



## NATIONAL RESEARCH FUND

# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2020



NATIONAL RESEARCH FUND



KENYA  
VISION 2030



Wednesday

Majority Whip

Made

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

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**NATIONAL RESEARCH FUND**

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**FOR THE YEAR ENDED**

**30 JUNE 2020**

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **Background information**

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

### **Principal activities**

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

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

### **The functions of NRF are to:**

- (i) Mobilise resources for the national innovation systems from the Government, the private sector, venture capital, development partners and other sources;
- (ii) Prudently manage and invest the funds so mobilised;
- (iii) Support the development of human resources through grants to persons or research institutions or universities pursuing postgraduate programs in prioritised areas of science, technology and innovation with priority being given to marginalised indigent communities;
- (iv) Support the development of research capacities in the national priority areas of science, technology and innovation;
- (v) Allocate funds for research and promote multi-disciplinary collaboration among Universities and research institutions, Evaluate the needs, status and results of research financed through the Fund;
- (vi) Provide financial support for the development of research facilities by universities, research institutions and other bodies identified by the Commission.

- (vii) Provide financial support for participation in international scientific activities through maintaining membership to appropriate international science organisations;
- (viii) Provide financial support for collaboration, co-operation and sharing of research information and knowledge, including supporting conferences, workshops, seminars, meetings and other symposia;
- (ix) Promote the provision of an information infrastructure linking research institutions to facilitate co-operation and sharing of research information and knowledge;
- (x) Initiate liaison with bodies involved in the protection of intellectual property rights;
- (xi) Compile and maintain a national database of research and innovation funded by the Fund;
- (xii) Perform the monitoring and evaluation of the results and impact of the research activities financed out of the Fund.

## **Vision**

A world-class research funding agency for competitive knowledge economy

## **Mission**

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

## **Strategic Objectives**

**The NRF is guided by the following strategic objectives:**

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

## **Key Management**

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

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

## Fiduciary Management

The secretariat services to the Board are offered by the officers deployed from the Ministry. The following officers held office during the financial year ended 30<sup>th</sup> June, 2019 and had direct fiduciary responsibility:

S/No.	Designation	Name
1.	Ag. CEO	Dr. Jemimah G. Onsare
2.	Technical Officer	Dr. Roselida Achieng Owuor
3.	Technical Officer	Mr. David Mwangi Ngigi
4.	Head of Finance	Mr. Charles Omwega Kunyoria
5.	Procurement Officer	Mr. Jairus Ndege Onkware

## Fiduciary Oversight Arrangements

The key fiduciary committees at NRF for the quarter to 30 June, 2020 were:

### Finance Committee

The committee is responsible and instrumental in:

- (i) Reviewing Strategic Plan, Human Resource Management and Development Policies, Organisational Structure and staffing before approval and adoption by the Board;
- (ii) Ensure NRF complies with the Employment Act, 2007 and other relevant statutes/regulations;
- (iii) Review Annual NRF Budget Proposals for onward approval by the Board;
- (iv) Ensures accurate tracking, monitoring and accountability of NRF funds:

### Audit and Risk Management Committee

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

### Technical Committee

The committee is responsible;

- (i) Ensure affective, accurate, timely and transparent disclosure of pertinent information on NRF's operations and performance;
- (ii) Review on quarterly basis the attainment of targets and objectives set out in the agreed performance target with the Government of Kenya;

## KEY ENTITY INFORMATION AND MANAGEMENT (continued)

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

**i National Research Fund Headquarters**

Utalii House  
Utalii Lane  
Nairobi, Kenya

**ii. National Research Fund Contacts**

P.O. Box 26036-00200  
Telephone:(254) 020-4403386  
e-mail:ceo@researchfund.go.ke,  
secretariat@nrf.go.ke  
Website: [www.researchfund.go.ke](http://www.researchfund.go.ke)

