

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

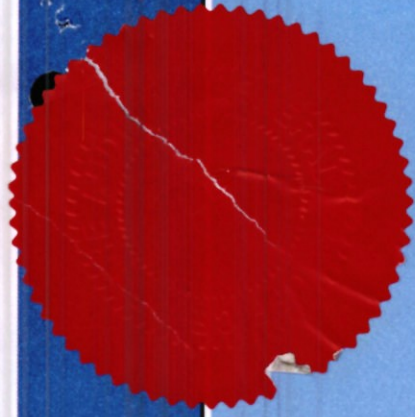
OF

THE AUDITOR-GENERAL

ON

NATIONAL RESEARCH FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**



THE NATIONAL ASSEMBLY
DATE: 18 APR 2024 THURS
Hon Kimani Ichungwah, mp
Leader majority party
A. Shibuske

THE NATIONAL ASSEMBLY
PAPERS LAID
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REPUBLIC OF KENYA



NATIONAL RESEARCH FUND

NATIONAL RESEARCH FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30th JUNE 2023

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

**National Research Fund
Annual Report and Financial Statements
For the year ended 30 June 2023.**



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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

NRF	National Research Fund
CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

2. Key Entity Information and Management

a. Background Information

National Research Fund (NRF) was established under PART VII of the Science, Technology and Innovation (ST&I) Act (No. 28 of 2013 and its offices are located at National Commission for Science, Technology and Innovation Building, Upper Kabete, Nairobi. Its Board of Trustees was gazetted on 24th July 2015 followed by the inauguration, on 10th November 2015 and subsequent appointment of the interim Secretariat in December 2015. NRF falls under the Ministry of Education, State Department for University Education and Research. At the Ministry level, the Cabinet Secretary in charge of the Ministry of Education is responsible for the general policy and strategic direction of NRF.

b. Principal Activities

The Act stipulates that the objective of the Fund shall be to facilitate research for the advancement of Science, Technology and Innovation. The Fund monies may be applied for the following purposes:

- i. Award of contracts, grants, scholarships or bursaries or any other award determined by the Commission to persons or institutions.
- ii. Provide financial support for the acquisition or establishment of research facilities;
- iii. To develop appropriate human resources and research capacity in the areas of Science Technology and Innovation
- iv. Financing research systems in all sectors and all levels of education;
- v. Funding the co-operation and sharing of research information and knowledge, including supporting conferences, workshops, seminars, meetings and other symposia;

The functions of NRF are to:

- i. Mobilise resources for the Kenya National Innovation Agency from the Government, the private sector, venture capital, development partners and other sources;
- ii. Prudently manage and invest the funds so mobilised
- iii. Support the development of human resources through grants to persons or research institutions or universities pursuing postgraduate programs in prioritised areas of Science, Technology and Innovation with priority being given to marginalised indigenous communities;

- iv. Support the development of research capacities in the national priority areas of Science, Technology and Innovation
- v. Allocate funds for research and promote multi-disciplinary collaboration among Universities and research institutions, Evaluate the needs, status and results of research financed through the Fund
- vi. Provide financial support for the development of research facilities by universities, research institutions and other bodies identified by the Commission.
- vii. Provide financial support for participation in international scientific activities through maintaining membership to appropriate international science organisations;
- viii. Provide financial support for collaboration, co-operation and sharing of research information and knowledge., including supporting conferences, workshops, seminars, meetings and other symposia;
- ix. Promote the provision of an information infrastructure linking research institutions to facilitate co-operation and sharing of research information and knowledge.
- x. Initiate liaison with bodies involved in the protection of intellectual property rights;
- xi. Compile and maintain a national database of research and innovation funded by the Fund
- xii. Perform the monitoring and evaluation of the results and impact of the research activities financed out of the Fund.

Vision

A world-class research-funding agency for competitive knowledge economy

Mission

To mobilise resources for research, capacity development, dissemination of findings and maintenance of inventory for advancement of Science, Technology and Innovation towards sustainable national development

Strategic Objectives

The NRF is guided by the following strategic objectives:

1. To Mobilise Research Funds
2. To ensure prudent utilization of research funds
3. To create awareness on National Research Priorities
4. To strengthen Research and Innovations capacity
5. To implement National Research Priorities

Key Management

National Research Fund's day-to-day management is under the following key organs:

1. Board of Trustees
2. Accounting officer who is the Chief Executive Officer
3. Technical officers and,
4. Support staff

c. Fiduciary Management

The secretariat services to the Board are offered by the officers deployed from the Ministry. The following officers held office during the financial year ended 30th June 2022 and had direct fiduciary responsibility:

S/No.	Designation	Name
1.	CEO	Prof. Dickson Andala
2.	Technical Officer	Mr. Jacob Kamwaria Njagih
3.	Technical Officer	Dr. Kioko Mwanja Nzuki
4	Technical Officer	Dr. Eliud Teyie Musotsi
5.	Technical Officer	Ms. Faith Wakhungu Namachanja
6	Legal	Ms. Sarah Eva Adhiambo Agong
7	Communications	Mr. Titus Kisangau
8	Head of Finance	Mrs. Rosemary Odeph
9	Procurement	Ms. Phylis Wangui Ngure
10	ICT	Ms. Laura Odhiambo
11	Records Management Officer	Ms. Esther Wakere Mugo
12	Internal Audit	Ms. Faith Nyanchoka

d. Fiduciary Oversight Arrangements

The key fiduciary committees at NRF for the year ended 30th June 2023 were:

Finance Committee

The committee is responsible and instrumental in:

- i. Review Strategic Plan, Human Resource Management and Development Policies, Organisational Structure and staffing before approval and adoption by the Board;

- ii. Ensure NRF comply with the Employment Act 2007 and other relevant statutes/regulations;
- iii. Review Annual NRF Budget Proposals for onward approval by the Board;
- iv. Ensures accurate tracking, monitoring and accountability of NRF funds;

Audit and Risk Management Committee

- i. Review and approve the audit charter where applicable and the internal audit work plans;
- ii. Review audit issues raised by both internal and external auditors;
- iii. Resolve unsettled and unimplemented Public Accounts and Public Investment Committees' recommendations;
- iv. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance;
- v. Review systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics; and

Technical Committee

The committee is responsible;

1. Determine NRF's Mission, Vision, Purpose and Core Values;
2. Ensure affective, accurate, timely and transparent disclosure of pertinent information on NRF's operations and performance;
3. Review on quarterly basis the attainment of targets and objectives set out in the agreed performance target with the Government of Kenya;

Review, Monitor and ensure that NRF is effectively and consistently delivering on its mandate

e. National Research Fund Headquarters

NACOSTI House
Upper Kabete
Nairobi, Kenya

f. National Research Fund Contacts

P.O. Box 26036-00200
Telephone: (254) 020-4403386
e-mail: ceo@nrf.go.ke ,
info@nrf.go.ke
Website: www.nrf.go.ke

g. National Research Fund bankers

National Bank of Kenya
Harambee Avenue,

P.O BOX 72866-00200,
Nairobi-Kenya.

Kenya Commercial Bank
Kipande House
P.O. Box 48400-00100,
Nairobi-Kenya.

h. Independent Auditors

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

i. Principal Legal Adviser

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112-00200,
Nairobi, Kenya.



Prof. Robert Gateru

Date of Birth: 25/02/1974

Prof. Robert Gateru is the Vice Chancellor of Riara University. He holds a PhD in Microelectronic Engineering & Semiconductor Device Physics from the University of Surrey in the UK; a Masters in the same field from the University of Cambridge also in the UK; and a Bachelor of Science (First Class Honors) in Physics from the University of Nairobi. He is a Fellow of the Cambridge Commonwealth Trust, a Senior Member of the Institute of Electrical & Electronic Engineers (IEEE), a Member of the Education Sector Board at the Kenya Private Sector Alliance, among many other Board positions.

He previously held senior management positions at the Kenya Methodist University and Kabarak University and has published widely and won various awards and grants.



Dr. Samuel Kiplangat Tiriongo

Date of Birth: 17/07/1980

Dr. Tiriongo is the Director of Research and Policy at the Kenya Bankers Association, responsible for designing and executing the research agenda for the banking industry. He is an economist by profession, with over 15 years of experience, 13 of which as an economist at the Central Bank of Kenya. He holds a PhD in Economics from the University of Dar es Salaam-Tanzania, a Master of Arts (Economics) and Bachelor of Arts (Economics), both from Kenyatta University-Kenya. He has received professional training from several leading organisations, key among them the International Monetary Fund (IMF), the World Bank, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). Currently, he is a research fellow of the African Economic Research Consortium (AERC), focusing on financial economics, financial sector development and resource mobilisation, having published widely in peer-reviewed research outlets on financial market microstructure, economic responses to crises, monetary policy, and credit market analyses, among other areas.



Prof. Walter O Oyawa, PhD

Date of Birth: 23/08/1965

Prof. Walter O. Oyawa, is currently the Director General of the National Commission for Science, Technology & Innovation (NACOSTI). He is a Professor of Civil Engineering, a holder of a PhD in Civil Engineering, and an Executive MBA. He is a Registered Professional Engineer, a Lead Expert-NEMA and a reviewer of several international journals.

Prof. Oyawa has served in various senior leadership/management positions including having been the Principal/CEO of Multimedia University College, Deputy Commission Secretary at the Commission for University Education (CUE), pioneering Ag. Principal of the College of Engineering & Technology at JKUAT, Director of a Research Centre-SMARTEC at JKUAT, Chairman of the Department of Civil Engineering at JKUAT, Board member of several boards, among others. He is endowed with vast experience in research/scholarly work, as evidenced by extensive publications in peer reviewed journals, several awards and research grants, keynote lectures and conference papers, and supervision of numerous postgraduate students. His research interest is in the area of sustainable construction materials and technologies.



