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# KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE

## Auditor's Report and Financial Statements for the year (2003 – 2004)

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# KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF KENYA INDUSTRIAL RESEARCH AND  
DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2004

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# KENYA NATIONAL AUDIT OFFICE

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2004

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I have audited the financial statements of Kenya Industrial Research and Development Institute for the year ended 30 June 2004 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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. The financial statements are in agreement with the books of account.

### Respective Responsibilities of the Directors and the Controller and Auditor General

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The directors are responsible for the preparation of financial statements which give a true and fair view of the Institute's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

### Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

### Comments

#### 1. Preparation and presentation of financial statements.

In spite of having drawn the attention of the Management to the fact that the financial statements submitted for audit were not prepared and presented in accordance with the requirements of International Financial Reporting Standards and International Accounting Standards the Management has not taken any action to prepare and submit for audit such statements. Contrary to the

requirements of International Accounting Standard No.1, notes comprising a summary of significant accounting policies and other explanatory notes are missing. Comparative information in respect of previous years amounts on some notes to the accounts have not been disclosed and there is lack in consistency of preparation of these financial statements. Consequently, the financial statements do not provide relevant, reliable, comparable and understandable information.

## **2. Operational Performance**

The Institute realized a deficit of Kshs.14,319,206 (2003 – Kshs.11,833,172) which brought its accumulated deficit under Revenue Reserves Account to Kshs.77,918,931. The financial statements have therefore been prepared on the going concern basis which assumes continued financial support from the Government and related parties.

## **3. Inaccuracies of accounts.**

The year 2002/2003 closing balances in the financial statements for the creditors and General Reserves of Ksh.3,978,950 and Kshs.128,162,037 did not agree with the opening balance for year 2003/2004 of Kshs.10,328,830 and Kshs.122,888,946 respectively thus resulting to unexplained differences of Kshs.6,349,880 and 5,273,091 respectively. In addition, the balance sheet, UNIDO donations and Revenue Reserves figures of Kshs.83,515,167 and Kshs.110,805,094 differ from the supporting Note 10 to the accounts figures of Kshs.84,334,861 and 109,459,526 respectively thus resulting to unexplained differences of Kshs.(819,694) and Kshs.1,345,568 respectively. Explanation was not given for these differences. These differences have also not been investigated or adjusted and, consequently, I am unable to express an opinion on the accuracy of the Creditors, General and Revenue reserves and UNIDO donations balances in the financial statements.

## **Opinion**

In my opinion, except for the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial affairs of the Institute's financial position as at 30 June 2004 and of its loss and cash flows for the year then ended and comply with the Science and Technology Act (Cap 250).

  
E.N. MWAI

**CONTROLLER AND AUDITOR GENERAL**

Nairobi

19 December 2005



**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**  
**BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2004**

ASSETS	NOTES	2003/04	2002/03
<b>NET CURRENT ASSETS</b>			
Property and Equipment	2	173,245,037.00	178,084,422.00
Work in Progress	2	108,271,182.00	64,847,182.00
		<b>281,516,219.00</b>	<b>242,931,604.00</b>
<b>CURRENT ASSETS</b>			
Stock		57,189,017.50	56,084,085.00
Debtors and Prepayments	3 & 4	20,361,090.15	23,222,418.55
Cash and Bank Balances	7 & 13	20,297,804.15	31,284,626.55
Deposits and Investments	5 & 6	394,138.00	534,138.00
		<b>98,242,049.80</b>	<b>111,125,268.10</b>
<b>TOTAL ASSETS</b>		<b>379,758,268.80</b>	<b>354,056,872.10</b>
<b>GENERAL FUND AND LIABILITIES</b>			
Accumulated Funds	10		
Capital Grants G.O.K	10	172,717,264.00	135,517,264.00
Project Grants	9	819,694.25	1,806,665.60
General Reserves	10	110,805,094.40	122,888,945.90
Donations UNIDC	10	83,515,167.00	83,515,167.00
		<b>367,857,219.65</b>	<b>343,728,042.50</b>
Current Liabilities			
Creditors	8	11,901,049.15	10,328,829.60
		<b>379,758,268.80</b>	<b>354,056,872.10</b>