**iii. National Research Fund bankers**

National Bank of Kenya  
Harambee Avenue,  
P.O BOX 72866-00200  
Nairobi-Kenya

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

**iv. Independent Auditors**

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

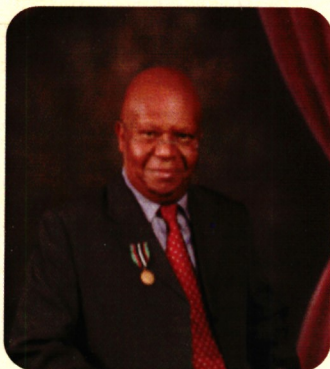
**v. Principal Legal Adviser**

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

## KEY ENTITY INFORMATION AND MANAGEMENT (continued)

### The Board of Trustees

The Board of Trustees members who held the office in the quarter ended 31 March 2020 are as below:



#### **Dr James Patrick Ochieng- Odero, HSC**

Date of Birth: 15/8/1957

#### **Independent Member**

Dr JPR Ochieng-Odero is a well-renowned Researcher actively involved in Scientific Research assessing the impact and performance of capacity strengthening programmes and socio-economic development. He holds a PhD in Entomology from Auckland University, New Zealand and a BSc (Hons) in Zoology from the University of Poona, India and is also a holder of International Centre of Insect Physiology, (ICIPE) PDF in Biological Performance in insects. Dr. Odero is a member of the Independent External Expert Advisory Group (EEAG), a Member of the Governing Council of the Mater Misericordiae Hospital, Member of Research Advisory Group (RAG) of the British Council, Member of Review panel, a Commissioner at the Commission for University Education. He has also served as a Senior Research Scientist and Manager of the Research Capacity Building Office, ICIPE and an External Reviewer at the National S&T Grants of the Commission of Higher Education (CHE). His involvement in research extends to Programme Monitoring Committee of the Regional Integration Research Network of the Common Market for Eastern and Southern Africa (COMESA) where he has been a member.



#### **Dr. Habil Olaka**

Date of Birth: 14/11/1964

#### **Independent Member and Chair of the Finance and Administration Committee of the Board**

Dr. Olaka is the Chief Executive Officer of Kenya Bankers Association (KBA) steering the strategic direction of the Association under guidance from the KBA Governing Council. He has a wealth of experience in financial services sector with previous role as Director of Operations, East African Development Bank (EADB). He sits on a number of boards representing the KBA which include Kenya Deposit Insurance Corporation, the Higher Education Loans Board, the Federation of Kenya Employers (FKE) where he is the National President, and the Anti-Money Laundering Advisory Board. Dr. Olaka holds a 1<sup>st</sup> Class Honours BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business

School in the UK. He holds a doctorate in business administration from USIU-Africa. He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK), the CFA Institute and an alumnus of the Strathmore School of Accountancy.



**Mr Jared Osoro**

Date of Birth: 24/8/1971

**Independent Member and Chair of the Audit and Risk Management Committee of the Board**

Mr. Osoro serves as Director of Research and Policy, and the Director of the KBA Centre for Research on Financial Markets and Policy©. He has over 13 years' wealth of experience as a practising economist in the financial sector. He most recently served as Bank Economist for the East African Development Bank. His professional interest is in the areas of International Macroeconomics and Financial Economics. He holds a Master of Science Degree in Economics from the University of Zimbabwe and a Bachelor's Degree in Economics from the University of Nairobi, and has received post-graduate training in Project Financing Economics from Bradford University (United Kingdom), and Development Evaluation Economics from World Bank and Carleton University (Canada).



**Dr. Vincent Gaitho, Ph.D**

Date of Birth: 24/11/1964

**Independent Member and Chair of the Technical Committee of the Board**

Dr. Vincent Gaitho is the Mt. Kenya University Council Vice-Chair and a lecturer at Catholic University of East Africa. He holds a Doctorate degree from Kenyatta University. Dr. Gaitho also serves as Education Sector Board Vice Chair (Tertiary) at Kenya Private Alliance (KEPSA) that acts as entry point between KEPSA and the Government on Policy advocacy work. He represents KEPSA in the NRF Board of Trustees.



