depreciation adj	(124,583)		(124,583)
Surplus/(Deficit) for the year		(70,766,039)	(70,766,039)
Unutilized Donor funds for the year		4,778,552	4,778,552
As at 30th June 2020	5,775,382,396	(415,423,826)	5,359,958,570
G.O.K Development grants	360,469,129		360,469,129
Amortization of assets	(125,138,988)		(125,138,988)
Prior year adjustments		7,312,747	7,312,747
Surplus/(Deficit) for the year	-	(89,986,471)	(89,986,471)
Net change from Grants and subsidies	-	9,430,681	9,430,681
As at 30th June 2021	6,010,712,537	(488,666,869)	5,522,045,668

Prior year adjustments relates to previous year payments and inclusion of surplus Donor funds in retained earnings for administrative costs.

Ag. Director/ CEO

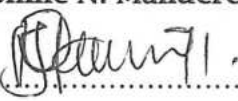
Dr. Arthur S. Onyuka

Sign.....

Date 19/05/2022

Head of Finance

Josephine N. Mandere

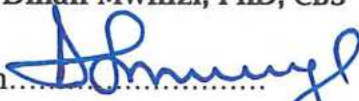
Sign.....

ICPAK M/No.9950

Date 19/05/2022

Board Chairperson

Dr. Dinah Mwinzi, PhD, CBS

Sign.....

Date 19/05/22

Kenya Industrial Research and Development Institute (KIRDI)
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STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021 KSHS.	2019/2020 KSHS.
CASH FLOW FROM OPERATING ACTIVITIES			
Operating surplus/(deficit)		(89,986,471)	(70,766,039)
Adjustment for items not involving movements of cash:			
Deferred grant income	2	(125,138,988)	(108,821,623)
Depreciation expenses	10	125,138,988	108,821,623
prior year adjustments	22	7,312,747	-
Project funds surplus/deficit	17	9,430,681	4,778,552
Surplus/Deficits before working capital changes		(73,243,043)	(65,987,487)
WORKING CAPITAL CHANGES			
increase/Decrease in inventories	14	(4,594,697)	354,462
Decrease (increase) in Accounts receivable	13	337,843	(124,451,547)
Increase in provisions	18	700,000	700,000
Decrease (increase) in Accounts payable	16&19	12,171,290	(31,897,626)
Changes in Working capital		8,614,436	(155,294,711)
Net cashflow generated from Operating Activities		(64,628,607)	(221,282,198)
Cash Flow in Investing Activities:			
Additions to Property, plant and Equipment (Net)	10	(914,686,618)	(512,482,790)
Cashflow from financing:			
Capital grants		360,469,129	1,568,000,000
Donor project funds increase/decrease	17	(9,430,681)	(4,778,552)
Net cash generated from financing activities		351,038,448	1,563,221,448
Net increase/ decrease in cash and cash equivalents		(628,276,777)	829,456,460
Cash at the beginning of the year		939,524,186	110,067,726
Cash at the end of the year	12	311,247,409	939,524,186

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - RECURRENT BUDGET 2020/2021

Revenue	Original Budget Kshs	Adjustment Kshs	Final Budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	variance %	note
Rendering of services	26,000,000	-	26,000,000	23,074,229	(2,925,771)	-11.2	
Government grants	532,232,801	59,057,892	591,290,693	591,290,693	-	0	
Grants & Subsidies	-	10,960,065	10,960,065	10,960,065	-	0	
Total income	558,232,801	70,017,957	628,250,758	625,324,987	(2,925,771)	-0.47	
Expenditure	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Use of Goods and services	33,495,400	6,874,199	40,369,599	67,682,901	(27,313,302)	-67.7	i
Compensation of Employees	512,970,000	48,541,094	561,511,094	581,281,869	(19,770,775)	-3.5	
Remuneration of Directors	8,000,000	1,210,000	9,210,000	23,109,889	(13,899,889)	-150	ii
Repairs and maintenance	3,767,401	2,432,599	6,200,000	5,830,071	369,929	5.9	
Grants & Subsidies	-	20,390,746	20,390,746	20,390,746	0	0	
Total Expenditure	558,232,801	79,448,638	638,641,439	698,295,476	(60,614,037)	-10	
Surplus/(Deficit)				(72,970,489)			

