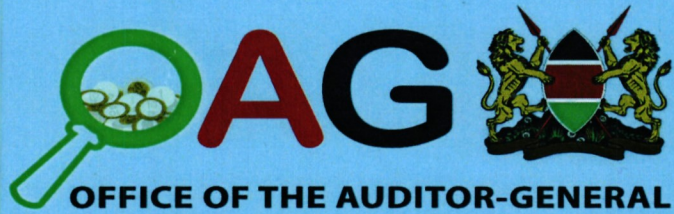


REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL COMMISSION FOR SCIENCE,  
TECHNOLOGY AND INNOVATION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



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**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND  
INNOVATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2019**

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

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**ABBREVIATIONS AND ACRONYMS**

<b>CTBTO</b>	-	Comprehensive Test Ban Treaty Organization
<b>DG</b>	-	Director General
<b>DRAQA</b>	-	Director, Research Accreditation and Quality Assurance
<b>DSPC</b>	-	Director, Strategic Planning and Compliance
<b>DSS</b>	-	Director, Scheduled Sciences
<b>ERP</b>	-	Enterprise Resource Planning
<b>EU</b>	-	European Union
<b>FY</b>	-	Financial Year
<b>GoK</b>	-	Government of Kenya
<b>ICT</b>	-	Information Communication Technology
<b>ICPAK</b>	-	Institute of Certified Public Accountants of Kenya
<b>IDRC</b>	-	International Development Research Centre of Canada
<b>IPSAS</b>	-	International Public Sector Accounting Standards
<b>ISO</b>	-	International Organization for Standardization
<b>KEPSA</b>	-	Kenya Private Sector Alliance
<b>NACOSTI</b>	-	National Commission for Science Technology and Innovation
<b>NCST</b>	-	National Council for Science and Technology
<b>PFM</b>	-	Public Finance Management
<b>QMS</b>	-	Quality Management System
<b>RST</b>	-	Research, Science and Technology
<b>ST&amp;I</b>	-	Science, Technology and Innovation
<b>STEM</b>	-	Science, Technology, Engineering and Mathematics

## **KEY ENTITY INFORMATION AND MANAGEMENT**

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

The National Commission for Science, Technology and Innovation (NACOSTI) is the successor to National Council for Science and Technology (NCST) and was established after the commencement of the Science, Technology and Innovation Act, 2013 on 24 June, 2013. The Commission's Mission is to improve the quality of life of Kenyans by integrating science and technology in social and economic development. It regulates, assures quality, promotes, coordinates and advises on science, technology, innovation and research.

The Commission is governed by a Board which is appointed by the Cabinet Secretary (CS) responsible for matters of science and technology. The first Board of the Commission was appointed on 7th April 2014 and its term ended on 6th April 2017. The current Board was appointed on 6th December 2017 vide Gazette Notice Numbers 11926 for the Chairperson and 11927 for the Members.

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

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

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

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

- Board of Commissioners;
- Director General/ CEO; and
- Management

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

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Director General/CEO	Dr. Moses K. Rugutt
2.	Director, Scheduled Sciences	Dr. Roy B. Mugiira
3.	Director, Research, Accreditation and Quality Assurance	Dr. Stephen K. Karimi
4.	Director, Corporate Services	Ms. Emilly M. Ongaga

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

The Audit and Risk Management Committee assists the Board in the oversight of the integrity of the financial operations of the Commission, the performance of the Commission's internal audit function and the external auditors and compliance by the Commission with legal and regulatory requirements.

**(f) Commission's Headquarters**

National Commission for Science, Technology and Innovation  
NACOSTI Headquarters Building  
Off Waiyaki Way, Upper Kabete  
P.O. Box 30623-00100  
Nairobi, KENYA

**(g) Commission's Contacts**

Tel.: +254 20 2241349  
+254 20 3310571  
E-mail: dg@nacosti.go.ke  
Website: www.nacosti.go.ke

**(h) Commission's Bankers**

1. Kenya Commercial Bank Ltd.  
Kipande House Branch  
P.O. Box 30012-00100  
Nairobi, Kenya  
Tel.: +254 20 3340161
2. NIC Bank Ltd.  
City Centre Branch  
P.O. Box 44599-00100  
Nairobi, Kenya  
Tel.: +254 20 2888000

**(i) Independent Auditors**

Auditor- General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
Nairobi, Kenya  
Tel.: +254 20 342330

**(j) Principal Legal Adviser**

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

**BOARD OF THE COMMISSION**

**MEMBERS OF THE BOARD**



**Prof. Tom Peter Migun Ogada, PhD – Chairman**

Prof Tom Peter Migun Ogada, (60 years) was appointed the Chairman of the Board on 6<sup>th</sup> December 2017. He holds a Doctor of Philosophy degree in Chemical Engineering from Hamburg, Germany, an MBA in Strategic Management from Moi University and MSc in Mechanical Engineering from BPI, Minsk, USSR and is a member to Institute of Engineers of Kenya.

Prof. Ogada has over 30 years' experience in Science, Technology and Innovation of which 15 years he has obtained at senior management and leadership positions. He is currently the Executive Director of African Centre for Technology Studies (ACTS) and a former Executive Committee Member (Minister) of Trade, Industrialization, Investment and Cooperatives in Homa Bay County. He served as Managing Director, T&P Innovation and Technology Management Services in the period 2011 – 2013 and as a Managing Director at Kenya Industrial Research and Development Institute (KIRDI) in the period 2006 – 2009. He has served as an acting director Moi University Holdings limited for 3 years and as an Advisor on Technology Transfer, British Council.

Prof. Ogada has participated in the formulation of several policies including Vision 2030, Industrialization Policy, Leather Development Policy, Industrial Cluster Strategy, Incubation Policy and Science, Technology and Innovation Policy. He has also prepared several books and tools on Intellectual Property.



**Prof. Collette A. Suda, PhD, FKNAS, CBS - Member**

Prof. Collette A. Suda, PhD, FKNAS, CBS, (62 years) is the Chief Administrative Secretary and Principal Secretary State Department for University Education and Research, Ministry of Education.

Prof. Suda is the former Secretary for Gender and Social Development, Ministry of Gender, Children and Social Development. Previously, she was the Director, Institute of African Studies and Director, Board of Common Undergraduate Courses, University of Nairobi. She also served as a member of the National Commission on Gender and Development and a member of the Advisory Board of the Women Enterprise Fund, among others. Prof. Suda is a full Professor of Sociology at the Institute of African Studies. She is a fellow of the National Academy of Sciences (FKNAS). She has served as an external Examiner at Moi University, Maseno University and the University of Dar-es-Salaam.