Dr. Tonny Omwansa

Date of Birth: 01/09/1977

Dr. Omwansa is currently the Chief Executive Officer at the Kenya National Innovation Agency (KENIA). He is also the immediate founder of the C4DLab, University of Nairobi's Innovation hub, where he founded and led, among other programs, the famous Nairobi Innovation week that brings numerous stakeholders shaping Kenya's Innovation Ecosystem. He has been a faculty member of the School of Computing and informatics, University of Nairobi and is the co-author of "Money, Real Quick: Kenya's disruptive mobile money innovation.

Dr. Omwansa holds a PhD in Information Systems and has conducted extensive research on innovation in Africa on designing appropriate and innovative technologies, adoption and impact of technology among others.



Ms. Edna Atisa

Date of Birth: 23/09/1977

Ms. Edna Atisa is an alternate member appointed to the Board of National Research Fund representing the Cabinet Secretary for the National Treasury. She holds a Master of Arts in Economics, Bachelor of Arts (Economics), Postgraduates Diploma in Education, all from the University of Nairobi. She has attended training in Performance Management in the Public Sector, Strategic Leadership Development, Policy formulation in the Public Sector and Investment Analysis and Planning. Ms. Atisa is currently a Deputy Director Investment at the National Treasury. She has previously served as an Economist at the same Ministry and as an Assistant Registrar at the University of Nairobi. She has also served on the boards of Anti FGM Board, Technical University of Kenya, South Eastern Kenya University and Kenya Water Towers Agency. She is an economist with vast experience in economic policy formulation and implementation and a member of the Economics Society of Kenya



Mr. Ngei wa Mutinda

Date of Birth: 23/08/1967

Ngei wa Mutinda is a professional teacher, an administrator and a career public servant. He holds a Bachelor of Education degree, higher diploma in HRM and MBA in HRM. Has over thirty years in public service and over fifteen years of part time lecturing in our public and private universities. He has served in various boards in different Ministries like The National Council for Children Services, Counter Trafficking Trust Fund, Child Welfare Society of Kenya and Aquaculture Business Development Program. Currently serving at the State Department for university education and research as a Senior Deputy Secretary as well as the Alternate PS representative to the KUCCPS Board. Has been a registered member with the institute of HRM since 2004.



Prof. Dickson M. Andala, PhD

Date of Birth: 02/04/1979

CEO

Prof. Dickson Andala, is currently the Chief Executive Officer of the National Research Fund (NRF). He is an Associate Professor of Materials / Inorganic Chemistry, Multimedia University of Kenya; PhD in Materials

Chemistry from Binghamton University and Postdoctoral Fellowship Pennsylvania State University, USA. He is Lead Expert with NEMA; DOSH and CBRN and a reviewer of several local and international journals.

Prof. Andala has served in various senior leadership/management positions including having been the Director to the Kenya Nuclear Regulatory Authority (KNRA), African Materials Research Society (AMRS) boards, Executive Committee Member to Africa Crystallographic Association (AfCA); Chairman Chemistry Department, Multimedia University of Kenya. Membership to various Professional Associations including African Academy of Sciences (AAS), Kenya National Academy of Sciences (KNAS); Materials Research Society of Kenya, Kenya Chemical Society (KCS). He is endowed with vast experience in research/scholarly work, as evidenced by extensive publications in peer-reviewed journals, several awards and research grants mobilisation, keynote lectures and conference papers, and supervision of postgraduate students. His research interests lie in the area of nanoscience and nanotechnology and its applications in remediation, sensors, catalysis.

NRF Board Committees

Finance and Administration Committee	Ms. Gladys Warirah - Chair Ms. Edna Atisa Dr. Florah Karimi
Technical Committee	Prof. Robert Gateru - Chair Prof. Walter Oyawa Dr. Wahome Rureri operated up to 5/12/2022 Mr. Ngei Wa Mutinda operated W.E.F 5/12/2022
Resource Mobilization and International Relations Committee	Dr. Florah Karimi – Chair Ms. Gladys Warirah Dr. Samuel K. Tiriongo
Audit and Risk Management Committee	Dr. Samuel K. Tiriongo– Chair Ms. Edna Atisa Dr. Tonny Omwansa

4. Key Management

NRF is governed by the Board of Trustees. The daily operations are managed by a secretariat comprising of the Chief Executive Officer, five (5) deployed staff, four (4) Technical officers and one (1) support staff deployed by the Ministry of Education, State Department of Higher Education and Research. The rest of the fiduciary staff members were employed during the year. The Fund has made efforts to become fully operational and has developed several Policy instruments to guide its day-to-day operations. The Fund developed an HR operations manual and the same has already been approved by the State Corporations Advisory Committee (SCAC).

The key management personnel who held office during the period ended 30th June, 2023 and who had direct fiduciary responsibility were-



**Prof. Dickson M. Andala,
PhD**

Chief Executive Officer



Mr. Jacob Kamwaria Njagih
*Technical Officer in
Charge of Resource
Mobilization*



Dr. Kioko Nzuki Mwanja

*Technical Officer in
Charge of Planning and
Strategy*



Dr. Eliud Teyie Musotsi

*Technical Officer in
charge of Research Grants,*

PhD, Kiswahili Linguistics,
Literature & Cultural
Studies



CPA Rosemary Odeph

*Principal Accountant in
Charge of Finance and
Accounts*

CPA, BBM



**Ms. Faith Wakhungu
Namachanja**

*Technical Officer In
charge of Planning and
Compliance*
Master of Education in
Special Needs Education



Titus Kisangau

*Technical Officer in
charge of Communications*

BSc Communications and
Public Relations



Phylis Wangui

Head of Procurement

MSc Procurement and
logistics



Laura Odhiambo

Head of ICT department

BSc in Applied Physics and
Computer Science

5. Chairman's Statement

Research, Science, Technology and Innovation (RST&I) excellence is paramount to wealth creation and growth of any Nation. The core mandate of National Research Fund (NRF) is to mobilize research resources to support the development of research capacity through Human resource, institutional research infrastructure and innovations. In this regard, the Government has made significant efforts to increase investment in research and innovation to promote the productivity of new knowledge and technologies in the National Innovation System. During the year under review, NRF delivered on the following targets:

- Mobilization of grants from Development Partners to a tune of KES 42,664,266.45
- Funding of various research programmes;
- Established partnerships and collaborations;
- Created awareness of NRF by convening an interactive forum to sensitise stakeholders;
- Conducted a National Research and Development survey on Research and Development (R&D)
- Conducted documentaries of some of the funded Research projects.
- Development of an online research grant management system
- Tree Growing activity at Nairobi University (Kabete), Kwale and many others. The Fund in collaboration with the Kenya Forest Service (KFS), undertook a CSR activity on tree planting. Up to 2070 tree seedlings were planted, which included local tree species, other fruit trees. The seedlings shall be nurtured by students in various institutions'. The principal representatives from the fund and other stakeholders reiterated the importance of planting and nurturing trees to increase Kenya's forest cover, as well as taking care of trees to ensure environmental sustainability.

In addition, the Board has developed the following policies and guidelines to guide the Board and NRF operations:

1. Human Resource instruments;
2. The Board Manual
3. The Board Charter
4. Service Charter
5. Resource mobilization and Investment Strategy
6. Finance Policy and Procedures manual

The journey in realization of a well invested Research and Innovation continues. This is in tandem with Science, Technology and Innovation Strategy for Africa's (STISA-2024) mission of accelerating Africa's transition to an innovation-led, knowledge-based economy where each Member State of which Kenya is a signatory, is encouraged to take concrete actions to allocate at least 1% of Gross Domestic Product (GDP) to R&D. This will ensure the ownership and responsibility towards the continent's own developmental path.

The effort by the Government to increase the allocation to research as provided by the Science, Technology and Innovations Act of 2013, where NRF is tasked to mobilize the funds to a tune of 2% (approximately KES 200B) of the country's GDP is promising. Attainment of this goal will enhance investment in creation of new knowledge (Research) that contributes to the overall National Development agenda.

Among the challenges faced by NRF in operations and delivery of its mandate during 2022-2023 Financial Year (FY) include;

1. The lengthy processes involved in initiation of collaborative programmes with development partners have affected the resource mobilization. This poses a threat of losing out potential partners.
2. The delay in exchequer releases affected the operations of the Fund to some extent by delaying Project Implementation as Scheduled
3. Scaling down of the annual budget affected implementation of the on-going programmes.

To mitigate the aforementioned challenges, the Board endeavours to engage the relevant authorities involved in issuance of the necessary approvals to consider fast tracking the facilitation of resource mobilization related programmes. In addition to this, engagement with various granting stakeholders is on course.



.....
Prof Ratemo Michieka, EBS.
Chairman

6. Report of the Chief Executive Officer

In line with the National Research Fund's (NRF) mandate to facilitate research for the advancement of Science, Technology and Innovation for National Development, NRF has been supporting various research projects and research facilities.

During the year under evaluation, NRF received a total Kshs 323,037,923 budgeted by the Government. In the year, over 68% has been committed to research programmes in support of the Government policy priority of BETA Agenda. The funded programmes included the on-going programmes (the initiated and on-going counterpart funding). All the bilateral programs are based on a co-financing model where each partner funds its component and they both share the knowledge emanating from such a programme. During the year under review, NRF's core mandate activities were as tabulated below.

Research Grants program costs	2022/2023
PhD	729,675
MMC 1	26,744,639.00
MMC 2	9,599,508.30
Newton Utafiti	2,334,295
DAAD	127,157,250
EJP(Soil)	2,500,000
HEPWEK	21,021,283
FOSC	20,064,672.00
Support for conferences	10,587,000
PHC Pamoja	8,722,191
On going Research Grants-Payable (British Council)	1,507,750.00
On going Research grants-Payables (IDRC)	18,988,517.45
Accrual Paid	2,652,860

Challenges / Mitigate/Successes

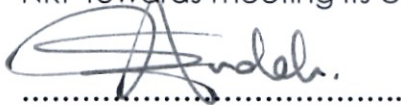
1. Delay in the issuance of exchequer affected the Organization by not disbursing the funds to projects in due time.
2. The fund managed to recruit Staff during the financial year under review

To mitigate the aforementioned challenges of finances, the resource mobilisation strategy was developed to enhance resource mobilisation towards achieving BETA agenda.