Notes to Statement of Comparison of budget

i) Use of Goods and Services

The negative variance of ksh 27.3 Million is as a result of underfunding of the recurrent budget

ii) Remuneration of Directors

The negative variance of ksh 13.8 Million was due to unanticipated increase in activities that demand the attention of the Board during the year.

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS -
DEVELOPMENT BUDGET 2020/2021**

	Original Budget	Adjustment	Final Budget	Actual comparable basis	Performance difference	variance	note
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Development grants	689,361,658	(328,892,529)	360,469,129	360,469,129	0	0	
Expenditure	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Construction of Buildings	665,323,304	(326,323,304)	339,000,000	747,381,732	(408,381,732)	-120	i
Production of prototype ICU ventilator	4,038,354	(2,569,225)	1,469,129	1,334,160	134,969	9	
Purchase of Furniture & General Equipment	-	-	-	-	-	-	
Purchase of specialized equip plant and machinery	-	-	-	-	-	-	
Rehabilitation and Renovation of plant Equipment/machinery	20,000,000	-	20,000,000	14,981,822	5,018,178	25	ii
Total	689,361,658	(328,892,529)	360,469,129	633,671,944	(273,202,815)		

Notes to statement of Comparison of Budget

i) Construction of building

The negative variance of ksh 408.3 Million was as a result of a budget cut of ksh 339 Million

ii) Rehabilitation and Renovation of plant Equipment/ Machinery

The positive variance of ksh 5.0 Million was as a result of Covid 19 making the Institute not able to undertake some of the activities during the year.

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

Note 1: Significant accounting policies

Basis of Preparation

- a) The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Notes. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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 2012, the established Public sector accounting standards Board, PSASB published the Standards which took effect for the financial year ended 30th 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 have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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. 1st 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 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%
3.	Motor vehicles	25%
4.	Office furniture & equipment ...	12.5%
5.	Computers	30%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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 may be written-off on approval by the Board as guided by the institute's Finance Policies and Procedures and the regulation of The PFM Act, 2012.

(g) Stores and Inventory

Stock and inventories is measured at the lower of cost or net realisable valuation 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.

(h) Insurance cost

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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.

(o) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset

The ability to measure reliably the expenditure during development.

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

(p) Unused Project grants

Unused project fund surpluses are transferred to revenue reserves after completion of the projects.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2: Recurrent grants

	2020/2021	2019/2020
Transfers from Government	KSHS.	KSHS.
Recurrent grants-operational	591,290,693.00	573,710,200
Deferred grant income	125,138,988.00	108,821,623
Total	716,429,681	682,531,823

Note 3. Grants & Subsidies from Donors

	2020/2021	2019/2020
	KSHS.	KSHS.
Project fund receipts	10,960,065	9,171,241

Note 4 Rendering Services

	2020/2021	2019/2020
Rendering services	KSHS.	KSHS.
Service fees	15,975,787	12,866,160

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 5 Other income

	2020/2021	2019/2020
	KSHS.	KSHS.
Sundry revenue	2,503,745	3,465,431
Increase in stock (Note 14)	4,594,697	0
Total	7,098,442	3,465,431

Note 6 Use of goods and Services

	2020/2021	2019/2020
	KSHS.	KSHS.
Transport operation expenses	2,207,921.00	2,459,883
Postal and telecom expenses	2,532,414.00	2,485,164
Telephone expenses	680,982.00	521,949
Official entertainment	3,832,634.00	5,655,712
Electricity	6,975,581.00	4,971,773
Gas purchase	980,750.00	1,483,334
Water and conservancy	1,593,232.00	2,074,682
Publishing and printing	894,136.00	1,922,022
Purchase of consumables	4,778,437.00	3,719,046
Uniform and clothing	1,610,850.00	1,219,074
Library expenses	1,640,313.00	1,555,069
Purchase of stationery	2,804,993.00	3,304,048
Advertising and publicity	894,698.00	728,570