DR. P. MUTURI, OGW  
DIRECTOR

LT. GEN. (R.T.); J. KOECH  
CHAIRMAN

**INCOME AND EXPENDITURE ACCOUNT STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2004**

	2003/04	2002/03
<b>INCOME</b>	133,570,822.30	132,171,986.05
<b>EXPENSES</b>		
Staff costs	92,489,079.75	93,804,735.65
Administration Expenses	25,729,792.45	23,587,337.40
Insurance Expenses	1,325,731.00	778,092.00
Project Consultancy Expenses	3,129,531.35	2,115,872.50
Technical Expenses	1,737,037.40	1,199,065.00
Maintenance Expenses	4,925,438.40	2,368,506.40
Travelling and Subsistence Expenses	3,357,087.50	2,920,884.40
Depreciation Expenses	15,196,330.00	17,230,665.00
	<b>147,890,027.85</b>	<b>144,005,158.35</b>
<b>Surplus/Deficit for the Year</b>	<b>(14,319,205.55)</b>	<b>(11,833,172.30)</b>



**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**  
**STATEMENT OF CHANGES IN ACCUMULATED FUNDS**

Note 10

	DONATIONS	CAPITAL GRANT	REVALUATION RESERVE	REVENUE RESERVE	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
As at 1st July 2003	85,321,832.60	135,517,264.00	187,378,457.00	(52,209,406.00)	356,008,147.60
Prior year adjustment				(1,663,731.75)	(1,663,731.75)
Surplus/Deficit for the year				(11,833,172.30)	(11,833,172.30)
As at 30th June 2003	85,321,832.60	135,517,264.00	187,378,457.00	(65,706,300.05)	342,511,253.55
1st July 2003	85,321,832.60	135,517,264.00	187,378,457.00	(65,706,300.05)	342,511,253.55
Government Grants		37,200,000.00			37,200,000.00
Prior year adjustment	(986,971.35)			2,106,575.30	2,106,575.30
Stock Adjustment					
Special Reserve Adjustment				(14,319,205.85)	(14,319,205.85)
Surplus for the year				122,700.00	122,700.00
Provisions: 1. Audit				1,222,868.00	1,222,868.00
2. Bad Debts					
As at 30th June 2004	84,334,861.25	172,717,264.00	187,378,457.00	(75,573,362.60)	367,857,219.65



**KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE (KIRDI)**  
**CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2004**

	2003/2004	2002/2003
	KSHS.	KSHS.
Cash flow from operating activities	(14,319,205.65)	(11,833,172.30)
<b>Adjustment for items not involving movement of cash</b>		
Depreciation Expense	15,196,330.00	17,230,665.00
Provisions	328,778.95	
Adjust loose tools	(966,407.00)	
Surplus Deficit before working Capital Changes	239,496.30	5,397,492.70
<b>Working Capital Changes</b>		
Stock	(1,049,932.50)	6,544,448.00
Debtors	2,913,487.30	1,775,631.70
Deposits	140,000.00	(15,375,053.25)
Creditors and Accruals	(1,572,219.55)	
Net inflows from operating activities	670,831.55	
<b>Cash Flow from Investing Activities</b>		
Purchase of property and equipment	(49,294,152.00)	(3,668,555.00)
Net used in investing activity	(49,294,152.00)	(3,668,555.00)
<b>Cash Flow from Financing</b>		
Capital grant	37,500,000.00	5,842,804.00
Net increase in cash	(11,123,320.45)	(6,432,411.60)
Cash at beginning of the year	31,477,968.05	39,755,885.00
Cash as at the end of the year	20,356,647.60	31,284,626.55



**KERALA RESEARCH AND DEVELOPMENT INSTITUTE ( KIRDI )**

**NOTES ON ACCOUNTS AS AT 30TH JUNE 2004**

**1. Accounting Policies**

The Institute is a profit making body and the accounts are prepared on the basis of government accounting practices as modified to include the revaluation of certain assets.

**(a) Assets**

The assets are stated at cost or cost as revalued on existing use basis from when the Institute started operations on 1st July, 1980.

**(b) Depreciation**

Provision for Depreciation on the straight line method designed to write off the original cost or valuation of assets other than land, and work in progress over the actual or estimated 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 not more than three months or less to the end of the financial year. The annual rate for this purpose:-

- 1. Buildings ..... 2%
- 2. Plant and machinery ..... 12.5% or as per valuer's recommendation
- 3. Furniture ..... 25%
- 4. Motor Vehicles & Equipment ..... 12.5% or as per valuer's recommendation

**(c) Income**

The sources of income of this Institute are the grants from the Government and the nominal charges of services rendered to industrial manufacturers and potential entrepreneurs who need laboratory reports on their products.

