

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

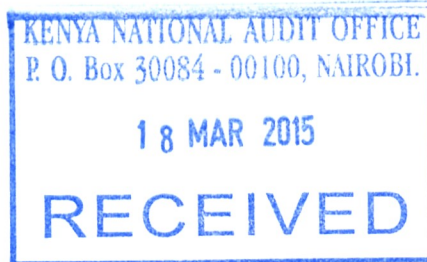
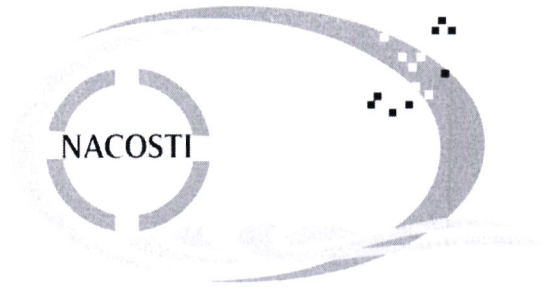
THE FINANCIAL STATEMENTS OF
NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION

FOR THE YEAR ENDED
30 JUNE 2014

Paper laid
By Hon. A. Diale, MP (hon)
on Tuesday, 21.04.2015.
Mhm



NATIONAL COMMISSION FOR SCIENCE TECHNOLOGY AND INNOVATION



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

Table of Content

I. KEY ENTITY INFORMATION AND MANAGEMENT	1
II. THE BOARD OF THE COMMISSION	3
III. MANAGEMENT TEAM	3
IV. CHAIRPERSON'S STATEMENT	4
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	5
VI. CORPORATE GOVERNANCE STATEMENT.....	6
VII. CORPORATE SOCIAL RESPONSIBILITY (CSR)	7
VIII. REPORT OF THE BOARD OF THE COMMISSION.....	8
IX. STATEMENT OF THE BOARD OF COMMISSION'S RESPONSIBILITIES.....	9
X. REPORT OF THE INDEPENDENT AUDITORS.....	10
XI. STATEMENT OF FINANCIAL PERFORMANCE	11
XII STATEMENT OF FINANCIAL POSITION	12
XIII STATEMENT OF CHANGES IN NET ASSETS	13
XIII. STATEMENT OF CASH FLOWS	14
XIV. STATEMENT OF COMPARATIVE AND ACTUAL AMOUNTS	15
XV. NOTES TO THE FINANCIAL STATEMENTS.....	16
XVI PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	27

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Commission for Science Technology and Innovation was established under the Science Technology and Innovation Act of 2013 the Commission commenced on the 24th June 2013, it is the successor to the National Council for Science and Technology

Principal Activities

The objective of the Commission shall be to regulate and assure quality in the Science, Technology and Innovation sector and advice the Government in matters related thereto

(a) Key Management

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

The Secretary/ CEO
Deputy CEO
Secretariats

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag Secretary/ CEO	-Dr. M. K. Rugutt, PhD, HSC
2.	Ag Deputy Secretary	-Dr. Stephen Karimi
3.	Principal Accountant	-Mr James Akello
4.	Internal Audit	-Mr Samuel Mugane

(c) Entity Headquarters

P.O. Box 30623-00100
Utalii House
Loita Street
Nairobi, KENYA

(d) Entity Contacts

Telephone: +254 20 2241349
E-mail: secretary@nacosti.go.ke
Website: www.nacosti.go.ke

(e) Entity Bankers









1. Kenya Commercial Bank
Kipande House
P.O. Box 30012-00100
Nairobi, Kenya

2. NIC Bank
City Centre
P.O. Box 44599-00100
Nairobi, Kenya





(f) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

II. THE BOARD OF THE COMMISSION

	NAME	POSITION	DATE OF APPOINTMENT
	Prof. Njeri Wamae, MSPH, PhD, IoD (K)	The Chairperson	03/04/2014
	Prof. Collette A. Suda, PhD, FKNAS, EBS	Member	03/04/2014
	Prof. Elijah Omwenga	Member	03/04/2014
	Prof. Eucharia Kenya	Member	03/04/2014
	Dr. Titus Lanyasunya	Member	03/04/2014
	Mr. Ambrose Ogango	Member	03/04/2014
	Eng. Julius Riungu	Member	03/04/2014
	Dr. M. K. Rugutt, PhD, HSC	Secretary	19/04/2014

III. MANAGEMENT TEAM

	Dr. M. K. Rugutt, PhD, HSC	Ag. Secretary/CEO
	Dr. S. K. Karimi	Ag. Deputy Commission Secretary
	Mr. S. N. Mugane	Internal Audit
	Mr. James Akello	Principal Accountant

IV. CHAIRPERSON'S STATEMENT

The National Commission for Science, Technology and Innovation was established by the Science Technology and Innovation Act of 2013. It is the successor to the National Council for Science and Technology. The body was commenced on 24th June 2014.