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Show expenses and market research	805,324.00	512,500
Rent and rate(non-residential)	2,986,765.00	2,056,352
Computer expenses	2,336,403.00	5,614,650
Misc. and other charges	1,041,613.00	748,246
Contribution to other bodies	391,068.00	190,360
Insurance of property	1,611,702.00	1,617,105
Provision for audit fee	700,000.00	700,000
Laboratory chemicals	6,493,162.00	6,260,107
Contracted guards & cleaning services	12,249,741.00	8,462,296
Contracted professional services	288,601.00	1,557,703
Decrease in stock (Note 17)	0	354,462
Research feasibility studies & projects	9,385,741.00	6,776,365
Totals	69,717,061	66,950,472

Note 7 Employee Costs

	2020/2021	2019/2020
	KSHS.	KSHS.
Basic salary	301,083,619.00	267,370,546
House allowance	100,420,873.00	103,781,106
Other personal allowance	40,279,127.00	39,854,683
Medical risk Allowance	10,790,934.00	11,292,387
Medical insurance	37,284,228.00	34,677,376
Passage and Leave	5,111,500.00	5,318,000
Training expenses	2,395,497	2,177,853
Group life & personal accident(GPA)	2,122,032.00	1,670,623

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Fees commission and Honoraria	2,191,400.00	10,125,950
Gratuity, Pension and NSSF	60,969,120	53,484,076
Travelling and subsistence	18,633,539.00	19,922,562
TOTAL	581,281,869	549,675,162

Note 8 Remuneration of Directors

	2020/2021	2019/2020
	KSHS	KSHS
Sitting Allowance	6,963,000	3,760,000
Travel costs	2,363,862	4,847,933
Hospitality costs	4,190,836	3,368,126
Conferences and seminars	5,083,791	3,891,628
Daily subsistence	3,548,400	4,928,746
Remuneration & honoraria	960,000	960,000
Totals	23,109,889	21,756,433

Note 9 Repairs and Maintenance

	2020/2021	2019/2020
	KSHS.	KSHS.
Maint. of office, furniture & equip.	2,955,090.00	3,211,742
Maint. of build. & stations-non residential	12,026,732.00	2,845,789
Maint. of plant machinery & equip.	2,918,724.00	5,423,246
Maint. exp-motor vehicles	2,911,347.00	6,166,434
TOTAL	20,811,893	17,647,211

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 10 Fixed Assets

	LAND	WORK IN	BUILDINGS	MACHINERY	MOTOR	FURNITURE	COMPUTERS	TOTAL
		PROGRESS		& EQUIPMENT	VEHICLES	& FITTINGS	& EQUIPMENT	
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
VALUE/COST as at 1/7/2020	26,865,000	3,249,278,816	1,088,221,014	714,937,996	44,255,000	43,044,047	76,301,668	5,242,903,541
Additions during the year	-	747,381,732	-	148,918,369	-	8,331,517	12,370,000	917,001,618
Disposal Adjust.					(4,630,000)			(4,630,000)
TOTAL 6/30/2021	26,865,000	3,996,660,548	1,088,221,014	863,856,365	39,625,000	51,375,564	88,671,668	6,155,275,159
Depreciation for previous year	383,786		21,764,420	71,303,333	10,857,500	2,243,904	2,268,680	108,821,623
Accumulated Depreciation b/f	1,151,358	-	163,745,864	485,419,459	22,540,000	35,672,498	54,642,368	763,171,547
Depr adj on disposal					(2,315,000)			(2,315,000)
Depreciation/Amortz for the year	383,786		21,764,420	79,664,950	9,700,000	2,848,970	10,776,862	125,138,988
Total Depreciation	1,535,144	-	185,510,284	565,084,409	29,925,000	38,521,468	65,419,230	885,995,535
Net Book Value 30-Jun-2021	25,329,856	3,996,660,548	902,710,730	298,771,956	9,700,000	12,854,096	23,252,438	5,269,279,624
Net Book Value 30-Jun-2020	25,713,642	3,249,278,816	924,475,150	229,518,537	21,715,000	7,371,549	21,659,300	4,479,731,994

The capital work in progress relates to ongoing RTI laboratories construction project in Nairobi South B.