The Resource Mobilization Strategy was a good example of intensive and considerable representations leading to a favourable outcome as the fund managed to receive KSh.42 from various donors compared to Ksh.27,308,159 from last financial year. Likewise, NRF is in consultation with the Government to increase its budget from the current 323m to 800m to enable the fund meet its Constitutional mandate.

I sincerely thank our stakeholders and partners for their continued support and collaboration throughout the financial year. In particular, I commend the various donors for the financial support they accorded the fund.

Finally, I acknowledge the Chairperson, Members of the board and Secretariat staff for their collective effort, dedication, commitment and reliance in driving NRF towards meeting its constitutional mandate.



Prof. Dickson M. Andala.
CEO, National Research Fund

7. Statement of Performance Against Predetermined Objectives for Fy 2022/2023

The National Research Fund strategic objectives drawn from the Organization's Strategic Plan for the FY 2022- FY 2023 were to:

1. Mobilize Research Funds
2. Manage Research Funds
3. Develop Capacity and capabilities of research institutions
4. Promote Research and facilitate Innovations

The annual business plans for the National Research Fund were based on the above 4 Specific objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The National Research Fund achieved its performance targets set for the FY 2022-2023 as shown below:

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For the year ended 30 June 2023.**



Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
BETA Agenda	Promotion of research and facilitation of innovations	Funding researchers to facilitate innovations under the BETA agenda at National level	Provided research grants in priority areas.	Research and Innovations in strategic areas enhanced
Resource Mobilization and Investment Strategy	To mobilise resources and undertake investments through a well-articulated strategy to achieve the Fund objectives	Enhance corporate visibility and branding for resource mobilization by publishing of institutional newsletter, improve NRF website outlook to make it interactive Develop and air research documentaries online	All indicators set to enhance resource mobilisation including publishing of institutional newsletter, improvement of NRF website outlook, and Development and airing of research documentaries online achieved	Mobilised through various Donors Ksh. 42,664,266.45 through the NRF Resource Mobilization and Investment Strategy.
Monitoring and evaluation of funded projects	Monitor and evaluate funded projects	Desktop review of projects due for M&E Site visit to various projects:	A Desktop review of funded projects due for M&E undertaken; Site visits to various projects done: Requests made to beneficiaries for research report briefs from NRF beneficiaries	Summary Monitoring and evaluation report of funded projects

8. Corporate Governance Statement Board Charter

The Board Charter is critical to the Fund's governance framework, and offers guidance on matters including but not limited to the following; The separation of the roles, functions, responsibilities and powers of the Board and its individual members; Powers delegated to the Board committees; Matters reserved for final decision-making and approval by the Board; Policies and practices of the Fund on matters of corporate governance and conflict of interest, conduct of Board and Board committee meetings; appointment, induction, ongoing training and performance evaluation of the Board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Board.

Board Size, Composition, Appointment and Succession Plan

The Fund shall be managed by a Board of Trustees which shall consist of nine members to be appointed by the Cabinet Secretary as follows—

- a) A chairperson, being a person with knowledge and experience in matters related to finance, investment and fundraising;
- b) The Principal Secretary in the Ministry responsible for finance;
- c) The Principal Secretary in the Ministry responsible for science and technology; No. 28 of 2013 Science, Technology and Innovation [Rev. 2014] [Issue 3] S4A – 20
- d) One person nominated by the Kenya Private Sector Alliance;
- e) Two persons with knowledge and experience in finance and investment nominated by the Kenya Bankers Association;
- f) One person from a body with functions similar to those of the Fund in Kenya;
- g) The Director of the Kenya Innovation Agency; and

h) The Secretary to the Commission.

For purposes of appointing the members of the Board of the Trustees referred to under subsections (4)(a), (d), (e) and (f), the Cabinet Secretary shall appoint a selection panel in the manner set out under section 5(8), which shall compile through an open and competitive process a shortlist of not more than nine names.

The selection panel shall compile the shortlist after following a transparent and competitive nomination process.

The Board has four (4) committees which are:

Finance and Administration Committee,

Technical Committee,

Resource Mobilization and International Relations Committee and

Audit and Risk Management Committee.

Each Committee has formal and approved terms of reference. The Board periodically reviews the terms of reference for each of these committees to ensure they are in line with current legislation and best practice. The Committees are provided with all necessary resources to enable them to undertake their duties effectively.

The Chairperson and Members of the Board will hold office for a term not exceeding four years and shall be eligible for reappointment for one further term.

Roles and Functions of the Board

The Board of Trustees shall—

- (a) Mobilise resources for the Kenya National Innovation Agency from the Government, the private sector, venture capital, development partners and other sources;
- (b) Prudently manage and invest the funds so mobilised;
- (c) Support the development of human resources through grants to persons or research institutions or universities pursuing postgraduate programs in prioritised areas of science, technology and innovation with priority being given to marginalised indigenous communities;
- (d) Support the development of research capacities in the national priority areas of science, technology and innovation;
- (e) Allocate funds for research and promote multi-disciplinary collaboration among Universities and research institutions, including the innovation delivery agencies established under section 29;
- (f) Evaluate the needs, status and results of research financed through the Fund;
- (g) Provide financial support for the development of research facilities by universities, research institutions and other bodies identified by the Commission;
- (h) Provide financial support for participation in international scientific activities through maintaining membership to appropriate international science organisations;
- (i) Provide financial support for collaboration, co-operation and sharing of research information and knowledge, including supporting conferences, workshops, seminars, meetings and other symposia;

(j) Promote the provision of an information infrastructure linking research institutions to facilitate co-operation and sharing of research information and knowledge;

(k) Initiate liaison with bodies involved in the protection of intellectual property rights;

The Board conducted its meetings as shown in the table below. There was one regular board meeting and four special board meetings during the year under evaluation because the previous board's tenure ended on 7th July 2022.

Meetings	Regular	Special
Full Board	4	6
Finance and Administration Committee	4	
Technical Committee	4	
Audit Committee	4	
Ad-hoc committee	1	
Board Training	1	
Resource Mobilization	4	
Board Retreat	2	
Audit Committee Training	1	
Total	25	6

Induction and Training

Newly appointed Board members will be taken through an induction programme to familiarise themselves with their responsibilities as Board members, the principles of corporate governance and Board practices. The induction programme will also provide the Board member with an orientation of the Fund, Strategic Plan, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The Board shall also ensure that a Competency Needs Assessment is carried out periodically for Board members and an annual Board development plan prepared to address the gaps identified.

Board and Member Performance and Evaluation

During the year, the Board conducted a self-evaluation as provided for in law under the guidance of officials from the State Corporations Advisory Committee (SCAC). The evaluation provided members with an opportunity to interrogate their performance and point out issues that require the attention of both individual members and the Fund as a whole.

Conflict of Interest

A conflict of interest may arise where a Board member or close family member has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses the Fund's property for personal profit. Board members shall be required to avoid conflict of interest and distance themselves from any conflict of interest in any matter that relates to the Fund. However, a Board member who identifies an area of conflict shall be required to disclose any actual, apparent or potential conflict of interest to the Board. In so reporting, the Board member shall be required to provide all relevant information, including information which pertains to immediate family members relating to the area of conflict. When declared, the member shall abstain from decisions where the conflict exists. The Board Secretary shall maintain a record of conflicts of interest declared, for accountability purposes and as a principle of good practice, at every Board meeting. 10 | Page When circumstances change, all Board members shall in good faith disclose to the Board for recording purposes, any other business or interest likely to create a potential conflict of interest

Board Remuneration

The Chairman and the Board members shall receive remuneration and benefits in accordance with the prevailing legislative provisions and/or guidance from the State Corporation Advisory Committee (SCAC).

Ethics and conduct as well as governance audit

Board members have a duty to act ethically at all times and in accordance with this Charter, to act honestly in line with their fiduciary duty and in the best interests of the Fund. The Board shall therefore promote ethical conduct and sanction misconduct. Towards this end, the Board shall develop and adopt a Code of Conduct and Ethics, Whistle blowing policy, Confidentiality policy, Conflict of Interest policy and Gifts policy; and ensure that all Board members subscribe to the same. The Board shall review the Code and policies as necessary.

9. Management Discussion And Analysis

9.1 Fund's Principal Activities

As provided in the ST&I Act of 2013 Section 33, the object of the Fund shall be to facilitate research for the advancement of science, technology and innovation. Therefore, NRF is obliged to;

- i). Award of contracts, grants, scholarships or bursaries or any other award determined by the Commission to persons or institutions;
- ii). Provide financial support for the acquisition or establishment of research facilities;
- iii). Develop appropriate human resources and research capacity in the areas of science technology and innovation
- iv). Finance research systems in all sectors and all levels of education;
- v). Fund the cooperation and sharing of research information and knowledge, including supporting conferences, workshops, seminars, meetings and other symposia;

Due to a delay in exchequer release NRF could not implement some of its core mandate programmes as planned within the quarters.

Results

The results of the NRF for the year ended 30 June, 2023 are set out as from page 1 to 37. The Board of Trustees submit their report together with the audited

financial statements for the year ended June 30, 2023, which shows the state of NRF's affairs as shown below:

9.2 Approved Budget Analysis

Details	Budget 2022-23	Budget 2021-22	Increase/ Decrease	% Increase
	Amount In Ksh			
Personnel Emoluments	14,176,109	2,588,838	11,587,271	445%
Administration & Operating cost	90,805,652	66,262,344	24,543,308	36%
Board Expenses	11,166,599	10,148,272	1,018,327	9%
Research programs grants	249,553,829	225,685,792	23,868,037	11%
Total	365,702,189	304,685,246	61,016,943	17%

Personnel Emoluments:

2022-23 Budget: Ksh 14,176,109

2022-21 Budget: Ksh 2,588,838

Percentage Increase: 445%

The budget allocation for personnel emoluments has seen a significant increase of approximately 445% from the previous fiscal year. This substantial rise was as a result of NRF strategic focus on enhancing the NRF's workforce and capabilities. This was done to accommodate additional responsibilities, improve operational efficiency, and possibly support specialised roles within the organisation. As NRF aims to mobilize, allocate, and manage financial resources for an effective national innovation system, this increased allocation reflects our commitment to sustaining and expanding its operational team to meet growing demands.