Prof. Suda has published widely in national and international scholarly and peer refereed journals and also contributed several book chapters. She has extensive research experience as principal investigator in the areas of gender, family studies, social change and sustainable rural development.



**Nicholas Kibiwott Letting', PhD, FCPA (K), FCS (K), MKIM, MIHRM, CIFA, HSC – Member**

Dr. Nicholas Letting' (48 years) was appointed a member of the Board on 6<sup>th</sup> December, 2017. Dr. Letting holds a Doctor of Philosophy in Business Administration, MBA and B.Com from University of Nairobi. He also holds two professional qualifications from KASNEB; Certified Public Accountant of Kenya and Certified Public Secretary of Kenya and a member of Institute of Directors, Kenya Institute of Management and Institute of Human Resource Management and Institute of Certified Investments and Financial Analysts.

Dr. Letting has extensive experience in senior management positions in leading organizations in the country. He is currently the Chief Executive Officer of Kenya Accountants and Secretaries National Examinations Board (KASNEB).



**Rachel Shibalira, MSc, LLB (Hons), Dip (Law) – Member**

Ms. Rachel Shibalira (47 years) was appointed a member of the Board on 6<sup>th</sup> December, 2017. Ms. Shibalira holds Msc in Environmental Planning and Management from Kenyatta University, Bachelor of Law from BabaSaheb Ambedkar University and Diploma in Law from Kenya School Law.


Ms. Shibalira is a member of Law Society of Kenya and also International Commission of Jurists. She has represented the Government of Kenya in negotiating international conventions and protocols in the area of environment. She has also worked with several countries in the African region helping them define policies and laws on issues of Science and Technology. She has served nationally as a Chairperson of the Biosafety Appeals Board.



**Prof. Francis Wamakima Muregi, PhD – Member**


Prof. Francis Wamakima Muregi (48 years) was appointed a member of the Board on 6<sup>th</sup> December, 2017. He is a PhD holder in medical sciences from Hamamatsu University School of Medicine, a Master of Science, Biochemistry (Biotechnology Option) and BSc. Biochemistry/Chemistry from Kenyatta University.

Prof. Muregi has worked at Kenya Medical Research Institute for more than 10 years. He is currently the Director for Research and Development at Mount Kenya University. He is also serving as a member of the Social and Human Sciences Programme and Expert Committee of Kenya National Commission for UNESCO (KNATCOM).




**Jemimah Onsare, PhD - Member**

Dr. Jemimah Onsare (43 years) is a member of the Board by virtue of being the Ag. Chief Executive Officer of National Research Fund (NRF). She has experience in resource mobilization and management of Research Grants and has participated in various programmes within the ST&I sector both at National as well as International level. Dr. Onsare is experienced in Microbiological Research (Antimicrobials) and has published research articles in international Journals of repute. She holds a PhD (Applied Microbiology – Antimicrobials) and has undertaken an International training Programme Sponsored by SIDA on putting ideas to work, strategies for innovation and led sustainable growth.



**Salome Guchu, PhD - Member**

Dr. Salome Guchu (44 years) is a member of the Board by virtue of being the Ag. Chief Executive Officer of Kenya National Innovation Agency (KENIA). She holds a Doctor of Philosophy Degree in Chemistry from the University of Nairobi and is a member of Kenya Chemical Society. Dr. Guchu has undertaken various professional development programmes in Science, Technology and Innovation Policy Development, Strategic Leadership and Corporate Governance. Her experience is on use of research for evidence informed policy making and on technology and innovation management.



**Moses K. Rugutt, PhD, OGW, Director General/Chief Executive Officer**





Dr. Rugutt (63 years) is currently the Director General of National Commission for Science, Technology and Innovation. He joined the predecessor of NACOSTI, the National Council for Science and Technology (NCST) in 2010 as Deputy Council Secretary. He has previously worked with Kenya Agricultural Research Institute in its Animal Health Programme. He holds a Bachelor of Veterinary Medicine (BVM) University of Nairobi, a Master's degree in Tropical Veterinary Science and a Ph.D. in Veterinary Parasitology from Glasgow University Veterinary School.

He has wide experience in development of Science, Technology and Innovation programs.

The Board members ethnic distribution is as follows:

S/No	Ethnic Group	Number	Percentage
1	Luo	2	25.0%
2	Luhya	1	12.5%
3	Kikuyu	2	25.0%
4	Kalenjin	2	25.0%
5	Kisii	1	12.5%
	Total	8	100%

**MANAGEMENT TEAM**

	Dr. Moses K. Rugutt, PhD, OGW	Director General/CEO
	Dr. Stephen K. Kibiru, PhD	Director, Research, Accreditation and Quality Assurance
	Dr. Roy B. Mugiira, PhD	Director, Scheduled Sciences
	Ms. Emilly M. Ongaga, CPA(K), CPS(K)	Director, Corporate Services

The Staff members ethnic distribution is as follows:

<b>Senior Management</b>				
		<b>Ethnicity</b>	<b>Number</b>	<b>%</b>
1		Kalenjin	1	25%
2		Kikuyu	1	25%
3		Meru	1	25%
4		Kisii	1	25%
		Total	4	100%

<b>Other Staff</b>				
		<b>Ethnicity</b>	<b>Number</b>	<b>%</b>
1		Kalenjin	8	20%
2		Kikuyu	12	29%
3		Meru	1	2%
4		Kisii	3	7%
5		Luhya	8	20%
6		Luo	6	15%
7		Masai	1	3%
8		Kamba	1	2%
9		Kenyan Somali	1	2%
		Total	41	100%

## **CHAIRMAN'S STATEMENT**

The National Commission for Science, Technology and Innovation (NACOSTI) is the successor to National Council for Science and Technology (NCST) and was established after the commencement of the Science, Technology and Innovation Act, 2013 on 24 June, 2013. The Commission's Mission is to improve the quality of life of Kenyans by integrating science and technology in social and economic development. It regulates, assures quality, promotes, coordinates and advises on science, technology, innovation and research.

During the Financial Year 2018/2019, the Commission developed its second Strategic Plan covering the period 2018 – 2022. In this Strategic Plan Period, the Commission's mission is ***“To facilitate quality in the research, science, technology and innovation sector through regulation, promotion and provision of advisory services”*** and its vision is ***“A knowledge based economy”***. To support the realization of the mission, four Key Result Areas (KRAs) were identified as Regulation of Research; Knowledge Sharing and Utilization; Advisory Services and Planning for Research, Science and Technology; and Institutional Capacity.

During the same period, the Commission also developed the National Research Priorities which will guide the County's research focus over the next five years. These priorities are linked to the Government's Big 4 programs of Food and Nutrition Security; Affordable Housing; Manufacturing; and Universal Health Coverage.