Motor vehicle whose revaluation was Ksh 4,630,000 and depreciated to a book value of Ksh 2,315,000 was disposed in the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 11. Grants and Subsidies

	2020/2021	2019/2020
	KSHS.	KSHS.
Project funds utilized	20,390,746	13,949,793

Note 12a Cash and Cash Equivalents

	2020/2021	2019/2020
	KSHS.	KSHS.
Current Account		
National bank of Kenya	259,116,328.00	304,991,731
Absa Bank	38,655,867	630,970,629
Others		
Mpesa Account	13,475,214	3,561,826
	311,247,409	939,524,186

Note 12 b Analysis of Cash and cash equivalent

	Account No.	2020/2021	2019/2020
		KSHS.	KSHS.
National bank of Kenya-HQ main Account	01003000903200	27,199,480	1,280,775
National bank of Kenya-LDC A/c	01003002829200	78,376,111	250,730,955
National bank of Kenya-EDSC A/c	01003002832800	144,660	329,749
National bank of Kenya-Kisumu A/c	01003000903202	908,965	1,301,481
National bank of Kenya-LSC A/c	01003005406800	1,348,712	1,931,262

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Absa Bank A/c	0708004898	38,655,867	384,157,847
National bank of Kenya-NIIC Account	01003005406700	9,925,808	667,509
Mpesa	681725	13,475,214	3,561,826
Absa Bank-LC Bank Guarantee	0708004898	141,212,592	246,812,782
National bank of Kenya-Bank Guarantee	01003000903200	0	48,750,000
TOTAL		311,247,409	939,524,186

Note 13 Accounts Receivable

	2020/2021	2019/2020
	KSHS.	KSHS.
Ministry of Industrialization	59,060,693	0
Traveling imprest(Local)	0	168,000
Temporary imprest	898,380	3,664,854
Standing Imprest	0	0
Salary advance	340,755	340,755
Excess medical	4,077,781	4,472,966
Excess medical insurance	0	153,490
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
Advance payment to Contractors	67,694,442	123,609,829
TOTAL	132,836,189	133,174,032

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 14 Stores and Inventories

	2020/2021	2019/2020
	KSHS.	KSHS.
General Stores	5,189,958	595,261
Loose tools	-	-
Total	5,189,958	595,261

Increase in stock (general stores) is Ksh 4,594,697 being stock adjustment at year-end.

Note 15 Research and Development Projects

These is composed of expenditure amounting Kshs.160,424,504 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 16 Accounts Payable

	2020/2021	2019/2020
	KSH	KSH
Payroll deductions	4,279,458	8,490,421
Miscellaneous deposits a/c	1,544,670	1,084,777
Salary arrears (SRC)	0	10,954,629
Court award obligation	5,252,250	0
Other Creditors	81,945,548	42,984,371
TOTAL	93,021,926	63,514,197

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Note 17 Unused Project funds

	2020/2021	2019/2020
	KSH	KSH
National Research fund	8,229,105	7,566,335
Blue Economy Project	1,826,705	6,616,351
ICIPE Project	1,649,240	3,847,185
Green climate project-UN	0	312,984
Soda lake Project-KWS	2,278,080	3,511,180
GECKO Project-Denmark Tekniske Univ.	432,018	634,628
SolCool Dry Project-BMEL/BLE	2,988,444	3,274,645
Technology localization UHL MPH-UNIDO	0	1,918,153
GIZ kenya - Agri jobs	573,498	0
Mycotile project - Mycelium & agri waste	143,000	0
World bank Africa - ACE II PTRE	130,690	0
TOTAL	18,250,780	27,681,461

Note 18 Provisions

	2020/2021	2019/2020
	KSH	KSH
Provision for Audit fee at the beginning	2,658,000	1,958,000
Additional for the year	700,000	700,000
Provision utilized in the year	-	-
Balance at year-end	3,358,000	2,658,000

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Note 19 Retention money

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.