As a Commission we are committed to the mandate of regulating, assuring quality, promoting, coordinating on Science, Technology, Innovation and Research and advising both the National and County Governments in matters related thereto. We will strive to consistently adapt to improve on our mandate despite the challenges ahead of us and are committed to perform better.

The Commission has continued to disburse research grants to researchers, PhD, Masters and Post-Doctorate Students, Women scientists, and Innovators, in its efforts to realize the dreams of Vision 2030. We have also entered into bilateral programmes with South Africa, Japan Society for the Promotion of Science (JSPS) and International Development Research Centre (IDRC) of Canada in order to promote and enhance strong scientific and technological cooperation. The Research Endowment Fund budget for 2013/2014 was Kshs.397, 904,850. This figure is grossly inadequate since many viable research projects cannot be concluded due to shortage of funds.

We have for the 3rd year running held the National Science, Technology and Innovation Week to showcase Kenya's achievements and breakthrough in Science, Technology and Innovation and to appraise and create public awareness of the development and achievement of Science, Technology and Innovation in Kenya.

The Commission, recognizing the important role its workforce plays, has made significant strides to complete the delinking process from the Parent Ministry, in order to establish the staff status. The Commission also engages in relevant workshops and training including but not limited to sensitization and team building.

On behalf of the Board of Management I would like to thank the Management Team and the entire Secretariat of the Commission for their cooperation and commitment. I would also like to acknowledge the guidance and support we continue to receive from our parent Ministry.



Prof. Njeri Wamae, MSPH, PhD, IoD (K)
Chairperson

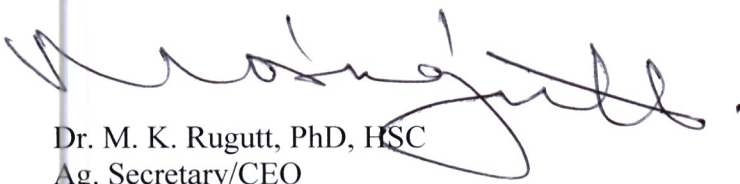
V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The National Commission for Science, Technology and Innovation (NACOSTI) is the successor to National Council for Science and Technology. It was established after the commencement of the Science, Technology and Innovation Act of 2013 on 24th June, 2013. The core mandate of the Commission is to regulate, assure quality, promote, coordinate and advice on Science, Technology, Innovation and Research.

During the year the Commission was able to greatly improve service delivery through the attainment of ISO 9001: 2008 Certification. Under the Science Technology and Innovation grant, we were able to support 262 projects including PhD, MSc/MA, Research and Innovation projects. A further 22 projects were supported in partnership with development partners. We also embarked on laying the foundation for regulations and quality assurance. Consultative meetings were held on the regulatory function and we now have the regulations and guidelines gazetted and awaiting approval by Parliament. The 2013/2014 Financial Year was a year of many challenges. Total revenue received including recurrent grants was Kshs.658, 970,756 as opposed to Kshs.687, 857,798 received the previous year. This negative deviation was largely due to decline in transfers from bilateral projects. Research grants allocation was reduced from 401,000,000 in 2012/2013 to Kshs.397, 904,850 in 2013/2014 despite the growing number of research proposals and bilateral agreements signed with other partners. The Commission managed to post a surplus of Kshs.3, 483,542. This was largely due to the strategic control and austerity measures applied during the year.

I am happy for the continued support we receive from the parent Ministry, the Board of Management, staff and our stakeholders whose cooperation and commitment prove invaluable for the support to research students and innovators. I wish therefore to thank all staff of NACOSTI for their dedication and commitment which has been very instrumental in the Commission's positive trend.

I am hopeful that with the Government's promise of funding research to the tune of 2% of GDP more will be realised and the research results will in future yield a resourceful out-put to the country.



Dr. M. K. Rugutt, PhD, HSC
Ag. Secretary/CEO

VI. CORPORATE GOVERNANCE STATEMENT

The National Commission for Science, Technology and Innovation (NACOSTI) is the successor to National Council for Science and Technology (NCST) and was established after the commencement of the Science, Technology and Innovation Act, 2013 on 24th June, 2013.

Our Mission is to improve the quality of life of Kenyans by integrating science and technology in social and economic development. We regulate, assure quality, promote, coordinate and advise on science, technology, innovation and research.

According to the Section 6(1) of the Science, Technology and Innovation Act, 2013, the functions of the Commission include:-

- develop, priorities in scientific, technological and innovation activities in Kenya;
- lead inter-agency efforts to implement sound policies and budgets at national and county levels;
- advise the national and county governments on the science, technology and innovation policy;
- ensure co-ordination and co-operation between the various agencies;
- accredit research institutes and approve all scientific research in Kenya;
- assure relevance and quality of science, technology and innovation programmes;
- advise on science education and innovation at both basic and advanced levels.