Administration & Operating Cost

2022-23 Budget: Ksh 90,805,652

2022-21 Budget: Ksh 66,262,344

Percentage Increase: 36%

The allocation for administration and operating costs was increased by 36% compared to the previous fiscal year. This increase was due to the NRF's dedication to strengthening its operational foundation following recruitment. The higher budget was directed toward improving infrastructure, technology, and resources necessary to effectively manage the fund's activities. This allocation aligns with the NRF's function of prudently managing and investing funds while also promoting an information infrastructure and efficient coordination of research efforts.

Board Expenses:

2022-23 Budget: Ksh 11,166,599

2022-21 Budget: Ksh 10,148,272

Percentage Increase: 9%

The budget allocation for board expenses reflects a modest increase of 9% from the previous fiscal year due to inflation. This consistent investment in board-related expenses underscores the NRF's commitment to maintaining effective governance and oversight mechanisms. The board plays a crucial role in decision-making and strategic direction, ensuring that the fund's resources are allocated in alignment with its mandate.

Research Programs Grants:

2022-23 Budget: Ksh 249,553,829

2022-21 Budget: Ksh 225,685,792

Percentage Increase: 11%

The budget allocation for research programs grants has increased by about 11% from the previous fiscal year. This substantial allocation, which constitutes a significant portion of the NRF's budget, directly aligns with its core mandate and functions. The continued emphasis on funding research activities demonstrates the NRF's commitment to promoting innovation and collaboration across various fields of science and technology. This allocation

supports multi-disciplinary research, capacity building, and collaboration, fostering an effective national innovation system that contributes to the country's economic growth.

Total Budget Increase:

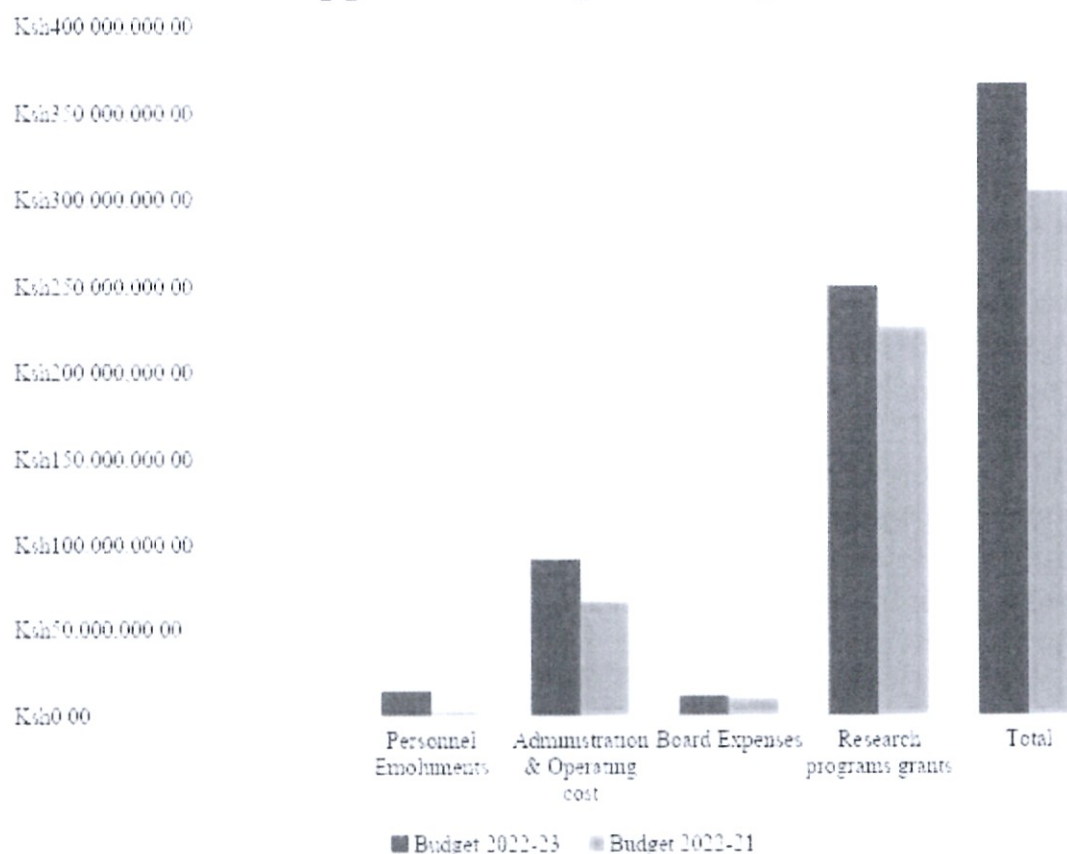
2022-23 Budget: Ksh 365,702,189

2022-21 Budget: Ksh 304,685,246

Percentage Increase: 17%

The total budget has experienced a notable increase of about 17% compared to the previous fiscal year. This overall growth in budget allocation reflects NRF's growing dedication to its mandate and functions. It signifies our recognition of the importance of research, innovation, and collaboration in driving Kenya's economic development. The increased investment across various budget categories is our strategic commitment to fostering an effective national innovation system that generates knowledge and innovations for the benefit of our country's growing economy.

Approved Budget Analysis



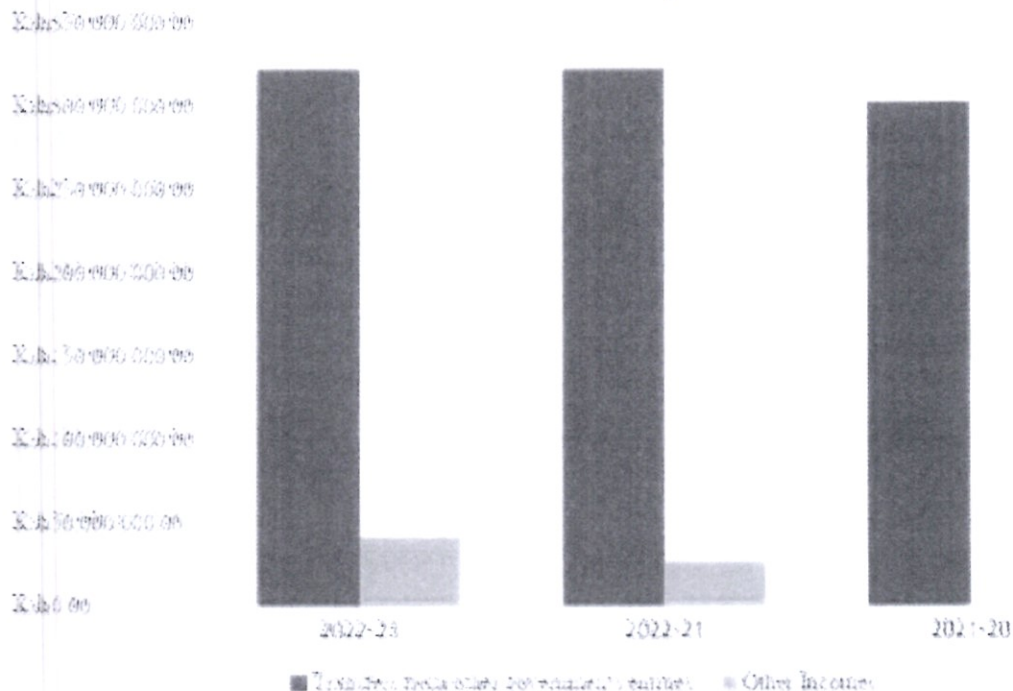
In the 2022-23 budget, significant budget increases are observed across different areas. Personnel emoluments saw a substantial rise of 445%, driven by our focus on enhancing the NRF's workforce and capabilities. Administration and operating costs rose by 36% to strengthen infrastructure and resources. Board expenses increased by 9%, maintaining effective governance. Research program grants were up 11%, demonstrating commitment to innovation. Overall, the total budget increased by 17%, reflecting NRF's dedication to fostering a robust national innovation system for Kenya's economic growth.

Revenue Analysis

NRF's income sources include government transfers and other forms of revenue. In the fiscal year 2022-23, it received a transfer of Ksh 323,037,923 from government entity, consistent with the previous year. This recurring transfer supports the fund's activities. Additionally, NRF received Ksh 42,664,266.45 in

other income, indicating a significant increase compared to Ksh 27,308,159.00 in the previous year. This comprises various revenue streams such as donations, or project-related income. Notably, in 2021-22, a substantial Ksh 27,308,159.00 of "other income" was received, due to mobilization of funds from donors.

Revenue Analysis



9.3 Expenses analysis

Personal Emoluments:

2023-22: Ksh 14,176,109.20

2022-21: Ksh 2,588,838.00

2021-20: No data provided

The substantial increase in personal emoluments from 2022-21 to 2023-22 447% indicates a significant rise in workforce-related expenses. This is attributed to expanded personnel aligning with NRF's operational growth.

Use of Goods and Services:

2023-22: Ksh 73,229,647.25

2022-21: Ksh 63,770,680.00

2021-20: Ksh 65,681,542.00

A steady increase in the use of goods and services expenses from 2021-20 to 2023-22 was due to operational expansion and ongoing needs. Investments in technology, facilities, and resources due to recruitment have contributed to this rise.

Board Expenses:

2023-22: Ksh 10,696,929.40

2022-21: Ksh 10,148,272.00

2021-20: Ksh 8,445,244.00

There was consistent increase in board expenses over the three years which underscores NRF's commitment to effective governance. The rise was due to continued investments in board-related activities, aligning with the NRF's mandate.