**Prof. Walter O. Oyawa, PhD**

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

Prof. Oyawa has served in various senior leadership/management positions including having been the Principal/CEO of Multimedia University College, Deputy Commission Secretary at the Commission for University Education

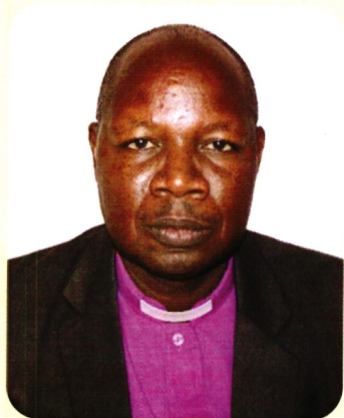
(CUE), pioneering Ag. Principal of the College of Engineering and Technology at JKUAT, Director of a Research Centre-SMARTEC at JKUAT, Chairman of the Department of Civil Engineering at JKUAT, Board member of several boards, among others. He is endowed with vast experience in research/scholarly work, as evidenced by extensive publications in peer reviewed journals, several awards and research grants, keynote lectures and conference papers, and supervision of numerous postgraduate students. His research interest is in the area of sustainable construction materials and technologies.



**Dr. Salome M. Guchu**

Date of Birth: 18/9/1975

Dr. Salome M. Guchu is currently the Ag. Chief Executive Officer at the Kenya National Innovation Agency (KENIA). She is well vast and experienced in the area of Research, Innovation Policy and Management. Dr. Guchu is renowned for her research efforts and is a Researcher and Graduate Scholar (ICIPE). She is also a Researcher and Policy advisor to the Government of Kenya. She holds a Doctorate in Chemistry from the University of Nairobi, an Msc in Chemistry and Bachelor of Science in Mathematics and Chemistry (1st Class Honours) both from Nairobi University. Dr. Guchu is a member of Kenya Chemical Society and the Association for Public Policy Analysis and Management. Her experience is on use of research for Evidence Informed Policy Making and on Technology and Innovation Management.



**Archbishop T. Z. Ingana**

Date of Birth: 27/9/1966

Archbishop Titus Zakayo Ingana who was born in 1966 is a former United Nations Advisor to the Prime Minister of Timor Leste-Indonesia under UNDP. He is a holder of both Bachelors and Masters Degrees from the University of Nairobi. He is currently serving as a Researcher in the Ministry of Education. He is the Kenyan Focal Point Officer on Science, Technology and Development (ST&D) to the Commission for Science, Technology and Development (CSTD), UNCTAD, Geneva. His task is to spearhead the development of Kenya's Issue Papers on various themes as

requested for annually by CSTD/UNCTAD.

Ingana also consults in amongst others; leadership and management training, Human Resource Management and Development, Porters Value chain analysis, Policy analysis, Innovation and Technology transfer, Strategic

planning, Performance contracting, Occupational Health and Safety Audits (OHS), Business incubation, Research proposals, etc. He has worked in Rwanda in the period 2015- 2017 on “Work Place Human Resource-based Value Chain Assessment”; A Skills Audit Programme for the Capacity Development and Employment Services Board (CESB) of the Republic of Rwanda, based on ISCO, 2012.

Ingana has authored twenty (20) Books in various fields; which include Literature, Leadership and Management, Religious studies, Christianity, Strategic planning, Politics, Brain drain and Brain gain, Entrepreneurship and innovation, Policy, Human Resource etc. One of his Books, “*The Politicians Speech*” is being prepared to be acted as a movie. He is the founder of Firmword Church worldwide.