The Commission is governed by a Board of nine (9) persons with the Chief Executive Officer as its Secretary. The names of the Chairperson and members of the Board of the National Commission for Science, Technology and Innovation as appointed by the Cabinet Secretary, Ministry of Education, Science and Technology were published through a Kenya Gazette notice of 3rd April, 2014.

The Chairperson is Prof. Njeri Wamae while Board members are Dr. Titus P. Lanyasunya, Prof. Eucharia U. Kenya, Prof. Elijah I. Omwenga , Prof. Collette A. Suda, Eng. Julius Riungu, Dr. Kamau A. Thugge. At the Board, Dr. Kamau A. Thugge, the Principal Secretary, Treasury is represented by Mr. Ambrose Ogango. The term of service for both the Chairperson and members is three years with effect from 3rd April, 2014. Two other members from National Research Foundation and Kenya National Innovation Agency will join the Board after commencement of both institutions.

At the end of the 2013/2014 financial year the Board had embarked on the process of recruitment of the Chief Executive Officer/Secretary to the Commission. It is expected that the various Board Committees will be formed and operationalised during the 2014/2015 financial year.

VII. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The National Commission for Science, Technology and Innovation (NACOSTI) believes in adding value to the Kenyan public and society at large as they are the key stakeholders of our services. During the year under review, the Commission continued to engage in Corporate Social Responsibility (CSR) and related activities. Emphasis was given to matters of sustainability of environmental activities.

NACOSTI during the year under review undertook a number of environmental sustainability activities. These activities include domestication of environmental policy at workplace, improved waste management, creating environmental awareness at workplace and planting trees. NACOSTI collaborated with the Friends of Karura Forest to plant 1,000 trees at the Karura Forest on 29th November, 2013. This was a contribution to the conservation initiative at the forest, which involves removal of the shrub *Lantana camara*, a highly invasive species from Latin America and replacing it with indigenous tree species.

The tree planting ceremony was officiated by the then NACOSTI Deputy Commission Secretary, Dr. M. K. Rugutt, the Chairman of Friends of Karura, Prof. Karanja Njoroge who was represented by Ms. Camille Wekesa and Mr. Fredrick Mutisya, Conservation Officer, Kenya Forest Service. Participants included the NACOSTI staff, Friends of Karura Forestry Officers and Friends of Karura Scouts.

VIII. REPORT OF THE BOARD OF THE COMMISSION

The Commission submit its report together with the audited financial statements for the year ended 30th June 2014 which show the state of the NACOSTI financial affairs.

Principal activities

The principal activities of the Commission are to regulate, assure quality, promote, coordinate and advise on science, technology, innovation and research.

Results

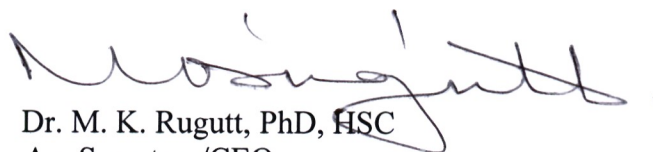
The results of the Commission for the year ended 30th June 2014 are set out on page 11

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012,



Prof. Njeri Wamae, MSPH, PhD, IoD (K)
Chairperson



Dr. M. K. Rugutt, PhD, FSC
Ag. Secretary/CEO

IX. STATEMENT OF THE BOARD OF COMMISSION'S RESPONSIBILITIES

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

The Board of the Commission is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2014. 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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of the Commission accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM, 2012 Act, 2012 and the State Corporations Act. The Board of the Commission is of the opinion that Commission's financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Board of the Commission further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of the Commission to indicate that the National Commission for Science Technology and Innovation will not remain a going concern for at least the next twelve months from the date of this statement.

The Commission's financial statements were approved by the Board on 17.10. 2014 and signed on its behalf by:



Prof. Njeri Wamae, MSPH, PhD, IoD (K)
Chairperson



Dr. M. K. Rugutt, PhD, HSC
Ag. Secretary/CEO

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Commission for Science, Technology and Innovation as set out on pages 11 to 26, which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparative of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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.

Management's Responsibility for the Financial Statements

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

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Inventories

As reported in the previous years, the inventories balance of Kshs.15,122,713 as at 30 June 2014 includes stock of partitioning materials worth Kshs.5,746,188 removed from the commission's offices at Emperor Plaza Building way back in 1997 to the Ministry of Public Works which have not been accounted for. According to information available, the materials disappeared from the Ministry's go-down in industrial Area where they had been kept apparently for safe custody. Although the matter has been indicated as being under investigation by the Criminal Investigations Department over fourteen (14) years ago, the progress of such investigations has not been made available for audit review as at the date of this report.

In the circumstances, it has not been possible to confirm the carrying value of inventories balance of Kshs.15,122,713 as at 30 June 2014.