Research Programs Grants:

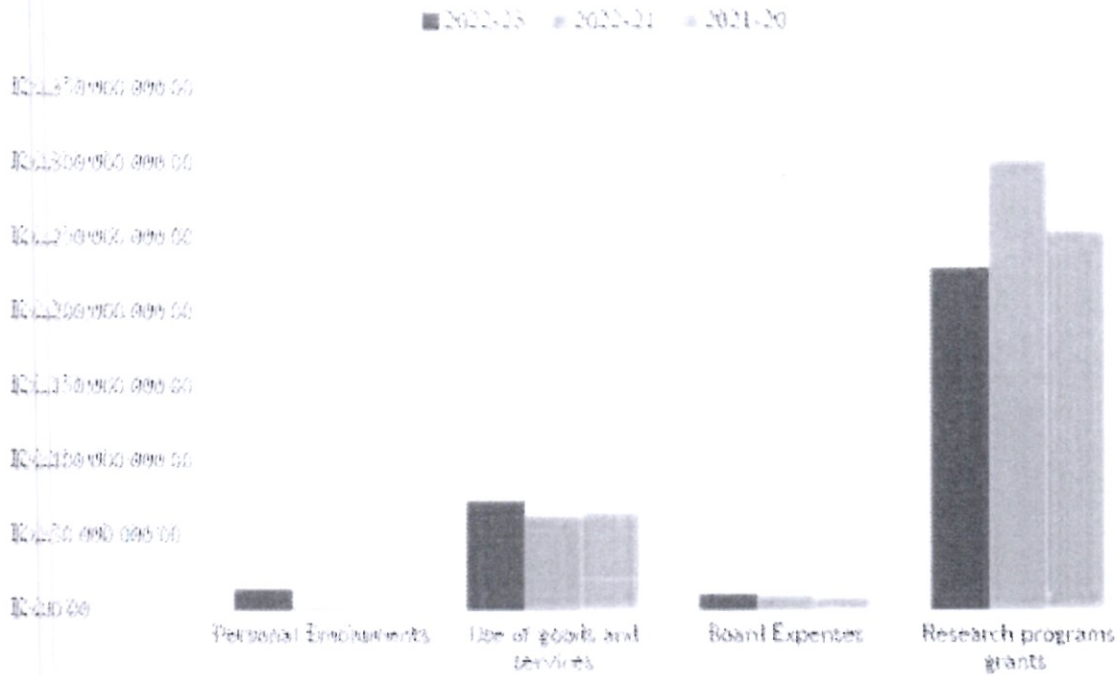
2023-22: Ksh 229,460,513.00

2022-21: Ksh 301,938,477.00

2021-20: Ksh 254,369,475.00

The decrease in research programs grants from 2022-21 to 2023-22 was due to slight adjustments in funding focus. This reduction is as a result to delay in exchequer releases that affected in releasing on time the funds to research entities.

Expenses Analysis

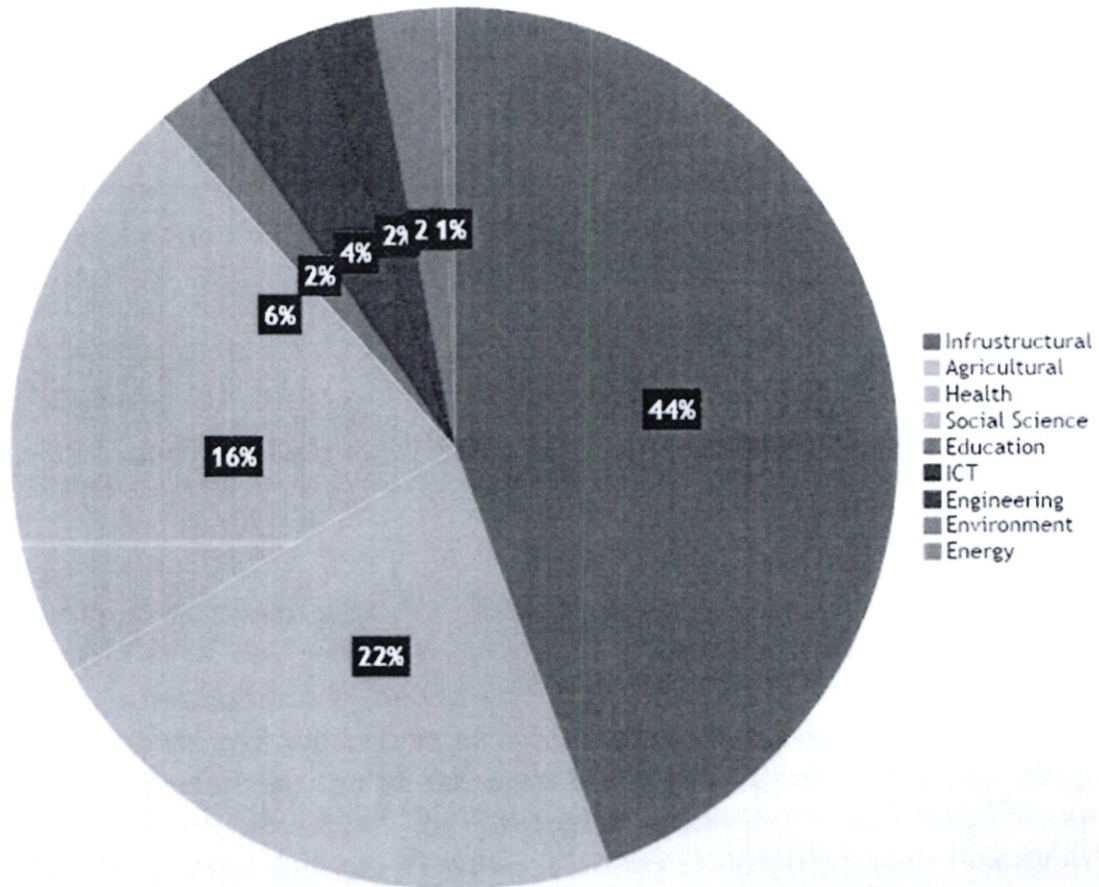


Summary:

Over the years our actual expenses reveal NRF's operational dynamics. The surge in personal emoluments was due to workforce growth, while increasing goods and services expenses highlight operational enhancements. Elevated board expenses signify governance emphasis, and research grant fluctuations suggest strategic shifts. Overall, these expenses reflect NRF's efforts to adapt, expand, and fulfil its mandate effectively, as evidenced by changes in allocations across categories over the specified three-year period.

9.4 Analysis of Research Grants funded and monitored by sector.

Research Grants funded and monitored by sector



10. Environmental and Sustainability Reporting

Sustainability Strategy and Profile of the National Research Fund (NRF)

With a strategic focus on professionalism, integrity, equity, teamwork, accountability, and responsiveness, NRF strives to achieve its objectives while also contributing to sustainability across various dimensions. This report examines NRF's sustainability efforts, achievements, and challenges within its core operational areas.

i) Sustainability Strategy and Profile

NRF's sustainability efforts are underpinned by a commitment to effective resource utilization, risk management, and business continuity. The organisation acknowledges the importance of deploying resources efficiently to fulfil its mandates while also implementing robust risk management programs. These initiatives ensure that senior management maintains oversight and addresses potential risks, enhancing the Fund's sustainability.

ii) Environmental performance

NRF's environmental performance is reflected in its shift toward digital processes, reducing paper-based workflows, and implementing sustainable practices. The adoption of an intranet system significantly minimise paper usage, while policies promoting responsible electronic waste disposal, water dispenser sharing, and the preference for digital documents contribute to the organisation's environmental sustainability. Furthermore, practices like printing on both sides of paper documents and just-in-time stock replenishment exhibit NRF's dedication to resource conservation.

iii) Employee Welfare

NRF's commitment to employee welfare is evident through its HR policy aligned with Public Service Values and Principles as provided in Article 232 of the Constitution. Staff members benefit from a fair performance appraisal system, which identifies areas for improvement and training opportunities. NRF's investment in capacity-building through training further underscores its dedication to employee development.

iv) Corporate Social Responsibility/Community Engagements

Introduction: The National Research Fund (NRF) is deeply committed to contributing positively to society through various Corporate Social Responsibility (CSR) initiatives and community engagement programs. These efforts align with NRF's mission to "To mobilise resources for research, capacity development, dissemination of findings, and maintenance of inventory for the advancement of Science, Technology, and Innovation towards sustainable national development."

The following report highlights the key CSR activities carried out by NRF in the year ended June 2023, along with their impact on society.

Tree Planting and Environmental Conservation: The Fund Staff demonstrated its commitment to environmental preservation by actively participating in tree planting initiatives within the NRF environs. This initiative aimed at contributing to forest conservation and raising awareness about the importance of environmental sustainability. The Government led by H.E President Ruto initiated planting of 15 billion trees by 2032, a move aimed at: reducing greenhouse emissions, stopping and reversing deforestation and, restoring 5.1 million hectares of deforested and degraded landscapes through the African Landscape Restoration Initiative which was launched on 22nd December 2022. Consequently, by taking a proactive role in environmental conservation, NRF showcased its dedication to a greener and healthier future for the community and the planet.

Impact on Society: The CSR activities conducted by NRF in the year ended June 2023, have had a significant impact on society. The tree planting efforts and commitment to environmental conservation have promoted a sustainable and greener environment.