**Ms. Edna Atisa**

Date of Birth: 23/9/1977

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



**Dr. Jemimah G. Onsare**

Date of Birth: 12/6/1976

**Ag. Chief Executive Officer, NRF**

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Dr. Jemimah Onsare is the Ag. Chief Executive Officer at NRF. Her wealth of experience in management of Research Grants, resource mobilisation, establishment of partnerships and collaborations has enabled her make significant contributions in various programmes within the ST&I sector both at National and as well as International level. She serves as a member in the Boards of National Commission for Science, Technology and Innovation (NACOSTI) and Kenya National Innovation Agency (KENIA). Dr. Onsare also has experience in Antimicrobials Research and has published a number of research articles in international journals of repute. She holds a Doctorate in applied Microbiology

(Antimicrobials) under the Kenya-India Bilateral Agreement Scholarship, a Master of Science in Microbiology both from Guru Nanak Dev University, Amritsar-India, a Bachelor of Science (Biological) from the Rani Durgavati University, Jabalpur India. She has trained in various professional courses including putting ideas to work - strategies for innovations-led sustainable growth, (International Programme sponsored by SIDA), leadership and management programmes, among others.

## KEY ENTITY INFORMATION AND MANAGEMENT (continued)

### NRF Board Committees

Finance and Administration Committee	Dr. Habil Olaka - Chair Ms. Edna Atisa Prof. Walter Oyawa Arch-Bishop Ingana Dr. JPR Ochieng Odero
Technical Committee	Dr. Vincent Gaitho - Chair Prof Walter Oyawa Dr. JPR Ochieng-Odero Dr. Salome Guchu Mr. Jared Osoro
Audit Committee	Mr. Jared Osoro – Chair Ms. Edna Atisa Arch-Bishop Ingana Dr. Vincent Gaitho Salome Guchu

### Key Management

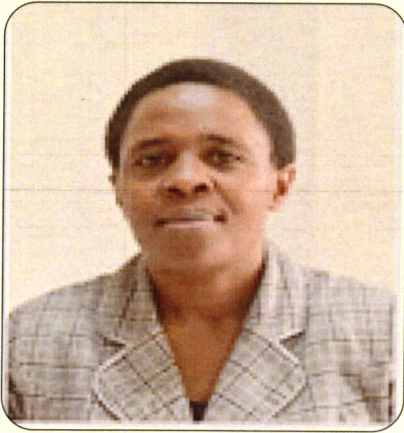
NRF is governed by the Board of Trustees. The daily operations are managed by a secretariat comprising the acting Chief Executive Officer, three (3) Technical officers and four (4) support staff deployed by the Ministry of Education, State Department of University Education and Research. The Fund has made efforts to become fully operational and has developed several Policy instruments to guide its day-to-day operations. The Funds started by developing HR operations manual and the same has already been approved by salaries and remuneration commission (SCAC).

The key management personnel who held office during the quarter ended 30<sup>th</sup> June, 2020 and who had direct fiduciary responsibility were:

### Management Team

Currently, the Fund is governed by the Board of Trustees and the daily operations by a secretariat comprising of the acting Chief Executive Officer, two (2) Technical officers and five (5) support staff deployed from the Ministry of Education, State Department of University Education and Research. NRF is making efforts towards recruitment of its own staff.

The daily operations for the Fund are conducted by management as provided below:



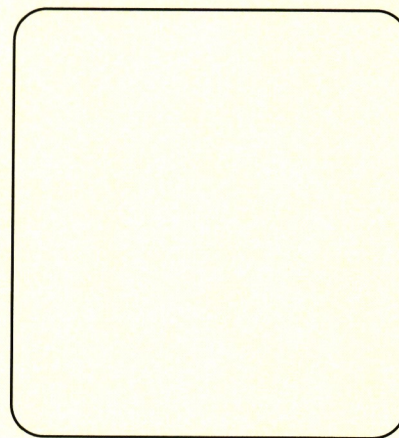
**Dr. Jemimah G. Onsare**  
Acting Chief Executive Officer  
PhD (Applied Microbiology –  
Antimicrobials)



**Mr. David Mwangi Ngigi**  
Technical Staff  
M.Sc. in Agricultural  
Entomology



**Dr. Roselida Achieng Owuor**  
Technical staff  
PhD in Cell and Molecular  
Biology



**Jairus Ndege Onkware**  
Procurement Officer



**Ms. Victoria N. Wanyoike**  
Finance Division  
Bcom, Finance and Banking  
Option

## CHAIRMAN'S STATEMENT

Research, Science, Technology and Innovation (RST&I) excellence is paramount to wealth creation and growth of any Nation. The core mandate of NRF is to mobilise research resources to support the development of research capacity through Human resource, institutional research infrastructure and innovations. In this regard, the Government has made significant efforts to increase investment in research and innovation to promote the productivity of new knowledge and technologies in the National Innovation System. With this support, upon inauguration of the Board in November 2015, notable key achievements have been attained as follows:

- Mobilisation of grants from Development partners to a tune of KES 326 Million;
- Funding of various Research Programmes;
- Established partnerships and collaborations;
- Created awareness of the Fund by convening an interactive forum to sensitise stakeholders about National Research Fund; and
- Conducted a National Research and Development survey on Research and Development (R&D).

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

1. Human Resource instruments;
2. Research funding guidelines;
3. Alignment of the strategic plan to the 'Big Four' Agenda;
4. Development of finance procedures manual.

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

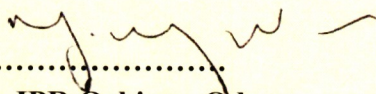
The effort by the Government to increase the allocation to research as provided by the Science, Technology and Innovations Act of 2013, where NRF is tasked to mobilise the funds to a tune of 2% (approximately KES 200B) of the country's GDP, is promising. Attainment of this goal will enhance investment in

creation of new knowledge (Research) that contributes to the overall National Development agenda.

Among the challenges faced by NRF in operations and delivery of its mandate during the period under review include:

1. Delayed appointment of the substantive Chairperson.
2. Delayed receipt of authority to enable the Board initiate recruitment process hence the Fund has inadequacy of staff to execute its expanding activities.
3. The lengthy processes involved in initiation of collaborative programmes with development partners have affected the resource mobilisation. This poses a threat of losing out potential partners.
4. Delayed budget approval and lack of release of exchequer for the third and fourth quarter which affected the implementation of the core mandate programmes.
5. The global pandemic COVID-19 outbreak affected the operations of the Fund to some extent.

To mitigate aforementioned challenges, the Board undertakes to mobilise resources towards the 'Big Four' agenda and will continue to strengthen Human Capital through support of integrated collaborative research programmes; invest in physical research infrastructure; Automate NRF operations to increase efficiency and Develop a resource mobilisation strategy to increase the research grant kitty.



.....  
**Dr. JPR Ochieng-Odero**  
**Interim Chairman**

## REPORT OF THE CHIEF EXECUTIVE OFFICER

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

During the period under evaluation, out of the total of Ksh 1.623 Billion budgeted for NRF, Ksh 822M was received from Exchequer, over 80% was committed for research and infrastructure in support of the Government policy priority of 'Big Four' Agenda. The funded programmes included the ongoing programmes as well as the initiated and on-going counterpart funding programmes. During the year under review, NRF core mandate activities were as provided in the table below.

<b>Programme</b>	<b>Projects cost (Kshs)</b>
Multidisciplinary Research 1st and 2nd calls	890,477,000
Ph.D. 1 <sup>st</sup> and 2 <sup>nd</sup> call	340,000,000
Innovation Grants	45,000,000
Support for conferences seminars and symposium	30,000,000
Multi-disciplinary Research	30,000,000
<b>BILATERAL PROGRAMMES</b>	
Kenya-UK	80,000,000
Kenya-Germany (DAAD )	42,387,000
NRF-Africa Science Granting Council	15,000,000
Kenya - South Africa	10,000,000
Kenya – European Commission	8,000,000
<b>SUB- TOTAL</b>	<b>1,491,074,000</b>
<b>Other programs</b>	
Exchange and Internship programs and Performance Contract	12,500,000
<b>TOTAL FOR THE PROGRAMMES</b>	<b>1,503,574,000</b>

Other than NRF- Africa Science Granting Council initiative, all the bilateral programmes are based on core-financing model where each partner funds its

component and they both share the knowledge emanating from such programme.