2. Work in progress

As reported in 2012/2013, the Ministry of Higher Education, Science and Technology entered into a contract with a contractor on behalf of the Commission for the construction of office block, hostel and swimming pool and associated civil works at Kabete at a contract sum of kshs.990,990,990. The contractor took possession of the site on 2 April 2012 and the work was to be completed in 22.5 months or 90 weeks from the date of site possession. However, the contract duration was extended by 52 weeks up to 22 December 2014. A review of the project status report availed for audit review indicated that total work certified amounted to Kshs.600,777,443 equivalent to 60.62% of the contract sum, while over 98% of the scheduled time had elapsed, an indication that the work was far behind schedule and the contractor may have been overpaid.

Further, the contract states that interest on any certificate not paid within thirty days from the date of approval will be calculated at 3% above the Central Bank's average lending rate of the period overdue which was 16% and therefore the interest rate for the year was 19% for all overdue certificates. A review of outstanding payment certificates revealed that interest amounting to Kshs.35,298,310 arising from delay in payment of certified work had accrued as at 30 June 2014. This wasteful expenditure could have been avoided had the parent Ministry settled the bills on time.

3. Motor Vehicles

Note 16 to the Financial statements reflects a decrease in the value of motor vehicles from Kshs.28,091,362 as at 30 June 2013 to Kshs.21,068,521 as at 30 June 2014. Further, records made available for audit review indicated that the following five (5) motor vehicles and one (1) motor cycle bought between 2008 and 2009 at a cost price of Kshs.14,409,533 were fully depreciated and therefore did not reflect carrying value in the financial statements.

Vehicle Details	Year of Purchase	Cost Price (Kshs)
GKA 539A Toyota Prado	12.03.2009	5,093,333
GKA 617R Toyota Avensis	10.08.2008	3,266,250
GKA 618R Toyota Corolla	29.10.2008	1,983,650
GKA 160T Toyota Corolla	29.10.2008	1,983,650
GKA 159T Toyota Corolla	29.10.2008	1,983,650
GKA 788T Yamaha YD 110(motorcycle)	31.07.2000	<u>99,000</u>
		<u>14,409,533</u>


However, a physical verification of the Commission's assets revealed that the five (5) motor vehicles and one (1) motor cycle were in good working condition and were being actively utilized by the Commission in its day today activities.

The Commission failed to re-value its vehicles as at 30 June 2014 to ascertain their carrying values and the respective depreciation and include the same in the financial statements.

In the circumstances, it has not been possible to confirm if the property, plant and equipment balance of Kshs.541,792,007 is fairly stated as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June, 2014, its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 of the of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

NAIROBI

20 March 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

Revenue from non-exchange transactions		2014	2013
Public contributions and donations	3	631,604,850	635,628,775
Transfers from other government	4	12,410,508	38,733,798
Licenses and permits	5	14,955,398	13,495,205
Total revenue		658,970,756	687,857,778
Expenses			
Employee Costs	6	100,451,236	97,885,495
Depreciation and Amortization Expense	7	11,481,341	5,792,230
Repairs and Maintenance	8	15,864,751	13,940,207
Contracted Professional services	9	18,430,667	21,964,130
Project Cost	10	15,756,199	29,583,456
Administration expenses	11	88,039,566	94,852,353
Board Expenses	12	1,348,000	
Finance Cost	13	262,170	
Research Costs	14	398,740,134	390,178,136
Audit Fee		754,000	650,000
Capitalized Grants		4,359,150	28,118,202
Total expenses		655,487,214	682,964,209
Surplus before tax		3,483,542	4,893,569
Surplus for the period		3,483,542	4,893,569

XII STATEMENT OF FINANCIAL POSITION

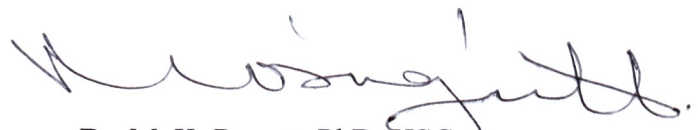
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	153,005,606	142,627,056
Receivables from non-exchange transactions	16	121,088,289	110,328,259
Inventories	17	15,122,713	10,750,329
Prepayments	18	1,200,280	-
		<u>290,416,888</u>	<u>263,705,674</u>
Non-current assets			
Property, Plant and Equipment	19	541,792,067	408,514,691
		<u>832,208,955</u>	<u>672,220,335</u>
Total Assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	43,601,426	28,561,468
Deposits	21	15,218,478	18,512,076
		<u>58,819,904</u>	<u>47,073,544</u>
Total liabilities			
Net assets			
Revaluation Reserves	22	86,886,293	86,886,293
Revenue Reserves	23	191,198,626	187,715,084
Capital Grants	24	495,304,132	350,545,414
		<u>832,208,955</u>	<u>672,220,335</u>
Total net assets and liabilities			