The Commission, recognizing the important role its workforce plays, has made significant strides to complete the process of transferring staff who were earlier employees of the Parent Ministry into the establish of the Commission. The Commission also recruited additional staff in the course of the year to strengthen key areas of its operations. The staff numbers however still fall short of its optimum and the Commission continue with its staff strengthening program in the subsequent years.

The Commission faces financial constraints in meeting the costs of its operations. The Government support for its recurrent activities has reduced over the years hence limiting the Commissions ability to effectively undertake its mandate. Although the Commission is currently occupying its own office block, there are still pending payments due to the contractor who constructed the building and the Commission has not had sufficient development budget allocations to settle these payments.

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

**Prof. Tom Peter Migun Ogada, PhD.**  
**Chairman**



## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

During the Financial Year 2018/2019, the Commission's programs and activities were geared towards achieving its objective which is to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

To effectively deliver on this mandate, the Commission is structured into 4 directorates namely, Directorate of Scheduled Sciences; Directorate of Research Accreditation and Quality Assurance; Directorate of Corporate Services; and the Directorates of Strategy and Compliance which is yet to be operationalized. During the year, the Commission recruited 17 staff members as part of its efforts to build the capacity of its staff establishment.

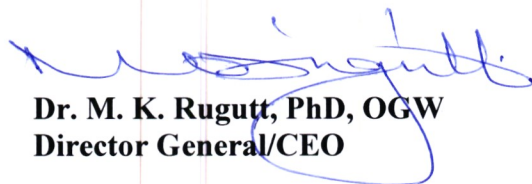
To guide its operations over the next five years, the Commission developed and commenced implementation of a five-year Strategic Plan which has the following six strategic objectives:

1. To regulate the conduct of research;
2. To facilitate acquisition, sharing and utilization of knowledge on research, science and technology;
3. To provide advisory services for the development of research, science and technology;
4. To promote the integration of RST into National planning and budgeting processes;
5. To enhance co-ordination and co-operation within the Science, Technology and Innovation Sector; and
6. To Strengthen Institutional Capacity.

During the same period, the Commission transitioned from the ISO 9001:2008 to the ISO 9001:2015 Quality Management System. This system guides quality and standardization of the operational procedures of the Commission which will further be enhanced by the implementation of an Enterprise Resource Planning (ERP) System which the Commission is rolling out in the Financial Year 2019/2020.

In addition to programs funded through the GoK budgetary grants and its internally generated revenue, the Commission collaborated with development partners and collaborating foreign Governments in implementing collaborative research programs. These included the University Research Chairs Programme, the Square Kilometre Array Radio-astronomy project and the Comprehensive Test Ban Treaty Organization (CTBTO) Project. Further, the Commission is the National Focal Point for AFRA of the International Atomic Energy Agency, the International Centre for Genetic Engineering and Biotechnology and the Biological Toxins Weapons Convention.

I thank the Ministry of Education, in particular the State Department for University Education and Research, and the Board of NACOSTI for the continued support for the implementation of NACOSTI Programmes. I am also indebted to the NACOSTI staff for their dedication and commitment to duty towards this achievement.



**Dr. M. K. Rugutt, PhD, OGW**  
**Director General/CEO**

## **CORPORATE GOVERNANCE STATEMENT**

The National Commission for Science, Technology and Innovation (NACOSTI) is the successor to National Council for Science and Technology (NCST) and was established after the commencement of the Science, Technology and Innovation Act, 2013 on 24 June, 2013. The Commission's Mission is to improve the quality of life of Kenyans by integrating science and technology in social and economic development. It regulates, assures quality, promotes, coordinates and advises on science, technology, innovation and research.

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

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

The Commission is governed by a Board of nine (9) members with the Chief Executive Officer as its Secretary. The Chairperson and three independent members of the Board of the National Commission for Science, Technology and Innovation are appointed by the Cabinet Secretary, Ministry of Education upon recommendation by a selection panel. In addition, a representative of the Cabinet Secretary, the National Treasury; the Principal Secretary, Ministry of Education, State Department for University Education and Research; a representative of KEPSA; the Chief Executive Officer, National Research Fund; and the Chief Executive Officer, Kenya National Innovation Agency are also members of the Board.

The Board has established the following three (3) Committees:

- a) Finance and General Purpose Committee
- b) Technical Committee
- c) Audit, Risk Management & Compliance Committee

The functions of these committees are as follows:

- a) Finance and General Purpose Committee
  - i) Review the Commission Budget, capital expenditure, investment strategies and procurement plans.
  - ii) Review and recommend for approval the operating financial results of the Commission.
  - iii) Review and recommend to the Board appropriate Human resources plans, policies, career guidelines and organization structure and their implementation mechanisms.
  - iv) Ensure the Commission conducts its affairs in compliance with applicable laws and regulations.
- b) Technical Committee
  - i) Overseeing and reviewing the technical programs of the Commission
  - ii) Setting and reviewing the performance targets of the Commission

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- c) Audit, Risk Management & Compliance Committee
- i) Review the Commission's risk management strategies
  - ii) Assist in enhancing internal controls to improve efficiency, transparency and accountability
  - iii) Reviewing audit issues raised by internal and external auditors

The membership is as follows:

No.	Finance and General Purpose Committee	Technical Committee	Audit, Risk Management & Compliance Committee
1.	Ms. Rachel Shibalira - Chair	Prof. Francis W. Muregi – Chair	Dr. Nicholas Letting – Chair
2.	Prof. Collete A. Suda, PhD, FKNAS, CBS	Prof. Collete A. Suda, PhD, FKNAS, CBS	Prof. Collete A. Suda, PhD, FKNAS, CBS
3.	Rep. CS National Treasury	Dr. Jemimah Onsare	Prof. Francis W. Muregi
4.	Dr. Jemimah Onsare	Ms. Rachel Shibalira	Rep. CS National Treasury
5.	Rep. KEPSA	Dr. Nicholas Letting	Rep. KEPSA
6.	Dr. Moses K. Rugutt, PhD, OGW	Dr. Salome Guchu	Head of Internal Audit – Secretary
7.		Dr. Moses K. Rugutt, PhD, OGW	

The Board and its Committees held the following number of meetings during the Financial Year:

Nature of Meeting	Full Board	Finance and General Purpose Committee	Technical Committee	Audit, Risk Management & Compliance Committee
<b>Scheduled Meetings</b>	3	5	4	2
<b>Special Meetings</b>	11	5	-	-

During the year the Board reviewed the Commission's Strategic Plan and recruited staff to fill approved vacancies in the staff establishment. This gave need to the special meetings by Finance and General Purpose Committee and the Full Board.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Commission's Operational Performance**

The Commission's operations during the year were geared towards achievement of the strategic objectives set out in its strategic plan. These objectives are as follows:

1. To regulate the conduct of research;
2. To facilitate acquisition, sharing and utilization of knowledge on RST;
3. To provide advisory services for the development of research, science and technology;
4. To promote the integration of RST into National planning and budgeting processes;
5. To enhance co-ordination and co-operation within the Science, Technology and Innovation Sector; and
6. To Strengthen Institutional Capacity.