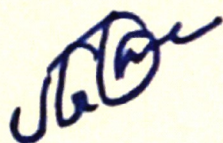
The bilateral partnerships and amounts mobilised are summarised below;

<b>Counterpart Programmes</b>				
<b>S/ No.</b>	<b>Programme</b>	<b>Projects funded</b>	<b>Contribution by partner (Ksh)</b>	<b>Contribution by NRF (Ksh)</b>
1.	Biotechnology and Biological Sciences Research Council (BBSRC)	4	48,000,000	26,000,000
2.	Medical Research Council (MRC)	4	195,000,000	96,000,000
3.	DAAD Scholarships*	54	70,000,000	50,000,000
4.	Science Granting Councils Initiative (SGCI)	2	5,000,000	1,000,000
5.	LEAP- AGRI	13	8,000,000	102,000,000
6.	Kenya/South Africa*	12	32,000,000	32,000,000
7.	Kenya/France	6	2,715,150	2,715,150
	<b>Total</b>		<b>360, 715,150</b>	<b>309,715,150</b>

\*: *On-going programmes*

In addition to the above, the other achievements include:

- Conducting a third National Research and Development Survey on R&D. The survey report is expected to contribute in generating the Science Technology and Innovation (ST&I) indicators that inform decision-making to guide the ST&I activities in the country;
- Board training on governance matters in line with the Organisation's mandate;
- Reviewing of the strategic plan to incorporate the current government development agenda and;
- Development of other operational documents such as the Board Manual and Charter; Finance, Procurement and Transport Manuals and the Research Funding guidelines.



**Jemimah G. Onsare, Ph.D.**  
Ag. CEO, National Research Fund

## CORPORATE GOVERNANCE STATEMENT

National Research Fund is governed by a Board of Trustees as provided in Section 36 of the ST&I Act of 2013.

Role and functions of the Board:

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

National Research Fund Board of Trustees was inaugurated in November 2015. As at 30 June, 2020 the process of operationalising its function was almost complete with notable challenge of shortage of staff and absence of Chairperson to the Board. The previous Chairman held office up to October 2018. The Board conducted its meetings as shown in the table below and there was no conflict of interest registered.

Meetings	Regular	Special
Full Board	2	6
Finance and Administration Committee	4	5
Technical Committee	3	1
Audit Committee	3	2
<b>Total</b>	<b>12</b>	<b>14</b>

### **The entity's operational and financial performance**

During the last financial year, the Fund cleared all the pending bills that were carried forward as a first charge. The Fund also disbursed research grants obligations at a slow pace while awaiting authorisation of expenditure from the National Treasury. Rationalisation of the budget in the month July-August, 2019 in response to the austerity measures adopted by the National Treasury also contributed to the delay in planning and implementation of some of the Research projects as NRF's budget had suffered a major cut of over 50 %. Still, the onset of the COVID-19 global pandemic affected the implementation of the programmes as some of the activities such as Monitoring and Evaluation that would inform decision-making were put on hold.

As at the reporting period, The Fund has received exchequers for quarter 1st and 2nd amounting to Kshs 822,718,961 and awaited the release of quarter three and four of a similar amount. The funds were, however, not received as at the end of the financial year. As a result, pending bills amounting to Kshs 552,363,816 were incurred. Lack of exchequer funding for both quarter three and four had a negative impact on NRF's financial performance as the funds had been fully committed to research programmes and were due for disbursements.

The following are the Research programmes that were affected by the lack of exchequer and whose funds could not be disbursed by the end of quarter four of the financial year:

<b>Programme</b>	<b>Amount in Kshs.</b>
PhD Programmes (126 PhD projects under the 1 <sup>st</sup> call)	24,790,023
Multi-Disciplinary Grants	234,727,486
Multi-Disciplinary Grants	264,076,307
Innovation programme	28,770,000
<b>Total</b>	<b>552,363,816</b>