Conclusion: The Fund remains steadfast in its commitment to Corporate Social Responsibility and Community Engagement. Through a comprehensive sustainability strategy that encompasses various pillars, including Research, environmental conservation, employee welfare, and ethical practices, NRF continues to contribute positively to Kenya's Research and developmental landscape. Despite challenges, NRF's achievements underscore its role as a Funding body and a driving force in shaping a better future for the country.

v) Marketplace Practices

NRF's commitment to responsible competition practices is reflected in its proactive measures to combat bribery and corruption. The NRF's responsiveness to the political environment and its role in addressing legal framework amendments demonstrate its commitment to ethical practices. Ensuring fairness in procurement through open advertisement, impartial evaluation criteria, and measures to prevent corruption or conflicts of interest exemplify NRF's ethical and transparent market practices.

a) Responsible competition practice

- The Fund has committed to undertake a Bribery and Corruption Risk Assessment, develop a Corruption Risk Mitigation Plan, implement measures emanating from the plan, Monitor, evaluate and review effectiveness of measures put in place and submit quarterly reports to EACC in the prescribed format to EACC;
- The Commission is responsive to the political environment, especially on issues affecting amendments to the legal framework. Where issues have been raised in Parliament, the Fund through the Ministry of Education responds to the said issues.
- The Fund upholds fair competition by advertising for all the procurement opportunities to the prequalified suppliers if using RFQs and on its website and National Treasury Suppliers Portal for open tenders. This gives an opportunity for all eligible bidders to participate.
- NRF ensures that specifications for goods, works and services are not tailor made to any one product using brand names.
- All the details information from the bidders are handled with confidentiality in respect of the competitors rights.
- Evaluation criteria is always indicated in the bid document to enhance fairness and the tender evaluation is in compliance with the evaluation criteria.
- All bidders sign the form committing not to involve in any corruption as well as declaring their conflict of interest if any.

b) Responsible supply chain and supplier relations

- NRF honours all the terms of the contract with all bidders inclusive of the terms of payment. This is done through an inclusive inspection and acceptance process where both the contractor and the NRF Inspection Committee are involved.
- Suppliers are also encouraged to communicate to the Fund in writing on any deviations from the terms of contract and any

proposed modifications. Negotiation meetings are held with the Suppliers where necessary.

c) Responsible marketing and advertisement

- The efforts to maintain ethical marketing practices within the Fund and beyond are outlined as follows:
- Ensure that all promotional materials disseminated to the public are accurate and truthful;
- Ensure that all adverts, communication advisories are approved by the CEO before they are released to external media or Public;
- Ensure marketing materials do not contain any false or misleading information;
- Ensure promotional materials are not designed to prey on the fears or insecurities of potential researchers.
- Ensure promotional materials do not use language that is offensive or discriminatory;
- Children are not used on promotional materials.
- Marketing materials should not be used to promote unhealthy or dangerous behaviours or to promote illegal activities.

(d) Product Stewardship

- Ensuring that the contractor/suppliers engaged are licensed by the relevant Government entities such as NCA, Food and Poisons Board, ICTA among others.
- During inspection, the Commission's Inspection and Acceptance Committee appointed by the CEO which comprises of the User department verifies supplier's compliance to the contract terms including certification of goods by the relevant Government entities such as KEBS.

11. Report of Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the National Research Fund's affairs.

i) Principal activities

The principal activities of National Research Fund are:

- Awarding of contracts, grants, scholarships, bursaries, or any other award determined by the Commission to persons or institutions.
- Providing financial support for the acquisition or establishment of research facilities
- Developing appropriate human resources and research capacity in the areas of Science Technology and Innovation
- Funding the co-operation and sharing of research information and knowledge, including supporting conferences, workshops, seminars, meetings, and other symposia

ii) Results

The results of the Fund for the year ended June 30, 2023, are set out on page xxix to xxxv.

iii) Directors

The members of the Board of Trustees who served during the year are shown on page x to xv. During the year under review the board was composed of the Chairman and Nine (9) board members. The board has five committees, and each board member is a member of the various committees formed during the year.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into

Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

NRF made a surplus of 9,877,733 during the year FY 2023 and hence no remittance to the Consolidated Fund as the surplus was from partners and the sponsored projects were pending awaiting progress reports.

v) Auditor

The Auditor General is responsible for the statutory audit of the NRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. No firm of Certified Public Accountants was nominated by the Auditor General to carry out the audit of NRF for the year ended 30 June 2022 in accordance to section 23 of the Public Audit Act, 2015 that empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Prof. Dickson M. Andala.
Chief Executive Officer
Secretary to the Board

12. Statement of Directors Responsibility

Section 81 of the Public Finance Management Act, 2012 and (STI Act 2013) require the Directors to prepare financial statements in respect of National research Fund, which give a true and fair view of the state of affairs of the NRF at the end of the financial year/period and the operating results of the NRF for that period. The Directors are also required to ensure that the NRF keeps proper accounting records which disclose with reasonable accuracy the financial position of NRF. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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 Fund
- (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 Fund.
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Fund'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 Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act) .The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.


Approval of the financial statements

The National Research Fund's financial statements were approved by the Board on 22/09/ 2023 and signed on its behalf by:



.....

Prof. Ratemo Michieka, EBS
Chairman



.....

Prof. Dickson M. Andala
Accounting Officer

REPUBLIC OF KENYA



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Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL RESEARCH FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that consider 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 the intended purpose.
- C. Report on the 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 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

Opinion

I have audited the accompanying financial statements of National Research Fund set out on pages 1 to 40, which comprise of the statement of financial position as at

30 June, 2023, statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts and a summary of significant accounting policies, notes to the financial statements and other important disclosures 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, the financial statements present fairly, in all material respects, the financial position of the National Research Fund as at 30 June, 2023, 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Research Fund Management in accordance with ISSAI 130 on the 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 opinion.

Emphasis of Matter

Failure to Optimize Operations

Review of the budget and operations of the Fund over a period of four (4) years revealed that transfers from other government entities declined by Kshs.1,515,871,748 or 82% from an amount of Kshs.1,838,909,671 in the financial year 2018/2019 to Kshs.323,037,923 in the financial year 2022/2023.

In the circumstances, the reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Long Outstanding Receivables

The statement of financial position reflects receivables balance of Kshs.1,714,726 as disclosed in Note 14 to the financial statements. Included in Kshs.1,714,726 is a balance of Kshs.1,500,000 in respect of an amount borrowed by the State Department for

University Education which has been outstanding for more than two (2) financial years. Management did not justify the lending nor provide evidence of efforts to recover the amount advanced.

In the circumstances the Fund is at risk of losing the amount borrowed if measures to recover the money are not initiated and implemented.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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

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

REPORT ON THE 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 matter 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 governance were not effective.

Basis for Conclusion

Lack of an Updated Fixed Assets Register

The statement of financial position reflects a balance of Kshs.27,007,659 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. The inventory catalogue provided by the Fund Management indicated a listing of all movable and immovable assets that the Fund had in its possession as at 17 May, 2021. However, the register provided did not indicate the serial numbers, thus making it difficult to trace the assets as per assets register to the physical assets.

In the circumstances, the effectiveness of internal controls on fixed assets of the Fund could not be confirmed.

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 controls, 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 Trustees

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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its 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 Fund 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 Trustees is responsible for overseeing Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 Fund's 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 Fund to cease to continue 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

14. Statement of Financial Performance for the Year Ended 30 June 2023

		2022/2023	2021/2022
	Note	Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers from other governments entities	6	323,037,923	323,037,923
Revenue From Exchange Transactions			
Other incomes	7(a)	22,167,731	27,308,159
Total Revenue		345,205,654	350,346,082
Expenses			
Personal Emoluments	8	14,176,109	2,588,838
Administration and operating cost	9	73,229,648	63,770,680
Depreciation and amortization expenses	10	7,764,721	5,262,688
Board Expenses	11	10,696,929	10,148,272
Research programs grants	12	229,460,513	301,938,477
Total expenses		335,327,921	383,708,955
Surplus for the period		9,877,733	(33,362,873)

The notes set out on pages 7 to 38 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Prof. Dickson M. Andala
Chief Executive Officer

Date 20/12/23



CPA. Rosemary Odeph
Head of Finance
ICPAK No. 7345

Date 20/12/23



Prof. Ratemo Michieka, EBS
Chairman

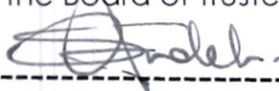
Date 20/12/23

13. Report of the Independent Auditor for the Financial Statements of National Research Fund.

15. Statement of Financial Position as at 30 June 2023


	Notes	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	13	27,940,746	7,987,832
Receivables	14	1,714,726	1,642,928
Total Current Assets		29,655,472	9,630,760
Non-Current Assets			
Property, plant and Equipment	15	27,007,659	25,838,200
Intangible Assets	16	9,310,000	0
Total Non- Current Assets		36,317,659	25,838,200
Total Assets		65,973,131	35,468,960
Liabilities			
Current Liabilities			
Deferred Income	18	20,496,535	0
Payables	17	6,161,467	8,987,832
Total Current Liabilities		26,658,002	8,987,832
Total Liabilities		26,658,002	8,987,832
Net Assets		39,315,129	26,481,128
Accumulated surplus		36,358,862	26,481,128
Prior Year Adjustment	19	2,956,266	0
Total Net Assets		39,315,128	26,481,128
Total Net Assets and Liabilities		39,315,128	26,481,128

The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Trustees by:



Prof. Dickson M. Andala
Chief Executive Officer

Date 20/12/23



CPA. Rosemary Odeph
Head of Finance
ICPAK No. 7345

Date 20/12/23



Prof. Ratemo Michieka, EBS
Chairman

Date 20/12/23

16. Statement of Changes in Net Assets for the Year Ended 30 June 2023

Particulars	Accumulated Surplus
	Kshs
Balance c/d at 1st July 2020	91,047,493
Surplus for 2020/2021	(31,120,383)
Balance c/d at 30 June 2021	59,927,110
Surplus / Deficit for the Period as at 30 June, 2022	(33,362,873)
Adjustment to Depreciation Wrongly charged in 2022	(83,109)
Balance c/d at 30 June 2022	26,481,128
surplus for the period as at 30 June 2023	9,877,733
Balance c/d at 30 June, 2023	<u>36,358,861</u>