In regulation of research, the Commission evaluated applications for registration of research institutions and applications for research permits. A total of 15 research institutions have been registered by the Commission and over 6,000 research permits issued during the financial year. The Commission continuously monitors compliance by these registered institutions and researchers to research regulatory guidelines. The Commission has also improved its research permit application process with the implementation a new Research Information Management System (RIMS).

To facilitate sharing of experiences on research, science and technology, the Commission organized and participated various fora which brought together players in the Science, Technology and Innovation sector. The Commission also developed through a consultative process with key stakeholders, research priorities which will guide the research direction in the country during the period 2018 -2022.

### **Commission's Financial Performance**

The main source of funding for the Commission's activities during the Financial Year continued to be GoK budgetary support which amounted to Kshs. 230.363 million as recurrent grant and Kshs. 87.5 million as development grant. The recurrent revenue supported the Commission's employee costs as well as operations and maintenance expenses while part of the development grant (Kshs. 43.75 million) was utilized in partial payment of certificates received from the contractor who constructed the NACOSTI headquarters building.

The Commission had also raised a total of Kshs. 31.95 million as fees from research licences and permits. Additionally, Kshs. 51.82 million was received from collaborative research partners towards support of programs undertaken in partnership with the Commission.

### **Key Projects and Investment decisions that the Commission is planning/implementing**

The key development project being implemented by the Commission is the construction of NACOSTI Headquarters building. The project consists of a Six Storey Office Block, Four Storey Hostel Block, Civil Works, Landscaping, Sewerage Treatment Plant, Borehole and Ancillary Facilities. The Commission has utilized five of the seven floors in the office block and is in discussion with some Government entities to lease the remaining two floors. The Commission has also planned for the furnishing of the Hostel/Conference facility so that it starts using for holding its meetings and conferences as well as serving as an income generating unit through provision of the same services to other entities.

### **Material Arrears in Statutory/financial Obligations**

The Commission has been constructing its headquarters building as the key development project in the Financial Year. The building was handed over to the Commission in March 2017 and the Commission moved into the offices in June 2017. There are however, pending payments due to the Contractor who has submitted Payments Certificates for totalling Kshs. 258.759 Million for payment for works done, claims for fluctuations and interest on delayed payments. This amount is however still subject to review by the Project Managers, The State Department for Public Works. This amount is also above the contract sum and can only be included in the Trade and Other Payables balances upon approval of variation of the contract sum.

In the last Budgeting process, the Commission had requested Government for Development Budget allocation to support settlement of these payment certificates. The Commission was however guided by Parliament to have the certificates first audited by the Office of the Auditor General before they are paid as pending bills. The Contractor, on the other hand, has invoked the dispute resolution mechanism in the contract and has commenced the process of engagement of an arbitrator.

### **Progress on follow up of previous Audit Recommendations**

The summary of issues raised by the external auditor on the Financial Statements of the Previous Year and their current status is as follows:

#### **a) Inventories:**

This related to stock of partitioning which disappeared at the Ministry of Public Works go-down in industrial area and had not been accounted for.

These were old partitioning materials removed from the Commission's former office space in 1997. The loss was reported to the Police and the latest response from the Directorate of Criminal Investigations indicated that the police files are untraceable after five years and hence the case was difficult to re-open. Parliament's Public Investment Committee (PIC) referred the matter to the Inspectorate of State Corporations, who have since written back to Parliament recommending that this matter should be closed due to challenges in tracing relevant documents. The Commission is waiting for feedback from the Inspectorate of State Corporations and/or Parliament.

#### **b) Work in Progress:**

The Auditors observed that completion of NACOSTI Headquarters Building had taken long and continued to attract interests and penalties.

The Commission had responded to the observation by pointing out that the contract provides for payment of interest on delayed payments and that the Commission had always tried to minimize this by settling outstanding certificates immediately it received development budget grants. It is however faced with challenges when budget allocations are limited and funds disbursement delays.

The Commission requested for funding from Government in the Development Budget for the FY 2019/2020 to settle the outstanding amounts claimed by the contractor, but this was not allocated by Parliament. The Commission was instead asked to have the pending certificates audited before funds can be allocated for their payment. The Commission wrote to the Office of the Auditor General in July 2019 requesting for audit the pending certificates as directed by Parliament.

### **Challenges affecting performance**

Upon its establishment, NACOSTI in consultation with State Corporations Advisory Committee (SCAC), developed an organization structure to address its expanded mandate. The approved staff establishment is 172 but currently the Commission has filled only 53 of these positions. The Commission sought and obtained authority from both The National Treasury and The Head of Public Service to gradually recruit additional staff and some were brought on board 17 staff members during the FY 2018/2019.

The Commission has also faced budget constraints as allocations through the Government recurrent and development budget has continued to reduce over the years. This has affected the capability of the Commission to effectively undertake its planned programs.

Additionally, the outstanding arrears relating to the Headquarters Building construction means that whenever there is need for repairs, then the Commission must call on the contractors to undertake them as they are not yet discharged from the contract. This causes delays if the contractor does not respond on time and exposes staff to hazards.

The Board of the Commission has operated for more than two years without the representative from the National Treasury and from the Kenya Private Sector Alliance (KEPSA). This affects the performance of Board Committees which have to operate a lower number of members.

### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The National Commission for Science, Technology and Innovation believes in adding value to the Kenyan public and society at large as they are the key stakeholders of our services. During the year under review, the Commission continued to engage in Corporate Social Responsibility (CSR) and related activities. Emphasis was given to activities geared towards support to students interested in science and technology. Towards this end, the Commission supported the Kenya Secondary Schools and Tertiary Institutions Science Exhibitions during the year.

NACOSTI also supported a Science, Technology, Engineering and Mathematics (STEM) Camp in Kakamega and Kericho Counties which brought together Secondary School girls in an effort to encourage them to pursue STEM oriented courses. This was part of the Annual Scientific Camps of Excellence for Mentoring Girls in Science, Technology, Engineering, and Mathematics (STEM) organized by the UNESCO Nairobi Office, together with the Government of Kenya and NACOSTI amongst other partners. A week-long camp was held in each of the two Counties and involved career choice discussions, life skills mentoring, experience-sharing with STEM university students, science experiments, and industry visits.