The Financial Statements set out on pages 11 to 26 were signed on behalf of the Board of the Commission by:



Prof. Njeri Wamae, MSPH, PhD, IoD (K)
Chairperson
Date: 17.10.2014



Dr. M. K. Rugutt, PhD, HSC
Ag. Secretary/CEO
Date: 17.10.2014

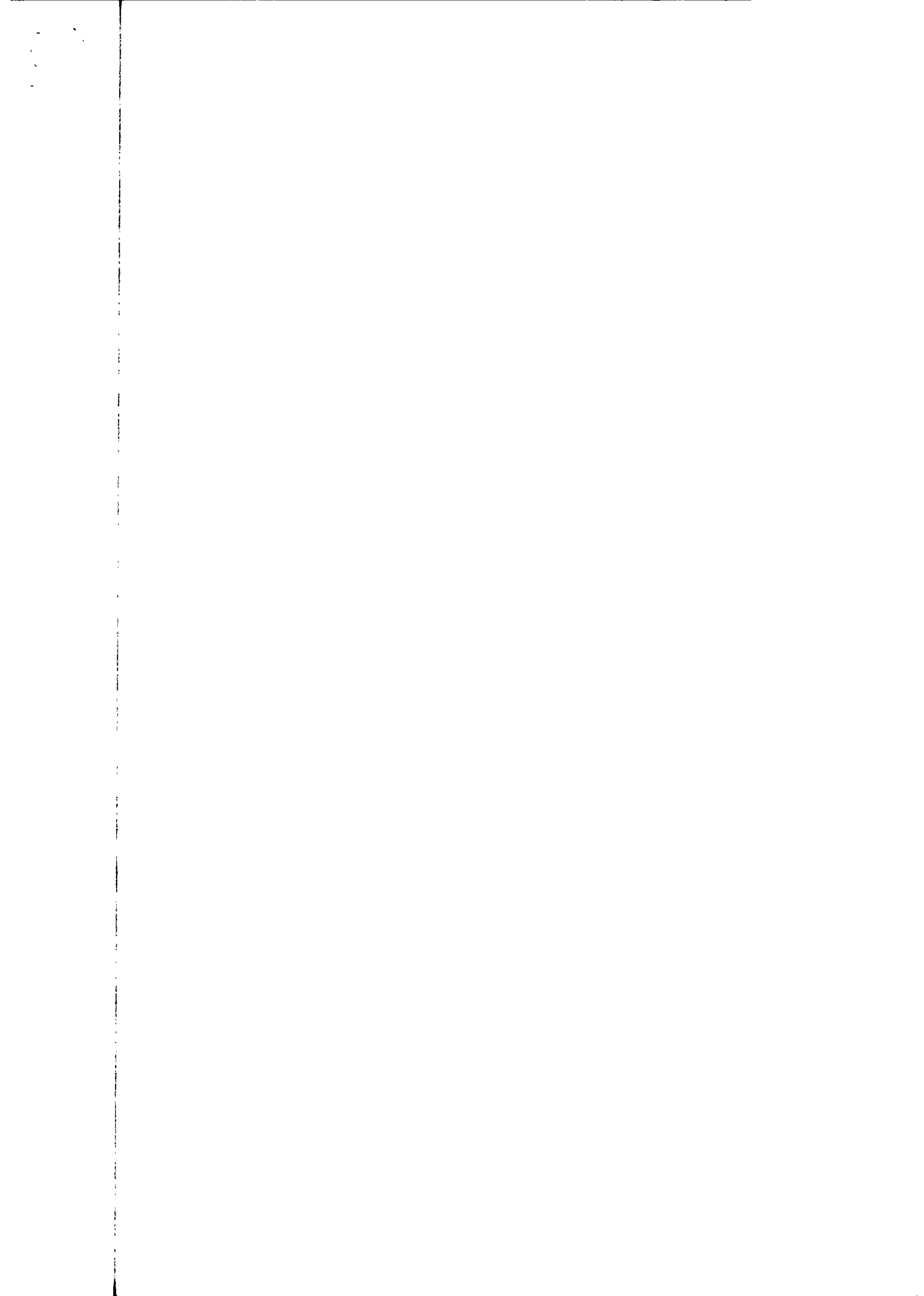
XIII STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	CAPITAL GRANT	REVALUATION RESERVES	REVENUE RESERVES	TOTAL KSHS
1ST JULY 2011	42,563,208.	86,886,293	174,704,890	304,154,391
Additional Capital	7,709,178	-	-	7,709,178
Surplus	-	-	8,116,625	8,116,625
Work In Progress	49,594,091	-	-	49,594,091
1ST JULY 2012	99,866,477	86,886,293	182,821,515	369,574,285
Additional Capital	250,678,937	-	-	250,678,937
Surplus	-	-	4,893,569	4,893,569
30TH JUNE 2013	350,545,414	86,886,293	187,715,084	625,146,791
Additional Capital	144,758,718	-	-	144,758,718
Surplus	-	-	3,483,542	3,483,542
30th June 2014	495,304,132	86,886,293	191,198,626	773,389,051