## REPORT OF THE TRUSTEES

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

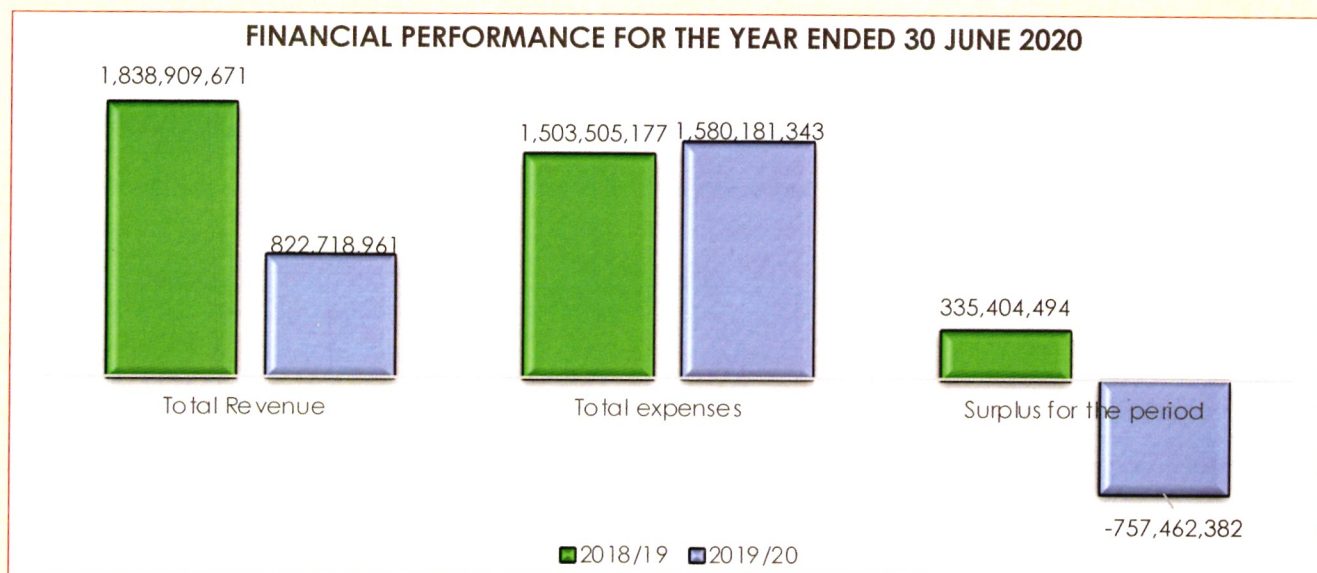
### Principal activities

NRF's principal activities continue to:

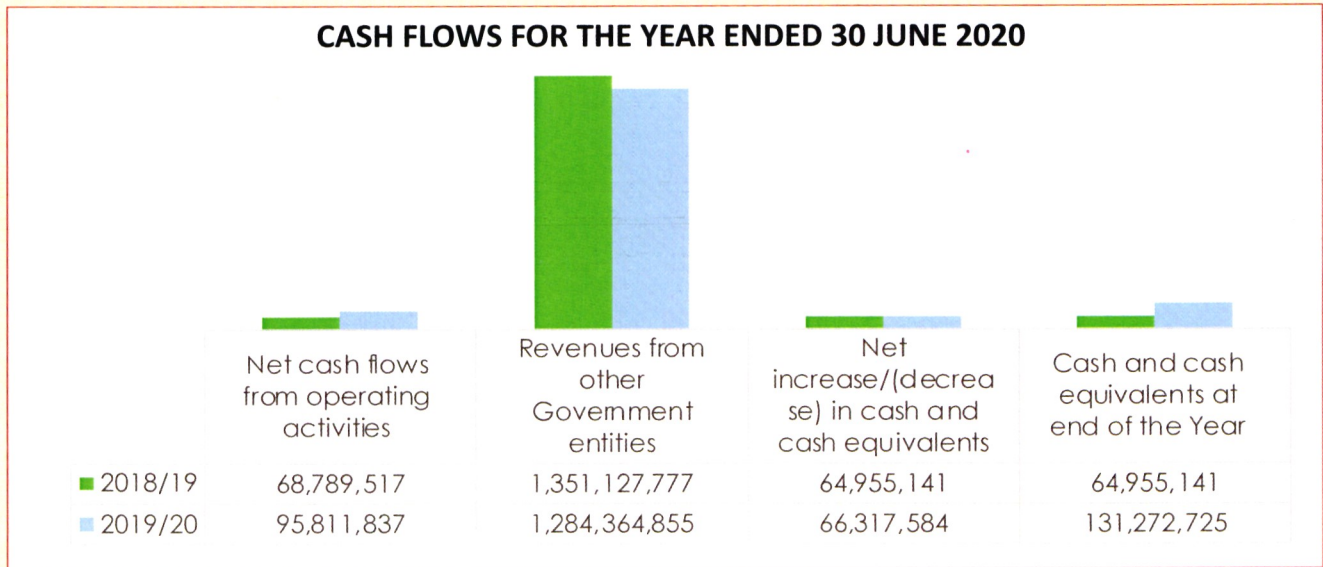
- (i) Award of contracts, grants, scholarships or bursaries or any other award determined by the Commission to persons or institutions;
- (ii) Provide financial support for the acquisition or establishment of research facilities;
- (iii) Develop appropriate human resources and research capacity in the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