17. Statement of Cash Flows for the Year Ended 30 June 2023

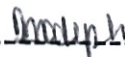
		2022/2023	2021/2022
	Note	Kshs	Kshs
Transfer from other Government Entities	6	323,037,923	323,037,923
AIA (Mobilized Resources from Donors)	7	22,167,731	27,308,159
Total Receipts		345,205,654	350,346,082
Payments			
Personnel Emoluments	8	14,176,109	2,588,838
Administration & Operating cost	9	73,229,648	63,770,680
Board Expenses	11	10,696,929	10,148,272
Research programs grants	12	229,460,513	301,938,477
Total Payments		327,563,200	378,446,267
Changes in Working Capital			
Changes in Receivables	14	(71,798)	(33,676)
Changes in Deferred Income	18	20,496,535	0
Changes in Payables	17	(2,826,365)	(6,476,717)
Prior year Adjustment	19	2,956,266	-
Net Changes in Working Capital		20,554,638	(6,510,393)
Net Cash flows from/(Used in) operating activities		38,197,092	(34,610,578)
Cash flow from investing activities			
Purchase of property, plant, equipment	15	(7,604,181)	(17,508,506)
Intangible Assets	16	(10,640,000)	0
Net cash flows from/ (used in) investing activities		(18,244,181)	(17,508,506)
Net cash flows used in financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		19,952,912	(52,119,084)
Cash and cash equivalents at 1 July 2022	13	7,987,832	60,106,916
Cash and cash equivalents at 30 June 2023		<u>27,940,746</u>	<u>7,987,832</u>

The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Trustees by:



Prof. Dickson M. Andala
Chief Executive Officer

Date... 20/12/23



CPA. Rosemary Odeph
Head of Finance
ICPAK No. 7345

Date... 20/12/23



Prof. Ratemo Michieka, EBS
Chairman

Date... 20/12/23

18. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2023

	Notes	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% of Utilization
		(A)	(B)	(C)	(D)		
		Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from other Governments Entities	6	323,037,923	-	323,037,923	323,037,923	-	100%
Other receipts (AIA)***	7a	-	42,664,266	42,664,266	22,167,731	20,496,535	52%
Total Income		323,037,923	42,664,266	365,702,189	345,205,654	20,496,535	
Expenses							
Personnel Emoluments	8	17,180,000	(3,003,891)	14,176,109	14,176,109	-	100%
Administration & Operating cost	9	102,997,060	(12,191,408)	90,805,652	73,229,648	17,576,004	81%
Depreciation & amortization expenses*	10	4,197,137	(4,197,137)	-	7,764,721	(7,764,721)	1005%
Board Expenses	11	9,759,000	1,407,599	11,166,599	10,696,929	469,670	96%
Research programs grants	12	193,101,863	56,451,966	249,553,829	229,460,513	20,093,316	92%
Total expenditure (Recurrent)		327,235,060	38,467,129	365,702,189	335,327,921	30,374,268	92%
Surplus/deficit		(4,197,137)	4,197,137	-	9,877,733		

Budget notes

1. Explanation of material variances (10 per cent over/under) IPSAS 24.14

The fund employed its own staff during the financial year under review this caused a material variance in the Personnel Emoluments and in the use of goods and services.

- Underutilization was due to staff being employed middle of the financial year

2. Explanation of changes between original and final (IPSAS 24.29)

- The changes in original and final budget were occasioned by approved reallocations from areas of low spending to areas where we had higher expenditure.

3. The total actual on comparable amounts in this statement and statement of financial performance amounts for all the expenditure items do not tie due to differences in accounting basis. The budget is prepared and implemented on a cash basis, while the financial statements are prepared on an accrual basis. The differences are majorly caused of Accruals Payments made during the current financial year. The difference is shown under notes 9a, 12a and

19. Notes to the Financial Statements

1. General Information

NRF is established by and derives its authority and accountability from Science Technology and Innovation (ST&I) Act, 2013. NRF is wholly owned by the Government of Kenya and is domiciled in Kenya. NRF's principal activity is at NACOSTI Building, Upper Kabete along Waiyaki way.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at revalued 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 NRF's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements disclosed in Note 5.

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

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.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>IPSAS 41 the entity does not deal in financial instruments therefore it does not apply to the fund</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>l The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>It does not apply to our entity .The entity does not deal with financial hedging or credit risk from borrowing</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> <p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p>Initial recognition and measurement Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and</p>

Standard	Effective date and impact:
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borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and directly attributable transaction costs.

4. Summary of significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

NRF does not recognize revenues from fees, taxes and fines 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, deferred income is recognized instead of revenue. 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 NRF 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 NRF and can be measured reliably. Recurrent grants are recognized in the statement of Financial Position

Comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

b. Budget information

The budget for FY 2022-2023 was approved by the National Assembly in June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

The additional appropriations are added to the original budget by NRF upon receiving the respective approvals in order to conclude the final budget.

NRF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under page 6 of these financial statements.

c. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where NRF does not operate and generate taxable income. Current income tax relating to items recognized directly in net assets is recognized in net

assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

situations in which applicable tax regulations are subject to interpretation and establishes provisions where applicable

d. Property, Plant and Equipment

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, NRF 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.

The National Research Fund charges depreciation on its assets on a straight-line basis. The rates of depreciation on NRF's assets is as follows:-

Item	Rate of depreciation
Motor vehicles	20%
Furniture and fittings	12.5%
Computers	33.33%
Plant and equipment	12.5%
Intangible Assets	12.5%

e. Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to NRF. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. NRF does not recognize the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that NRF will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to NRF. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date

of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

g. Research and development costs

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

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

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

- iv). The availability of resources to complete the asset
- v). 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.

h. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. NRF determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when NRF has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. NRF determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized

Initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs:

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

i. Inventories

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:

- i). Raw materials: purchase cost using the weighted average cost method
- ii). Finished goods and work in progress: cost of direct materials and labour 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 NRF.

j. Provisions

Provisions are recognized when NRF has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where NRF expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

k. Contingent liabilities

NRF does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

l. Contingent assets

NRF does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NRF in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that, an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m. Nature and purpose of reserves

NRF creates and maintains reserves in terms of specific requirements.

n. Changes in accounting policies and estimates

NRF recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

o. Employee benefits

Retirement benefit plans

NRF Plans to provide retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

In the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

q. Related parties

NRF regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over NRF, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

r. Service concession arrangements

NRF analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, NRF recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

extent that an asset has been recognized, NRF also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions, which were not surrendered or accounted for at the end of the financial year.

t. Comparative figures

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

u. Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 20, 2023.

5. Significant Judgements and Sources of Estimation Uncertainty

The preparation of NRF's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

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. NRF 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 NRF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required.

To settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 Transfers from Other Government Entities

EXCHEQUER RECEIPTS 2022/2023		2021/2022
Date	Kshs	Kshs
31/08/2022	26,919,826	80,759,480
02/9/2022	26,919,827	80,759,481
05/09/2022	26,919,827	80,759,481
18/12/2022	80,759,481	80,759,481
14/04/2022	80,759,481	-
27/06/2023	80,759,481	-
TOTAL	<u>323,037,923</u>	<u>323,037,923</u>

We received the entire budget allocation for the year

7) Other Income

	AIA Mobilized Resources	2022/2023	2021/2022
Date		Kshs	Kshs
15/11/2022	Hepwek Project (France Government)	4,214,674	-
09/02/2023	Hepwek Project (France Government)	16,806,609	-
09/03/2023	IDRC PROPOSAL	18,988,517	-
27/01/2023	African Population and health Research	302,875	-
31/01/2023	Workshop funds SGCI	363,150	-
4/11/2023	British Council	1,507,750	-
4/18/2023	ICIPE	480,691	27,308,159
TOTAL		<u>42,664,266</u>	<u>27,308,159</u>

7.a) Other Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Total condition grants received	4,214,674	-
Amounts utilized in performance	<u>(22,167,731)</u>	<u>(27,308,159)</u>
Amounts transferred to deferred income	<u>20,496,535</u>	<u>-</u>

8) Personnel Emoluments

Payee	2022/2023	2021/2022
	Kshs	Kshs
Basic Salary	4,812,021	-
Commuter Allowance	181,301	-
Housing Allowance	1,242,457	-
Acting Allowance	46,886	228,096
Entertainment Allowance	987,000	-
Casuals	456,101	275,815
Remunerative Allowance	6,450,343	2,084,927
TOTAL	<u>14,176,109</u>	<u>2,588,838</u>

9) Administration & Operating Cost

Details	2022/2023	2021/2022
	Kshs	Kshs
Insurance expenses	3,851,598	654,607
Utilities, supplies and Services	355,574	276,511
Communication supplies and services	1,382,237	1,133,455
Domestic travel	1,608,420	196,4913
Foreign travel	4,334,977	3,957,300
Printing, advertising	1,067,909	1,204,508
Training Expenses	2,294,716	1,603,205
Catering services	637,605	562,545
Office general supplies	86,421	33,360
Fuels, oils and lubricants	3,560,742	2,123,740
Contracted professional	-	3,510,000
Contracted professional payable	-	366,000
Transport costs and charges	-	139,480
Bank charges	280,378	239,427
Uniform	-	109,450
Contracted technical	-	2,660,000
Routine MTCE vehicles and other assets	-	1,236,849
Computer and other related accessories	1,529,111	270,200
Performance contracting/Work plan	36,469,544	28,233,440
office rent	7,569,000	7,569,000
Audit fees	1,000,000	1,000,000
Audit fees	-	1,000,000
Cleaning services	1,266,190	878,400
Furniture and other Equipment	34,500.00	
Conferences	5,900,726	3,044,290
TOTAL	<u>73,229,647</u>	<u>63,770,680</u>

10) Depreciation And Amortization Expenses (See Note 15)

	2022/2023	2021/2022
	Kshs	Kshs
Property Plant & Equipment	6,434,721	5,262,668
Intangible Assets	1,330,000	-
Total	<u>7,764,721</u>	<u>5,262,668</u>

The fund's Depreciation and amortization expenses are for the assets held at National Research Fund

11) Board Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Chairman/Directors' Honoraria	1,044,000	900,000
Sitting Allowances	9,568,929	9,248,272
Other Allowances	84,000	-
Total	<u>10,696,929</u>	<u>10,148,272</u>

12) Research Grants Program Costs

Details	2022/2023	2021/2022
	Kshs	Kshs
DAAD	127,157,250	-
Covid 19 and locust prog	-	74,111,479
Kenya Germany	-	133,583,753
KNAS	4,500,000	-
HEPWEK	4,214,674	27,308,159
MMC	-	3,946,700
Phd	-	48,944,526
Other Research Grants	93,476,589	11,391,000
KEFRI	112,000	-
MMC Project Payable	-	2,410,350
Phd Payable	-	242,510
TOTAL	<u>229,460,513</u>	<u>301,938,477</u>

13) Cash and Cash Equivalents

		2022/2023	2021/2022
Financial institution	Account Number	Kshs	Kshs
a) Current account			
National Bank of Kenya	01060208597200	7,444,211	7,732,144
Sub- total		7,444,211	7,732,144
b) Deposits			
Kenya Commercial Bank	1236065395	20,496,535	255,688
Sub- total		20,496,535	255,688
Grand total		<u>27,940,746</u>	<u>7,987,832</u>

14. Receivables from Non-Exchange Programs

Receivables	2022/2023	2021/2022
	Kshs	Kshs
Receivables	1,500,000	1,500,000
Insurance	214,726	142,928
Total Grant Receivables	<u>1,714,726</u>	<u>1,642,928</u>

The prepaid insurance is for motor vehicles.