The Commission supported the exhibition of innovations by secondary school students under the auspices of the Young Scientists Kenya (YSK) during which the students exhibited their innovations and shared ideas and experiences.

The Commission has also been supporting the Government initiated Internship program to enable new graduates gain work experience through engagement of recent graduates as interns and those still in college in work attachments.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Commission's affairs.

### **Principal activities**

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

### **Results**

The results of the Commission for the year ended June 30, 2019 are set out on page 1.


### **Directors**

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

### **Auditors**

The Auditor General is responsible for the statutory audit of the Commission in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Dr. Moses K. Rugutt, PhD, OGW**  
**Director General/CEO**  
Nairobi  
Date: 30.9.2019

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year and the operating results of the Commission for that year. The Directors are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Directors are also responsible for safeguarding the assets of the Commission.


The Directors are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

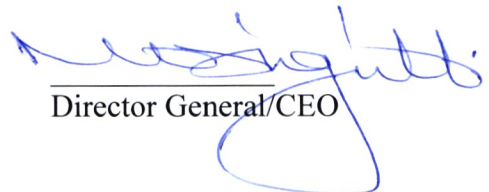
The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of the Commission's transactions during the financial year ended June 30, 2019, and of the Commission's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Commission 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 Commission's financial statements were approved by the Board on 30.9.2019 2019 and signed on its behalf by:

  
Chairman

  
Director General/CEO

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION FOR THE YEAR ENDED 30 JUNE, 2019**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Commission for Science, Technology and Innovation set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of cash flows, statement of changes in net assets and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Commission for Science, Technology and Innovation as at 30 June, 2019 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 National Commission for Science, Technology and Innovation's Act, 2013 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Loss of Inventory**

As previously reported, the statement of financial position reflects an inventories balance of Kshs.18,100,138 which includes stock of partitioning materials worth Kshs.5,746,188 removed from the Commission's offices at Emperor Plaza Building way back in 1997 to the Ministry of Public Works which have not been accounted for as at the date of this report. According to information available, the materials disappeared from the Ministry's godown at Industrial Area where they had been kept for safe custody.

Although, the matter has been under investigation by the Criminal Investigations Departments over the last seventeen (17) years, the Director Criminal Investigations Department had indicated that no records were found to enable the investigation to determine what really happened as the police files were not traced after five (5) years. On September, 2015, during their twentieth sitting, the Public Investment Committee

deliberated on the issue and observed that the CID had taken an inordinately long time to conclude investigations. The Committee recommended that the then Chief Executive Officer, the Corporation's officers assigned to supervise the exercise of relocating the stocks and the Ministry of Public Works Officers then in charge of the godown at Industrial Area be held accountable and be surcharged for the loss of the materials. However as at the time of this report no surcharge or recovery of the amount has been instituted.

In the circumstances, it has not been possible to confirm the accuracy and validity of inventories balance of Kshs.5,746,188 reflected in the statement of financial position as at 30 June, 2019.

## **2. Grants not Received**

As disclosed under Note 19 to the financial statements, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.136,642,133. This relates to grants expected from the Government in the financial year 2014-2015 which were not received. The amount represents budgeted Exchequer appropriation which ought to lapse at the close of the accounting year.

In the circumstances, it has not been possible to confirm the accuracy and validity of receivables from non-exchange transactions balance of Kshs.136,642,133 reflected in the statement of financial position as at 30 June, 2019.

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

## **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## Basis for Conclusion

### 1.0. Delay in Completion of Commission Headquarters

#### 1.1. Work-in-Progress

As previously reported in the previous year, the Ministry of Higher Education, Science and Technology entered into a contract on behalf of the Commission for the construction of office block, hostel and swimming pool and associated civil works at Kabete at a contract sum of Kshs.990,990,990. The contractor took possession of the site on 2 April, 2012 and the work was to be completed in 22.5 months or 90 weeks from the date of site possession. However, the contract duration was initially extended by 52 weeks up to 22 December, 2014, then later to December, 2015 and finally to April, 2016. The contractor had requested for a further extension of the contract period to 31 May, 2017 so as to ensure the transition of takeover is done smoothly.

Though the Commission moved to the office block in the month of May, 2017, a review of the project status financial appraisal in the final account report dated 19 January, 2020, availed for audit review, indicated that total certified work amounted to Kshs.1,297,971,643 therefore exceeding the contract sum by Kshs.306,980,653 equivalent to 31% although the work was behind schedule.

Management has attributed to the excess amounts to variations due to cost fluctuations above the bills of quantity provisions, interest on delayed payment and contractual claims already provided in clause 23.3 of conditions of contract and penalties due to contractual breaches on the part of the Commission. The Commission may continue to incur penalties on the certified works that remain unpaid.

#### 1.2. Trade and Other Payable from Exchange Transactions

As disclosed under Note 22 to the financial statements, the statement of financial position reflects trade and other payables amounting Kshs.304,768,870 as at 30 June, 2019, which includes an amount of Kshs.281,868,113 in respect of work in process. Available information indicate that the amount constitutes certified works which has not been paid as indicated below:

<b>Certificate Number</b>	<b>Certificate Date</b>	<b>Certified Amount (Kshs.)</b>
Certificate No. 23 Balance	06 July 2017	143,854,232
Certificate No. 25	30 October, 2018	113,239,107
Certificate No. 26 Retention Money	-	24,774,774
<b>Total</b>		<b>281,868,113</b>

Further, the contract states that interest on any certificate not paid within thirty (30) days from the date for approval will be calculated at 3% above the Central Bank's average lending rate of the period overdue which was 9% and therefore the interest rate for the year was 12% for all overdue certificates. A review of outstanding payment certificates revealed that interest amounting to Kshs.147,659,596 arising from delay in payment of

certified work which had accrued as at 30 June, 2019. This wasteful expenditure could have been avoided had the parent Ministry settled the bills on time.

There was no provision for any liquidated damages arising from delays on the part of the contractor who took over 5 years from after the contractual agreement to completion date.