**(d) Bad Debts**

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

Note 2

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

**FIXED ASSETS SCHEDULE 2003/2004**

	LAND	WORK IN PROGRESS	BUILDING	MACHINERY & EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
VALUE COST as at 01/07/2003	26,885,000	64,847,182	108,547,000	88,734,966	7,996,000	18,033,013	315,023,161
Additions during the year		43,424,000		3,298,622		2,571,530	49,294,152
Adjustment - Disposal							
<b>TOTAL 30th June 2004</b>	<b>26,885,000</b>	<b>108,271,182</b>	<b>108,547,000</b>	<b>92,033,588</b>	<b>7,996,000</b>	<b>20,604,543</b>	<b>384,317,313</b>
Accumulated Depreciation b/f			17,367,520	37,473,242	5,997,000	11,253,795	72,091,557
Depreciation for the year			2,170,940	5,078,985	1,999,000	1,460,612	10,709,537
Total Depreciation			19,538,460	42,552,227	7,996,000	12,714,407	82,801,094
Net Book Value as at 30/06/2004	26,885,000	108,271,182	89,008,540	49,481,361	-	7,890,138	281,516,219
Net Book Value as at 30/06/2003	26,885,000	64,847,182	91,179,480	51,261,724	1,999,000	6,779,218	242,931,604

**Notes****2003/2004****2002/2003****Ksh****Ksh.****3. Debtors**

Balance 1980/81 to 30th/06/2002	4,088,689.85	4,088,689.85
Payroll Deductions	2,275,195.40	2,214,660.95
pension scheme	2,141,278.65	2,141,278.65
	<u>8,505,163.90</u>	<u>8,444,629.45</u>

**4. Advances & Prepayments**

Traveling Imprest (Local)	550,373.10	512,255.10
Traveling Imprest (Overseas)	261,934.40	182,626.90
Temporary Imprest	6,008,309.75	8,175,769.05
Standing Imprest	505,646.80	398,636.80
Salary Advance	862,521.30	1,176,679.25
Salary In Advance	1,078,128.10	1,046,941.00
Insurance Cover		
Excess Medical	2,264,269.00	2,821,259.90
Plot Scheme	324,743.80	515,780.00
	<u>11,855,926.25</u>	<u>14,829,948.00</u>

**5. Deposits**

Fuel	6,000.00	6,000.00
Oxygen	30,000.00	30,000.00
Hospital	10,000.00	10,000.00
Electricity - Kisumu	308,138.00	308,138.00
Electricity - Newsite	40,000.00	40,000.00
	<u>394,138.00</u>	<u>394,138.00</u>

**6. Investments**

Thabiti Finance	-	140,000.00
	-	<u>140,000.00</u>

**7. Cash Balance**

HQ (Main Account)	3,062,459.95	3,600,429.80
L.D.C	4,218,059.75	3,249,081.15
E.D.S.C	1,773,376.10	1,656,147.10
K.S.P.P	285,238.45	245,325.75
LABS	939,578.20	506,071.50
BBK A/C	9,611,528.80	22,204,874.75
N.I.I.C	407,562.90	16,038.00
	<u>20,297,804.15</u>	<u>31,477,968.05</u>

**8. Creditors**

Nairobi city council (Rent & Rates)		1,801,800.00
Payroll Deductions	1,066,555.25	1,551,324.75
House Allowance Arrears	-	14,837.30
world Bank Project	-	610,987.95
Trade creditors	8,918,400.00	
Miscellaneous deducations	1,916,093.90	6,349,879.60
	<u>11,901,049.15</u>	<u>10,328,829.60</u>

**9. Projects**

Horticulture- A.D.B	55,802.65	-
Horticulture- IFAD		196,924.00
Coffee OTTA Project	(182,059.50)	(150,822.50)
Potato- ASARECA	(275,935.75)	(275,935.75)
A T P S	226,463.05	213,510.05
I F S	340,832.80	385,389.80
C I P	36,661.00	225,600.00
A T P S C I T	(162,750.00)	1,212,000.00
opcw	780,680.00	
	<u>819,694.25</u>	<u>1,806,665.60</u>