15. Property, Plant and Equipment

	Motor vehicles	Furniture & Equipment	Computers	Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Rate	20%	12.5%	33.33%		
As at 1 July 2021	22,733,233	1,895,900	2,635,496	0	27,264,629
Additions	0	2,014,800	432,000	15,061,706	17,508,506
Disposal	-	-	-	-	-
As at 30 th June 2022	22,733,233	3,910,700	3,067,496	15,061,706	44,773,135
Opening Balance as 1 July, 2022	22,733,233	3,910,700	3,067,496	15,061,706	44,773,135
Additions	-	2,772,208	3,158,450	1,673,523	7,604,181
Disposal	-	-	-	-	-
Total Cost/Valuation	22,733,233	6,682,908	6,225,946	16,735,229	52,377,316
Depreciation & Impairment					
1-Jul-21	10,521,047	599,114	2,552,106	-	13,672,267
Depreciation	4,546,647	488,837	227,184	-	5,262,668
Impairment	-	-	-	-	-
Transfers	-	-	-	-	-
1-Jul-22	15,067,694	1,087,951	2,779,290	-	18,934,935
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer	-	-	-	-	-
Dep. Charge for the Year	4,546,647	835,364	1,052,711	0	6,434,721
30-Jun-23	19,614,341	1,923,315	3,832,001	0	25,369,656
Net Book Value as at 30th June 2023	<u>3,118,892</u>	<u>4,759,593</u>	<u>2,393,945</u>	<u>16,735,229</u>	<u>27,007,659</u>
Net Book Value as at 30th June 2022	<u>7,665,539</u>	<u>2,822,749</u>	<u>288,206</u>	<u>15,061,706</u>	<u>25,838,200</u>

Note

The opening balance for the computers as at 1st of July 2022 has been fully depreciated per below table

	Computers
	Kshs
Fully Depreciated Assets (Computers)	3,067,496
Accumulated Depreciation for the assets	2,779,290
Balance	288,206

16. Intangible Asset

	2022/2023	2021/2022
	Kshs	Kshs
RATE	12.5%	12.5%
INTANGIBLE ASSETS		
COST		
At July 1	-	-
Additions	10,640,000	-
Disposals	-	-
At June 30	10,640,000	-
AMORTISATION		
At July 1	-	-
Charge for the year	1,330,000	-
Impairment Loss	-	-
At June 30	1,330,000	-
NET BOOK VALUE		
At June 30	9,310,000	-

Intangible Assets are Amortized at the year of acquisition at 12.5% on cost and has an estimated useful life of 8 years.

17. Payables

	2022/2023	2021/2022
	KShs	Kshs
Audit fees	1,000,000	2,000,000
Research Grants	-	2,652,860
Board Expenses	-	1,044,000
ERP	3,990,000	-
Partitioning of offices	1,171,467	3,290,972
Total Grant Payables	6,161,467	8,987,832

18. Deferred income

	2022/2023	2021/2022
	Kshs	Kshs
Balance as at the beginning	-	-
Amounts received	42,664,266	-
Amounts utilized in statement of performance	(22,167,731)	-
Deferred income balance as at 30 June 2023	20,496,535	-

In reference to IPSAS 9 Subsection 19 the money received as AIA during the financial year 2022/2023 were not fully utilized. The amount Kes 20,496,535 is conditional grant and will be utilized in the next financial year. The committed funds were from **British Council** and **IDRC** to which we have contractual agreement which will lapse in the financial year 2023/ 2024

19. Prior year adjustment

Analysis of the certified works for the partitioning of the offices

Certificate number	Certificate Amount	Retention
Cert 1	5,332,140	533,214
Cert 2	3,697,181	369,718
Cert 3	7,705,907.50	770,590
Total		1,673,522

Balance of payables on office partition (2022)	3,290,972
Actual retentions	<u>1,673,522</u>
	1,617,449
Paid FY 2022/23	<u>836,762</u>
Adjustment for the year	<u>2,956,266</u>

Retention for the works paid to the contractor for the interim certificate received of Kes. 1,673,522 was not effected in the financial year 2021/2022. Further a payment of KES.836,762 was made.

FINANCIAL RISK MANAGEMENT

NRF's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. NRF's overall risk

management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. NRF does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

NRF's financial risk management objectives and policies are detailed below:

(i) Credit risk

NRF has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits

set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by NRF's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing NRF's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Further there is no credit risk disclosed in the statement of financial position.

	Total amount	Fully performing
	Kshs	Kshs
As at 30 June 2021		
Receivables from exchange transactions	1,714,726	1,714,726
Bank balances	27,940,746	27,940,746
Total	29,655,472	29,655,472
As at 30 June 2022		
Receivables from exchange transactions	1,642,928	1,642,928
Bank balance	<u>7,987,832</u>	<u>7,987,832</u>

Further, there is no credit risk disclosed in the financial position.

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that NRF has recognised in the financial statements are considered adequate to cover any potentially irrecoverable amounts. The board of trustees sets NRF's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with NRF's directors, who have built an appropriate liquidity risk management framework for the management of NRF's short, medium and long-term funding and liquidity management requirements. NRF manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by NRF under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1- 3 months	Over 5 month s	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
As at 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect NRF's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. NRF's Finance Department is responsible for the development of detailed risk

management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to NRF's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

NRF has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. NRF manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of NRF's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Total financial assets	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Total financial liabilities	-	-	-
Net foreign currency asset/(liability)	-	-	-

17. Related Party Disclosures

Nature Of Related Party Relationships

Entities and other parties related to NRF include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of NRF, holding 100% of NRF's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of NRF, both domestic and external.

Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Kenya Revenue Authority
- iv) State Department for University Education and Research
- v) Key management;
- vi) Board of Trustees;

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
Grants from National Government	323,037,923	323,037,923
Total	323,037,923	323,037,923
a) Key management compensation		
Board expenses	10,696,929	10,148,272
Total	333,734,852	333,186,195

Currency

The financial statements are presented in Kenya Shillings (Kshs).

20. Appendices

I. Progress on follow up of Auditor recommendations

The audit of the activities of NRF for the FY 2021/2022 was conducted and the issues raised progress are as follows.

Referenc e No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Long Outstanding Receivables The statement of financial position reflects receivables from non- exchange transactions balance of			The money lent to SDUE of ksh.1,500,000 has not been refunded but a letter has been raised through PS to request for the refund.	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.1,642,928 as disclosed in Note 12 to the financial statements. The balance includes an amount of Kshs.1,500,000 that has been outstanding for more than one year. The amount was borrowed by the State Department of University Education as per REF MOE/11/1(246) and was to be				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>refunded. However, the amount continues to remain outstanding despite Management's follow-up for refund that is yet to be acted upon by the State Department.</p>				
2.	<p>Failure to Optimize Operations The Fund was established under Section 32 of the Science Technology and</p>		<p>For the Financial year 2022/23 NRF has employed 13 staff. Currently we are prioritizing on the</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Innovation (ST&I) Act of 2013 which became operational on 9 November 2015. The objective of the Fund is to facilitate research for the advancement of Science, Technology, and Innovation. The Act stipulates that the Fund should consist of a sum of money amounting to 2% of the country's Gross</p>		<p>BETA Agenda to increase grants.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Domestic Product, provided by The National Treasury every financial year and such other monies designated for the Fund by Parliament , donations , endowment or grants or gifts designated for the Fund.</p> <p>Review of the budget and operations of the Fund over a</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>period of four (4) years revealed that transfers from other government entities have continued to decline from an amount of Kshs.1,838,909,671 in the financial year 2018/2019 to Kshs.323,037,923 in the financial year 2021/2022 . Further, the Fund has been operating with skeleton staff rendering service</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	delivery difficult. Reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.				

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;

- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to the National Treasury.



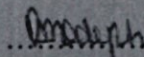
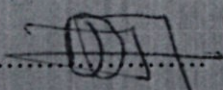
Prof. Dickson M. Andala
Chief Executive Officer

Date.....20/12/23

III: Inter-Entity Transfers

ENTITY NAME:	
Break down of Transfers from the State Department for University Education & Research	
Date	Amount (Kshs)
31/08/2022	26,919,826
02/9/2022	26,919,827
05/09/2022	26,919,827
18/12/2022	80,759,481
14/04/2023	80,759,481
27/06/2023	80,759,481
TOTAL	323,037,923

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

 CPA Rosemary Odeph Head of Finance ICPAK No.7345 Date <u>20/12/23</u>	 Margaret Wambui Kariuki Head of Accounting Unit-SDUE ICPAK No. 4291 Date <u>20/12/2023</u>
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