III. STATEMENT OF CASH FLOWS

	<u>2013/14</u>	<u>2012/13</u>
	Kshs	Kshs
Cash flow from operating Activities	3,483,542	4,893,569
Adjustments for items not involving cash movements:		
Depreciation	11,481,341	5,792,230
Surplus before working capital changes	14,964,883	10,685,799
Working Capital		
Increase in Inventory	(4,372,384)	-5,004,141
Prepayments	(1,200,280)	-
Increase/Decrease in Accounts Receivable	-	-23,627,195
Increase in Accounts payables	15,039,958	26,384,130
Decrease in Deposits	(3,293,598)	9,747,852
Net Cash flow from operating activities	10,378,549	18,186,445
Cash flow from investing Activities		
Capital Grants	144,758,718	250,678,937
Purchase of fixed assets (others)	<u>144,758,718</u>	<u>250,678,937</u>
Net cash flow from operating Activities	-	-
Decrease in Cash and Cash Equivalents	10,378,550	18,186,445
Cash and cash Equivalents-Beginning	<u>142,627,056</u>	<u>124,440,611</u>
Cash and cash Equivalents-Ending	<u>153,005,606</u>	<u>142,627,056</u>



NATIONAL COMMISSION FOR SCIENCE TECHNOLOGY AND INNOVATION

V. STATEMENT OF COMPARATIVE AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
Revenue					
Recurrent Grants	288,852,250	-	288,852,250	234,004,850	(54,847,400)
Development Grants	140,400,000		140,000,000	140,399,568	(399,568)
Research Grants	397,904,850		397,904,850	397,600,000	(304,850)
Licenses and permits	14,955,398	-	14,955,398	14,955,398	
Total income	686,757,100		826,757,100	786,959,816	(40,596,420)
Expenses					
Employee cost	131,762,361	9,034,361	140,796,722	100,451,236	42,621,386
Repair and Maintenance	14,650,000	4,600,000	19,250,000	15,864,751	(3,385,249)
Contracted Services	2,900,000	1,000,000	18,400,000	18,430,667	(430,667)
General Expenses	69,095,889	3,800,000	72,895,889	89,542,448	(18,922,459)
Research Cost	397,904,850		397,904,850	398,740,134	(835,284)
Development Expense	140,400,000		140,400,000	144,758,718	(432)
Total expenditure	756,613,100	18,434,361	789,547,461	767,787,954	19,047,295
Surplus for the period	70,544,000		37,609,639	19,171,862	

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Commissions financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Recurrent and Development

The Commission recognizes revenues from Recurrent and Development Grants when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other Government Entities

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.

ii) Revenue from non exchange transactions – IPSAS 9

Appropriation in Aid

National Commission for Science and Technology recognizes revenue from Research Permits on cash basis i.e. when money has been paid.

a) Budget information – IPSAS 24

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

b) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity

recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

c) Depreciation

Depreciation is calculated on reducing balance at the following rates

Assets	Rate
Motor Vehicle	25%
Furniture and fittings	12.50%
Plant, Machinery and Equipment	12.5%
Computers	30%

It is the Commission's policy not to provide for depreciation on assets in the year of acquisition

d) Research and Development Costs

The Commission 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.

e) Loans and Receivables

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

f) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g)) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. The Commission maintains a revenue reserve where the entire surplus for the period is taken.

h)) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Cash and cash equivalent is accounted for using the closing rate at the end on the financial year.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank and The NIC bank for purposes of these financial statements,

j)) Comparative figures

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

k) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change

due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

l) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

n) Contingent liability

There were no contingent liabilities in the year.

	2014	2013
3. Public contributions and donations		
Recurrent Grant- Research Grants	234,004,850	282,901,928
Total	<u>397,600,000</u>	<u>352,726,847</u>
	<u>631,604,850</u>	<u>635,628,775</u>
4. Transfers from other Governments – gifts and services-in-kind		
Unconditional Grants	2014	2013
Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO)	6,962,412	7,838,061
BIO Innovation Policy Consortium for E.A A Network for Coordination and Advancement of Sub-Saharan Africa- EU Science & Technology Cooperation (CAAST-NET)		1,435,239
ERA _Africa project	1,483,272	7,341,703
IST-Africa	1,567,471	1,071,256
Japanese Society of Kenya	-	850,000
Bragma	1,603,395	-
IDRC	-	13,039,659
Bio-Aware Website	793,960	
CAASNET PLUS	-	6,056,348
Sub Total	<u>12,410,508</u>	<u>38,733,798</u>