**11. Other Incomes:**

Rent & Sundry Revenue	1,244,267.60
L.D.C	3,658,747.50
E.D.S.C	1,729,483.30
Kisumu Sorghum	115,119.00
LABS	521,622.00
Training levy	3,909.00
CLOSURE OF PROJECT GRANTS	8,498.00
	<u>7,281,646.40</u>

**12. Other Expenditure:**

L.D.C	2,392,783.80
E.D.S.C	1,702,494.00
N.I.I.C	36,225.00
LABS	744,257.00
K.S.P.P	145,522.50
Decrease of debtors	185,966.60
	<u>5,207,248.90</u>

# EXPENSES

		2003/04	2002/03
<b>STAFF COSTS</b>			
		38,918,082.00	39,972,620.75
Basic salary		27,198,361.00	28,538,995.15
House Allowance		4,350,860.00	4,405,338.15
Other Personal Allowances		3,587,728.00	3,730,658.80
Medical Allowance		3,616,318.00	3,397,560.00
Medical Expenses		603,200.00	643,031.25
Passage and Leave		1,121,238.00	926,545.00
Training Expenses		1,803,343.75	2,021,395.95
Group Life		1,183,138.00	615,723.00
Fees Commissions and Honoraria		10,106,811.00	9,552,877.55
Gratuity, Pension and NSSF		<b>92,489,079.75</b>	<b>93,804,745.60</b>
<b>ADMINISTRATIVE COSTS</b>			
Transport Operating Expenses		2,757,611.00	2,413,492.65
Postal and Telecom Expenses		413,256.00	335,238.00
Telephone Expenses		1,912,802.00	1,602,883.00
Official Entertainment		1,273,903.00	1,109,176.00
Exp. Of Conferences, Com and Board		4,798,551.00	3,122,028.00
Electricity		1,808,243.00	278,483.00
Gas Purchase		171,116.00	138,878.00
Water and Conservancy		991,663.00	882,362.00
Publishing and Printing		379,657.00	386,331.00
Purchase of Consumables		1,275,053.15	728,872.65
Uniforms and clothing		424,308.00	134,360.00
Library Expenses		612,666.00	507,600.25
Purchase of Stationery		1,564,003.30	1,454,358.50
Advertising and Publicity		862,063.25	583,624.30
Show expenses and market research		687,494.20	454,595.85
Rent and Rates (Non residential)		164,040.00	347,175.00
Computer Expenses		1,064,184.25	710,736.00
Hire of Transport and Machinery		267,600.00	104,650.00
Misc. and other Charges		3,501,919.55	635,555.05
Misc. operating expenses (projets)		46,157.00	61,556.00
Purchase of plant and equipment		186,622.80	970,271.75
Contributions and other bodies		238,100.00	341,072.45
Centres Expenditure			5,207,248.90
	12	<b>25,401,013.50</b>	<b>22,510,548.35</b>
Audit fee		200,000.00	(17,300.00)
Bad debts provision		128,778.95	1,094,089.05
		<b>25,729,792.45</b>	<b>23,587,337.40</b>
<b>INSURANCE EXPENSES</b>			
Insurance of Properties		1,325,731.00	778,092.00

<b>PROJECT AND CONSULTANCY EXPENSES</b>			
Contracted Services		3,129,531.35	2,115,872.50
<b>TECHNICAL EXPENSES</b>			
Purchase of Lab Chemicals		428,454.10	491,950.00
Purchase of Research Materials		1,308,583.30	707,115.00
		<b>1,737,037.40</b>	<b>1,199,065.00</b>
<b>MAINTENANCE EXPENSES</b>			
Maintenance of Office Equipment		2,584,438.40	10,910,230.00
Maintenance of Buildings and Stations		2,340,999.90	1,277,276.40
		<b>4,925,438.30</b>	<b>12,187,506.40</b>
<b>TRAVELLING AND SUBSISTENCE EXPENSES</b>			
Travelling and Accommodation		3,357,087.50	2,920,884.40
<b>INCOME</b>			
Recurrent Grants	11	124,358,091.60	124,890,339.65
<b>OTHER REVENUE</b>			
Rents and Sundry Revenue			1,244,267.60
LDC			3,658,747.50
EDSC			1,729,483.30
Kisumu			521,622.00
Training Levy			3,909.00
Closure of Project Grants.			8,499.00
		<b>9,212,730.70</b>	<b>7,166,527.40</b>