In the circumstances, I am unable to confirm the value for money in use of public funds in the penalties paid.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are 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 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Commission 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Commission 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. 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 Commission to cease to continue as a going concern.
- 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 Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

19 May, 2021

**National Commission for Science, Technology and Innovation**  
**Annual Reports and Financial Statements**  
**For the year ended 30 June 2019**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
		Kshs.	Kshs.
<b>Revenue from Non-Exchange Transactions</b>			
Public Contributions and donations	5	230,363,518	270,904,320
Licenses and permits	6	31,950,790	24,031,296
Other Income	7	62,671,992	45,517,648
<b>Total Revenue</b>		<b>324,986,300</b>	<b>340,453,264</b>
<b>Expenses</b>			
Employee Costs	8	164,897,631	158,160,981
Depreciation and Amortization Expense	9	9,113,764	6,897,316
Repairs and Maintenance	10	5,657,139	2,588,141
Contracted Professional Services	11	9,078,484	8,413,181
Collaborative Projects Cost	12	49,423,310	39,424,418
Administrative Expenses	13	82,934,949	86,395,250
Board Expenses	14	8,212,245	3,562,134
Bank Charges	15	634,571	530,760
Research Cost	16	-	13,970,000
Audit Fees	17	1,000,000	754,000
<b>Total Expenses</b>		<b>330,952,092</b>	<b>320,696,182</b>
<b>Surplus before tax</b>		<b>(5,965,792)</b>	<b>19,757,082</b>
<b>Surplus for the period</b>		<b>(5,965,792)</b>	<b>19,757,082</b>

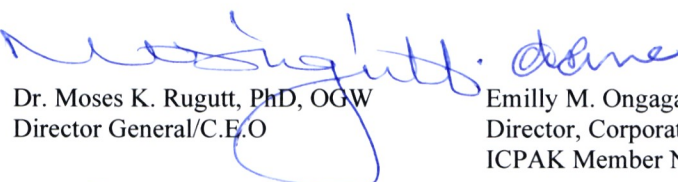
The notes set out on pages 6 to 18 form an integral part of these Financial Statements

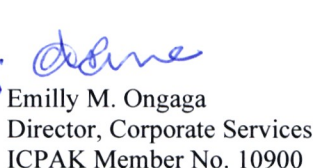
**National Commission for Science, Technology and Innovation**  
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**For the year ended 30 June 2019**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019	2018
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	18	236,040,422	242,118,331
Receivables from non-exchange transactions	19	136,642,133	136,642,133
Inventories	20	18,100,138	11,453,998
<b>Total Current Assets</b>		<b>390,782,692</b>	<b>390,214,462</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	21	1,465,626,187	1,104,138,312
<b>Total Assets</b>		<b>1,856,408,880</b>	<b>1,494,352,774</b>
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	22	304,768,870	24,246,971
Project Deposits	23	-	-
<b>Total Current Liabilities</b>		<b>304,768,870</b>	<b>24,246,971</b>
<b>Net Assets</b>			
Revaluation Reserves	24	86,886,292	86,886,293
Revenue Reserves	25	326,665,492	332,631,284
Capital Grants	26	1,138,088,226	1,050,588,226
<b>Total Net Assets</b>		<b>1,551,640,011</b>	<b>1,470,105,803</b>
<b>Total Net Assets and Liabilities</b>		<b>1,856,408,881</b>	<b>1,494,352,775</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 Dr. Moses K. Rugutt, PhD, OGW  
 Director General/C.E.O

  
 Emilly M. Ongaga  
 Director, Corporate Services  
 ICPAK Member No. 10900

  
 Prof. Tom Peter Migun Ogada, PhD.  
 Chairman of the Board

Date: 30.9.2019

Date: 30.9.2019

Date: 30.9.2019

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Capital Grants</b>	<b>Revaluation Reserves</b>	<b>Revenue Reserves</b>	<b>TOTAL</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>July 1, 2017</b>	<b>988,088,226</b>	<b>86,886,293</b>	<b>312,874,202</b>	<b>1,387,848,721</b>
				-
Additional Capital	62,500,000	-	-	<b>62,500,000</b>
				-
Surplus for the period	-	-	19,757,082	<b>19,757,082</b>
<b>June 30, 2018</b>	<b>1,050,588,226</b>	<b>86,886,293</b>	<b>332,631,284</b>	<b>1,470,105,803</b>
<b>July 1, 2018</b>	<b>1,050,588,226</b>	<b>86,886,293</b>	<b>332,631,284</b>	<b>1,470,105,803</b>
				-
Additional Capital	87,500,000	-	-	<b>87,500,000</b>
				-
Surplus for the period	-	-	(5,965,792)	<b>(5,965,792)</b>
<b>June 30, 2019</b>	<b>1,138,088,226</b>	<b>86,886,293</b>	<b>326,665,492</b>	<b>1,551,640,011</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Kshs.	2018 Kshs.
<b>Cash flow from Operating Activities</b>			
Surplus for the year		(5,965,792)	19,757,082
Adjustments for items not involving cash movements			
Depreciation	9	9,113,764	6,897,316
<b>Surplus before working capital changes</b>		<b>3,147,972</b>	<b>26,654,398</b>
<b>Working Capital Changes</b>			
Increase in Inventory	20	(6,646,140)	(1,556,426)
Decrease in Prepayments		-	-
Increase/Decrease in Accounts Receivable	19	-	-
Increase/Decrease in Accounts Payables	22	280,521,899	(53,970,614)
Decrease in Project Deposits	23	-	(18,672,258)
<b>Net Cash flow from operating activities</b>		<b>277,023,731</b>	<b>(47,544,900)</b>
<b>Cash flow from Investing Activities</b>			
Capital Grants		87,500,000	62,500,000
Changes in Fixed Assets		(370,601,639)	(10,313,682)
<b>Increase/Decrease in Cash and Cash Equivalents</b>		<b>(6,077,908)</b>	<b>4,641,418</b>
<b>Cash and Cash Equivalents - Beginning</b>		<b>242,118,331</b>	<b>237,476,913</b>
<b>Cash and Cash Equivalents - Ending</b>	18	<b>236,040,423</b>	<b>242,118,331</b>

**National Commission for Science, Technology and Innovation**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Performance Difference</b>
	<b>Kshs</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Revenue</b>				
Recurrent Grants	236,081,804	231,360,804	230,363,518	(997,286)
Licenses and Permits Fees	30,000,000	30,000,000	31,950,790	1,950,790
Other Income	51,821,176	62,114,804	62,671,992	-
<b>Total Income</b>	<b>317,902,980</b>	<b>323,475,608</b>	<b>324,986,300</b>	<b>953,504</b>
<b>Expenses</b>				
Employee Costs	166,367,000	166,367,000	164,897,631	1,469,369
Repairs and Maintenance	3,500,000	3,500,000	5,657,139	(2,157,139)
Contracted Professional Services	14,670,000	14,670,000	9,078,484	5,591,516
Administrative Expenses	71,066,000	71,066,000	82,934,949	(11,868,949)
Board Expenses	8,110,000	8,110,000	8,212,245	(102,245)
Bank Charges	800,000	800,000	634,571	165,430
Audit Fee	854,000	854,000	1,000,000	(146,000)
Depreciation Expense	8,570,000	8,570,000	9,113,764	(543,764)
Collaborative Projects Cost	43,374,515	43,374,515	49,423,310	(6,048,795)
<b>Total Expenses</b>	<b>317,311,515</b>	<b>317,311,515</b>	<b>330,952,092</b>	<b>(13,640,577)</b>
<b>Surplus</b>	<b>591,465</b>	<b>6,164,093</b>	<b>(5,965,792)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

National Commission for Science, Technology and Innovation (NACOSTI) is established by and derives its authority and accountability from the Science, Technology and Innovation Act 2013. The Commission is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate, assure quality, promote, coordinate and advise on science, technology, innovation and research

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Commission's accounting policies.