5. License and Permit

Appropriation in aid 2013	2014	2013
Research Permit Fees	14,937,398.	12,928,205
Tender Application Fees	18,000.	567,000
TOTAL	14,955,398.	13,495,205

6. Employee Costs

	2014	2013
Wages Casual Employees	4,209,671	4,094,508
Basic Salary	1,735,034	-
Staff Insurance	7,000,000	-
Domestic Travel	25,165,699	26,183,687
Foreign Travel	22,684,672	23,283,310
Personal Allowance Paid as Reimbursement	5,250,417	6,917,636
Hospitality	30,080,626	30,522,008
Extraneous Allowance	1,294,987	2,958,308
Entertainment Allowance	1,208,900	-
Catering Services	1,821,230	3,926,038
Employee costs	100,451,236	97,885,495

7. Depreciation and Amortization Expense

Property, plant and equipment	11,481,341	5,792,230
Total Depreciation and Amortization	11,481,341	5,792,230

8. Repairs and Maintenance

	2014	2013
Computer Software	3,372,006	1,895,622
Building and Stations	3,619,112	1,148,728
Motor Vehicles	7,776,592	7,178,854
Furniture and equipments	1,097,041	3,717,003
Total Repairs and Maintenance	15,864,751	13,940,207

9. Contracted Services

	2014	2013
Contracted Professional Services	18,430,667	21,964,130
Total Contracted Services	18,430,667	21,964,130

10. Project Cost

	2014	2013
United Nations Educational, Scientific and Cultural Organization (UNESCO) Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO)	-	751,325
Bio- Science Innovation Policy Consortium for E.A	8,755,304	7,970,632
A Network for Coordination and Advancement of Sub-Saharan Africa- EU Science & Technology Cooperation (CAAST-NET)	21,543	1,480,377
IDRC	-	2,684,453
PAERIP project	1,242,100.00	-
Siochiro Shairishi	-	2,352,441
IST-Africa	-	850,000
BRAGMA	1,506,268	1,923,070
Bio-Aware Software	1,149,605	-
CAASNET PLUS	369,800	-
ERA-Africa Projects	466,388	5,460,502
	2,245,191	6,110,656
Sub Total	<u>15,756,199</u>	<u>29,583,456</u>

11. Administration expenses

The following are included in general expenses:

	2014	2013
Utilities and Supplies	1,043,430	1,352,110
Communication Supplies and Services	9,844,878	11,006,638
Printing Advertising, Information Supplies and Services	13,460,734	16,038,332
Office and General Supplies	8,159,428	7,405,317
Fuel Oil and Lubricants	8,807,066	10,219,230
Rent and Rates	6,998,862	1,327,770
Trade Show and Exhibition	4,705,801	3,609,825
Motor Vehicle Insurance	890,556	-
Other Operating Expenses	9,749,812	11,392,029
Committee and Conferences	9,134,002	15,790,067
Supplies and Accessories for Computer Printers and Toiletries	2,568,154	104,742
Cleaning Materials and Services	645,200	115,910
Training Expense	12,031,643	16,490,383
Total General Expenses	<u>88,039,566</u>	<u>94,852,353</u>

12. Board Expenses

Sitting Allowance	1,080,000
Lunch Allowance	28,000
Accommodation	60,000
Transport	20,000
Air Time	30,000
Honoraria	130,000
TOTAL	<u>1,348,000</u>

13. Finance Cost

Bank Charges	262,170
--------------	----------------

14. Research Cost

Research Cost	398,740,134	390,178,136
---------------	-------------	-------------

15. Cash and Cash Equivalents

	2014	2013
Kenya Commercial Bank	145,443,481	142,334,147
Cash-on-hand and N.I.C Bank	118,216	292,909
	7,443,909	-
Total Cash and Cash Equivalents	<u>153,005,606</u>	<u>142,627,056</u>

16. Receivables from Non-exchange contracts
Current Receivables

Grants Receivable	120,164,634	109,404,634
Access the World Tour and Travel	566,140	566,140
CAAST Net	357,515	357,515
Total Current receivables	<u>121,088,289</u>	<u>110,328,289</u>

17. Inventories

Partitioning Materials	5,746,188	5,746,188
Consumable Stores	9,376,525	5,004,141
Inventories	<u>15,122,713</u>	<u>10,750,329</u>

18. Prepayments

Agricultural Society of Kenya	278,280
Agricultural Society of Kenya	496,000
The Great Rift Valley Lodge & Golf Resort	<u>426,000</u>
TOTAL	<u>1,200,280</u>

NATIONAL COMMISSION FOR SCIENCE TECHNOLOGY AND INNOVATION
Notes to the financial statement continued