	2020/2021	2019/2020
	KSH	KSH
Balance at the beginning	259,637,749	218,248,140
Additions during the year	0	41,389,609
Amount paid in the year	(17,336,439)	0
Closing balance	242,301,310	259,637,749

Note 20: Capital /Development funds

The Kshs 6,010,712,537 stated as Capital funds is the net accumulation of Development releases going way back to 1980 when the institute began self-accounting.

These represents grants received from the exchequer to finance acquisition of capital assets and other expenses to research and development activities.

Note 21 Accumulated loss

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

Note 22 Prior year adjustments

Prior year adjustments are made against accumulated surplus/deficit of the retained earnings for expenses relating to the previous year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 23: Recurrent and Development expenditure

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

Note 24: Related party transactions

At the closing of the financial year the institute had not received Ksh 59,060,693 being part of the budgetary allocation for the year from the State department for industrialization.

Note 25: Contingent liabilities

At the year-end there was Contractor's claim of ksh 1.3 Billion for idle equipment in South B project resulting from delay in project implementation considered as contingent liability.

Note 26: 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 27: Capital commitments

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

Note 28: Events after the Reporting period

There were no material adjusting and non-adjusting events after the reporting period.

Note 29: Ultimate and Holding Entity

The Institute is a semi- Autonomous Government Agency (SAGA) under the Ministry of Industrialization, Trade & Enterprise Development (MOITED). Its ultimate parent is the Government of Kenya

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APPENDIX 1: 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/Observation 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)
A	Basis for qualified opinion				
1	Non revaluation of Property, Plant and Equipment 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 National Treasury has Not provided for funding of the activity Management has made a request for consideration in the budgetary allocation for the purpose of revaluation of these assets.	Director	Construction work is on going for Property in Nairobi South B . However Motor vehicles have since been revalued	Not definite
2	Long outstanding Accounts Receivables It was observed that the Financial statements reflects receivable of Ksh 133,174,032 which includes Ksh4,472,966 being excess medical expenditure due for recovery from some members of staff and out of this balance Ksh 1,581,599 was outstanding in respect of staff excess medical expenses for officers who had since passed on.	In complying with the one-third salary rule the affected staff could not be subjected to further deductions. However recoveries from staff pay is on going. Management has procured a comprehensive medical Insurance scheme to mitigate against any future occurrence. Management has reviewed the finance policy in line with the PMF Act for implementation.	Director/Board of Directors	Not resolved	June 2022

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Ref. No. on the external audit Report	Issue/Observation 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	Undisclosed liability and work in progress The Audit observed that the Institute had accumulated pending bills totalling Ksh 884,000,000 for South B project and the Contractor's claim of Ksh1,300,000,000 for idle equipment.	The Contractor's claim for idle equipment of Ksh 1.3 billion is still under arbitration and has not been concluded. This has been disclosed as contingent liability In FY 2020/21 report.	Director/Board of Directors	Resolved	
4	Statement of comparison of Budget and Actual amounts The Statement of financial performance reflects grants from Donors of Ksh 9,171,241 which has not been included in the statement of Budget comparison and actuals.	Donors funds received did not have a provision in the Original approved budget lines since this are collaborative activities that are outside recurrent and development budget allocations/estimates as reported.	Accounts	Resolved	
B	Lawfulness and effectiveness in use of public resources				
1	Delay in Project Completion-Proposed Techno centre The institute contracted a local company (vaghiyani enterprised ltd) to construct proposed RTI center in South B in February 2013 at a contract sum of Ksh 3,933,763. which was to take 156 weeks. By time of audit, a total of 381 weeks had lapsed and the project had not been completed . Also the contract sum had been varied to Ksh 4,812,400,054. Further the Management paid Ksh 130,040,490 to the company in Dec 2019 as an advance	Management continuous to engage the National Treasury to prioritize funding and completion of the project. Delays in completion of the project has contributed to variation in the contract sum caused by inflation, price changes on materials and other factors affecting prices of commodities	Director Director "	Not resolved Not resolved "	3 years