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

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. Relevant new standards and amendments to published standards effective for the year ended June 30, 2019**

Standard	Impact
<p><b>IPSAS 39:</b> Employee Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>This standard has no impact on the Commission since it does not operate a defined benefit pension scheme.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective date and impact:
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.  This Standard has no impact on the Commission.

ii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

**Fees, taxes and fines**

The Commission recognizes revenues from research licence application fees and research institutions registration fees when the applications have been made. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

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

Recurrent grants are recognized in the statement of 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

ii) Revenue from exchange transactions

***Rendering of services***

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The Commission'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 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.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

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

Depreciation is calculated on reducing balance at the following rates

<u>Assets</u>	<u>Rate</u>
Motor Vehicle	25%
Furniture and fittings	12.50%
Plant, Machinery and Equipment	12.5%
Computers and accessories	30%

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

**e) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. 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. The Entity also recognizes 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.

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 the Entity 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 the Entity. 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.

**g) Financial instruments**

***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. The Commission 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 the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity 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***

The Commission 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 the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

### ***Financial liabilities***

#### ***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. The Commission 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.

#### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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.

### **h) 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:

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

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

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

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

### **i) Provisions**

Provisions are recognized when the Entity 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 the Commission 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.

#### ***Contingent liabilities***

The Commission 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.

#### ***Contingent assets***

The Commission 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 the Entity 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.

#### **j) Changes in accounting policies and estimates**

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

#### **k) Employee benefits -Retirement benefit plans**

The Commission provides retirement benefits for its employees through a Defined Contribution Plans for staff on permanent terms and a gratuity arrangement for staff on contract terms. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

#### **l) 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.

#### **m) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

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Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**n) Related parties**

The Commission 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 the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Directors, the CEO and senior managers.

The Commission is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods	-	-
Sales of services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Grants from the Government</b>		
Grants from National Government	317,863,518	333,404,320
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>317,863,518</b>	<b>333,404,320</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees		
Payments for goods and services for xxx		
<b>Total</b>		
<b>Total</b>	<b>317,863,518</b>	<b>333,404,320</b>

**o) 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.

**p) Comparative figures**

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

**q) 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 30, 2019.

**r) Estimates and assumptions**

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

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

**s) Events after the Reporting Period**

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

**t) Currency**

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Note		2019 Kshs.	2018 Kshs.
<b>5</b>	Public Contributions and donations		
	Recurrent Grants	230,363,518	270,904,320
	Other Government Grants	-	-
		<b>230,363,518</b>	<b>270,904,320</b>
<b>6</b>	Licenses and permits		
	Research Permit Fees	<b>31,950,790</b>	<b>24,031,296</b>
<b>7</b>	Other Income		
	EU Projects	3,765,359	9,185,425
	CTBTO	17,018,802	13,314,225
	IDRC	29,774,515	17,041,189
	Other Projects	1,262,500	1,090,228
	Bank Interest/Foreign Exchange Gain	10,850,816	4,886,580
		<b>62,671,992</b>	<b>45,517,648</b>
<b>8</b>	Employee Costs		
	Salaries and Allowances	119,914,289	106,433,890
	Wages -Interns Stipend	3,092,020	5,510,305
	Staff Insurance	6,830,311	7,469,418
	Domestic Travel	20,091,517	15,528,499
	Foreign Travel	6,148,507	6,911,679
	Hospitality	8,820,986	16,307,190
		<b>164,897,631</b>	<b>158,160,981</b>
<b>9</b>	Depreciation and Amortization Expense		
	Property, Plant and Equipment	<b>9,113,764</b>	<b>6,897,316</b>
<b>10</b>	Repairs and Maintenance		
	Computers and Softwares	1,116,019	206,400
	Building and Stations	98,953	81,000
	Motor Vehicles	4,113,393	1,991,942
	Furniture and Equipment	328,774	308,799
		<b>5,657,139</b>	<b>2,588,141</b>
<b>11</b>	Contracted Professional Services		
	Security Services	2,718,000	2,642,480
	Cleaning and Garbage Collection	3,072,000	3,868,000
	Surveys and Development of Policy Documents and Manuals	3,288,484	1,866,701
	Transport and Relocation Services	-	36,000
		<b>9,078,484</b>	<b>8,413,181</b>

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<b>12</b>	Donor Supported Project Cost		
	EU Projects	3,890,718	8,767,205
	CTBTO	15,069,591	15,548,248
	IDRC	29,359,000	14,018,737
	Others	1,104,001	1,090,228
		<b>49,423,310</b>	<b>39,424,418</b>
<b>13</b>	Administrative Expenses		
	Utilities and Supplies	3,148,787	4,374,430
	Communication Supplies and Services	9,346,758	10,187,723
	Printing, Advertising, Information Supplies	8,164,530	5,531,713
	Office and General Supplies	9,262,697	7,559,722
	Fuel, Oil and Lubricants	1,501,000	2,056,000
	Rent and Rates	-	836,454
	Trade Shows and Exhibitions	6,053,367	21,216,710
	Motor Vehicle Insurance	408,355	499,386
	Other Operating Expenses	1,240,900	1,666,500
	Committee and Conferences	35,767,335	22,835,769
	Cleaning Materials and Services	-	166,000
	Computer Supplies and Accessories	2,726,196	1,378,290
	Training Expenses	5,315,022	8,086,554
		<b>82,934,949</b>	<b>86,395,250</b>
<b>14</b>	Board Expenses		
	Sitting Allowance	4,752,000	1,960,000
	Lunch Allowance	323,100	118,000
	Accommodation	1,674,400	873,600
	Transport	418,745	88,534
	Airtime	84,000	42,000
	Honoraria	960,000	480,000
		<b>8,212,245</b>	<b>3,562,134</b>
<b>15</b>	Bank Charges	<b>634,571</b>	<b>530,760</b>
<b>16</b>	Research Cost	-	<b>13,970,000</b>
<b>17</b>	Audit Fees	<b>1,000,000</b>	<b>754,000</b>
	This is NACOSTI's payment to the Office of the Auditor General		
<b>18</b>	Cash and cash equivalents		
	Kenya Commercial Bank	186,578,033	208,342,948
	NIC Bank	49,449,378	33,722,153
	Cash on Hand	13,011	53,230
		<b>236,040,422</b>	<b>242,118,331</b>