19. Property, Plant and Equipment

NON-CURRENT ASSETS MOVEMENT SCHEDULE

Cost	Land & Buildings	Furniture & Fittings 12.50%	Plant & Equipment 12.50%	Work -in-Progress	Motor Vehicle 25.00%	Computer 30.00%	Total KSHS
1st July 2012	86,000,000	39,341,861	7,222,266	49,594,091	16,289,953	15,941,024	128,388,195
Revaluation Note 22			0				86,000,000
Additions	-	6,444,654	811,220	219,001,217	23,453,046	968,800	250,678,937
TOTAL	86,000,000	45,785,515	8,033,486	268,595,308	39,742,999	16,909,824	465,067,132
DEPRECIATION							
1st July 2012	-	30,962,187	2,408,273	-	10,105,531	7,284,220	50,760,211
DEP Charge		1,047,334	601,749	-	1,546,105	2,597,041	5,792,230
30th June 2013	86,000,000	13,775,993	5,023,463	268,595,308	28,091,362	7,028,562	408,514,690
30th June 2012	86,000,000	8,378,674	4,813,993	49,594,091	6,184,422	8,656,804	163,627,984
cost							
1st July 2013	86,000,000	45,785,515	8,033,486	268,595,308	39,742,999	16,909,824	465,067,132
Additions	-	355,340	1,586,377	140,399,568	-	2,417,433	144,758,718
TOTAL	86,000,000.00	46,140,855	9,619,863	408,994,876	39,742,999	19,327,257	609,825,850
DEPRECIATION							
1st July 2013	-	32,009,521	3,010,022	-	11,651,636	9,881,261	56,552,441
DEP Charge	-	1,721,999.	627,932.	-	7,022,840	2,108,568	11,481,341
TOTAL DEP.	-	33,731,520	3,637,955.	-	18,674,477	11,989,830	68,033,782
30TH June 2014	86,000,000	12,409,334	5,981,907	408,994,876	21,068,521	7,337,426	541,792,067
30TH June 2013	86,000,000	13,775,993	5,023,463	268,595,308	28,091,362	7,028,562	408,514,690

20. Trade and other Payables from Exchange Transactions

	2014	2013
Kenya Post and Telecommunication	477,160	477,160
Kenya Power and Lighting Company	23,728	23,728
KPL & Co Ltd	1,050	1,050
Accumulated Provision for Audit Fee	1,200,000	1,200,000
Ministry of Public works	1,000,000	
Retention of Building	40,899,188	26,859,530
Total Trade and other Payables	<u>43,601,426</u>	<u>28,561,468</u>

21 A Deposit Balances

	2013/14	2012/13
Bio-Science Innovation Policy Consortium for E A	125,566	147,019
United Nations Educational, Scientific and Cultural Organization (UNESCO)	1,626,364	1,626,364
Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO)	84	1,752,914
Cooperation (CAAST-NET)	12,030	-
IDRC	11,797,595	13,039,695
CAAS-NET PLUS	129,458	595,846
IST-Africa Project	69,835	8,632
ERA-Africa Project	470,758	1,232,677
Bragma	484,067	30,369
PAERIP Project	78,559	78,559
Bio-Aware Website	424,160	-
TOTAL	<u>15,218,478</u>	<u>18,512,075</u>

22 Revaluation Reserves

Only the commissions land was valued by Saad Yahya and Associate on the 26 th February 2011	86,886,293	86,886,293
--	------------	------------

23 Revenue Reserves

Opening Balance	187,715,084	182,821,515
Surplus for the Year	3,483,542	4,893,569
TOTAL	<u>191,198,626</u>	<u>187,715,084</u>

24 Capital Grant

Opening Balance	350,545,414	99,866,477
MOEST - W, I.P	140,399,568	219,001,217
Recurrent- Furniture and fittings	355,340	6,444,654
- Motor Vehicle	-	23,453,046
- Plant and Equipment	1,586,377	811,220
-Computer	2,417,433	968,800
TOTAL	<u>495,304,132</u>	<u>350,545,414</u>

25. Cash Generated from Operations	2014	2013
Surplus for the year before tax	3,483,542	4,893,569
Depreciation	11,481,341	5,792,230
Working capital adjustments;		
Increase in Inventory	(4,372,384)	(5,004,141)
Prepayments	(1,200,280)	-
Increase/Decrease in Accounts Receivable	(10,760,030)	(23,627,195)
Decrease in Accounts payables	15,039,958	(26,384,130)
Increase in Deposits	(3,293,598)	9,747,852
Net Cash Flow from Operating Activities	<u>10,378,549</u>	<u>18,186,445</u>

XVI 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.

Reference No. on the External Audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status:	Timeframe:
NCST/7 7/2012/2 013(8)	Stock Partitioning which disappeared at the ministry of public works go-down in industrial area had not been accounted for	The matter is still under investigation by the CID and they have not yet released the final report.	Philip Olualo Accounts Assistant	Not resolved	Next Board Meeting