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Ref. No. on the external audit Report	Issue/Observation 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)
	payment and extra cost in interest of Ksh 34,110,649 for delayed payments.	Late payment of certificates due to the contractor attracted interest. The Certificate was related to work done in FY 2017/18 where the National treasury had reduced development allocation and only made allocated ksh 10 Million for the project in the FY 2018/19.			
2	Use of Development funds During the year Ksh 1,568,000,000 as development funds. Review of records revealed that an estimated Ksh 4,147,230 had been utilized to finance recurrent budget.	Development funds were utilized to support recurrent related activities in development votes. Adequate budget provision to be allocated in recurrent budget.	Director	Resolved	
3	Dues from former Employee The Institute was involved in a court case with a former staff in 2014. It was reported to the Board that the Institute had incurred Ksh 970,966 in legal fees and the contempt proceedings against the Institute had been dismissed with costs. The amount had since not been recovered despite the time lapse.	The amount has totally been recovered from the officer.	Director/ Management	Resolved	

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Ref. No. on the external audit Report	Issue/Observation 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)
4	Advance payments to Contractors The Management paid a total of Ksh 1,237,760 to a local construction company in May 2020 as advance payment for Leather annex in Kisumu	The payment made were recovered from the contractor's fee notes.	Accounts	Resolved	
5	Idle Resources Centres at the Kisumu Western Region centre (KWRC) The Institute constructed a Research Technology and Innovation (RTI) Centre in Kisumu that was completed in 2016. Previous inspection of the facilities at the Centre in 2019 indicates that it was not fully utilized due to lack of machinery and thus not achieving intended objectives.	KWRC is in operation after installation of equipment of Leather, Food processing, laboratory analytical services, and Natural products unit to boost the level of activities at the Centres.	Director	Resolved	
6	Long outstanding trade payables The financial statements reflect accounts payable totalling Ksh 63,514,197. The balance includes Ksh 28,453,690 un-remitted Vat and Ksh 1,704,859 withholding Taxes dating back to 2017/18. Included also is Ksh 2,047,614 payroll deductions outstanding.	The outstanding amounts on unremitted taxes have been settled. Management has endeavoured to settle payments and reconcile any dues with KRA. Payroll deductions have since been paid.	Director	Resolved	

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Signature: 
 Ag. Director/CEO

Date: 19/05/2022

Signature: 
 Chairperson

Date: 19/05/22

APPENDIX II: INTER -ENTITY TRANSFERS

Breakdown of Transfers from the State Department of Industry

(a)	Recurrent Grants	Bank Statement Date	Amount Kshs.	F/y to which the Amount Relates
	1 st Quarter	11/08/20	44,352,500	2020/21
	1 st Quarter	28/08/20	44,352,500	2020/21
	1 st Quarter	22/09/20	44,352,500	2020/21
	2 nd Quarter	21/10/20	133,057,500	2020/21
	3 rd Quarter	02/02/21	133,057,500	2020/21
	4 th Quarter	05/05/21	133,057,500	2020/21
	4 th Quarter	08/07/21	59,060,693	2020/21
(b)	Development Grants			
	1 st Quarter	28/08/20	344,680,729	2020/21
	4 th Quarter	19/05/21	15,788,400	2020/21

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

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Deputy Director Finance HRA
Finance, KIRDI

Sign. 

Ministry of Industrialization Trade &
Enterprise Development, State Department
for Industrialization
PAC

Sign.

END