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19	Receivables from non-exchange transactions			
	Grants Receivable		<b>136,642,133</b>	<b>136,642,133</b>
	This relates to grants that were to be received from the Government in the FY 2014/2015 but was not received by the end of the FY.			
20	Inventories			
	Partitioning materials		5,746,188	5,746,188
	Consumable stores		12,353,950	5,707,810
			<b>18,100,138</b>	<b>11,453,998</b>
21	Property Plant and Equipment			
	Fixed Assets Schedule as in Note 27			
22	Trade and other payables from Exchange Transactions			
	Kenya Post & Telecommunication		477,160	477,160
	Kenya Power & Lighting Co.		24,778	24,778
	Provision for Audit Fees		754,000	754,000
	Ministry of Public Works		1,000,000	1,000,000
	Milicons Ltd - WIP		281,868,113	-
	Student Grants payable		2,184,223	4,688,347
	Gratuity Payable		16,339,160	11,641,269
	Pension Payable		-	3,582,243
	Others		2,121,436	2,079,175
			<b>304,768,870</b>	<b>24,246,971</b>
24	Revaluation Reserves			
	Land valued in February 2011		<b>86,886,293</b>	<b>86,886,293</b>
25	Revenue Reserves			
	Opening Balance		332,631,284	312,874,202
	Surplus for the year		(5,965,792)	19,757,082
	Total		<b>326,665,492</b>	<b>332,631,284</b>
26	Capital Grants			
	Opening Balance		1,050,588,226	988,088,226
	Capital grants for the year		87,500,000	62,500,000
	Total		<b>1,138,088,226</b>	<b>1,050,588,226</b>
	The Commission was authorized to utilize Kshs. 94,000,000 from the brought forward funds to acquire assets in the current financial year.			

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**NOTE 27**

<b>FINANCIAL YEAR ENDED JUNE 30, 2019</b>									
	<b>Land &amp; Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Computers</b>	<b>Work in Progress</b>	<b>Total</b>		
Cost 1 July 2018	86,886,293	48,735,255	11,839,914	36,750,242	28,671,753	990,968,213	1,202,965,377		
Disposals	-	-	-	-	-	-	-		
Additions	-	11,152,314	-	6,550,000	2,614,769	350,284,557	370,601,639		
<b>Cost 30 June 2019</b>	<b>86,000,000</b>	<b>59,887,569</b>	<b>11,839,914</b>	<b>43,300,242</b>	<b>31,286,522</b>	<b>1,341,252,770</b>	<b>1,573,567,016</b>		
Accum Depreciation 1 July 2018	-	39,407,429	6,725,582	30,233,083	22,460,970	-	98,827,064		
Accum Depreciation on Disposals	-	-	-	-	-	-	-		
Charge for the Year	-	2,560,017	639,291	3,266,790	2,647,666	-	9,113,764		
Accum Depreciation 30 June 2019	-	41,967,447	7,364,874	33,499,873	25,108,635	-	107,940,829		
<b>Net Book Value 30 June 2019</b>	<b>86,000,000</b>	<b>17,920,122</b>	<b>4,475,040</b>	<b>9,800,369</b>	<b>6,177,886</b>	<b>1,341,252,770</b>	<b>1,465,626,187</b>		
<b>Net Book Value 30 June 2018</b>	<b>86,000,000</b>	<b>9,327,826</b>	<b>5,114,332</b>	<b>6,517,159</b>	<b>6,210,783</b>	<b>990,968,213</b>	<b>1,104,138,312</b>		

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the External audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status:	Timeframe:
NCST/77/20 12/2013(8)	<b>Inventories:</b> Stock Partitioning which disappeared at the ministry of public works go-down in industrial area had not been accounted for	These were old partitioning materials removed from former accommodation space. The loss was reported and the latest response from the Directorate of Criminal Investigations indicates that the police files are untraceable after five years. The case will be difficult to re-open. PIC referred the matter to the Inspectorate of State Corporations, who have since written back to Parliament recommending that this matter should be closed due to challenges in tracing relevant documents.	Dr. Moses Rugutt, Director General	The Commission is waiting for feedback from the Inspectorate of State Corporations and/or Parliament.	Next External Audit
	<b>Work in Progress:</b> Completion of NACOSTI Headquarters Building has taken long and is attracting interests and penalties	The contract provides for payment of interest on delayed payments and the Commission has always tried to minimize this by settling outstanding certificates immediately it receives development budget grants. It is however faced with challenges when budget allocations are limited and funds disbursement delays.  The Commission requested for funding from Government in the Development Budget for the FY 2019/2020 to settle the outstanding amounts claimed by the contractor but this was not allocated by Parliament. The Commission was instead asked to have the pending certificates audited before funds can be allocated for their payment	Dr. Moses Rugutt, Director General	The Commission has written to the Office of the Auditor General to audit the pending certificates.	Next External Audit

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects: Status of Projects completion**

	<b>Project</b>	<b>Total project Cost (Kshs '000')</b>	<b>Total expended to date (Kshs '000')</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	NACOSTI Headquarters Construction Project	1,297,972	1,016,104	99	1,039,213	1,016,104	GoK

**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION</b>			
<b>Break down of Transfers from the State Department for University Education and Research</b>			
<b>FINANCIAL YEAR 2018/2019</b>			
<b>a. Recurrent Grants</b>			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	08.08.2018	50,020,451.00	2018/2019
	09.01.2019	54,298,815.00	2018/2019
	25.02.2019	59,204,210.00	2018/2019
	02.05.2019	57,840,042.00	2018/2019
	<b>Total</b>	<b>230,363,518.00</b>	
<b>b. Development Grants</b>			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	15.11.2018	43,750,000.00	2018/2019
	10.06.2019	43,750,000.00	2018/2019
	<b>Total</b>	<b>87,500,000.00</b>	
<b>c. Direct Payments</b>			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		-	
	<b>Total</b>	<b>-</b>	
<b>d. Donor Receipts</b>			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		-	
	<b>Total</b>	<b>-</b>	

Deputy Director, Finance  
 National Commission for Science, Technology and Innovation

Sign \_\_\_\_\_

Head of Accounting Unit  
 State Department for University Education and Research

Sign \_\_\_\_\_