### Results

The results of the NRF for the year ended 30 June 2019 are set out as from page 1 onwards.



### CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020



### The Trustees

The members of the Board of trustees who served during the year are shown on page vi to x. During period under review, the chairman, Mr. Tirop Kosgey’s first term ended in October 2018, and since then no other Chairman has been appointed.

### Auditors

The Auditor General is responsible for the statutory audit of the NRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. No firm of Certified Public Accountants was nominated by the Auditor General to carry out the audit of NRF for the year ended 30 June 2020 in accordance to section 23 of the Public Audit Act, 2015 that empowers the Auditor General to appoint an auditor to audit on his behalf

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*Section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)*) require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of their entity at the end of the financial year/period and the operating results of the entity for that year/period. The Trustees are also required to ensure that the entity keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the *entity*. The Trustees are also responsible for safeguarding the assets of the entity.

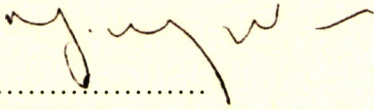
The Trustees are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The trustees accept responsibility for NRF'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) – *entities should quote applicable legislation as indicated under*). The Trustees are of the opinion that the NRF's financial statements give a true and fair view of the state of its transactions during the financial year ended 30 June, 2019, and of the NRF's financial position as at that date. The trustees further confirm the completeness of the accounting records maintained for NRF, which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

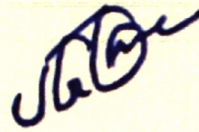
Nothing has come to the attention of the trustees to indicate that NRF will not remain a going concern for at least the next twelve months from the date of this statement.

## Approval of the financial statements

NRF's financial statements were approved by the Board on 30 September, 2020 and signed on its behalf by:



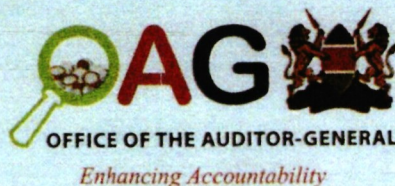
.....  
**Dr. JPR Ochieng-Odero**  
**Interim Chairman**



.....  
**Jemimah G. Onsare, Ph.D.**  
**Ag. Chief Executive Officer**

REPUBLIC OF KENYA

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



HEADQUARTERS  
Anniversary Tower  
Monrovia Street  
P.O. Box 30084-001  
NAIROBI

**REPORT OF THE AUDITOR-GENERAL ON NATIONAL RESEARCH FUND FOR THE  
YEAR ENDED 30 JUNE, 2020**

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**REPORT ON THE FINANCIAL STATEMENTS**

**Qualified Opinion**

I have audited the accompanying financial statements of National Research Fund set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Research Fund as at 30 June, 2020 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 Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

**Basis for Qualified Opinion**

**1.0 Unconfirmed Research Program Grants**

The statement of financial performance reflects research program grants of Kshs.1,032,477,159. However, confirmations by the recipients of grants amounting to Kshs.872,989,151 (2019: Kshs.635,657,943) were not provided for audit verification.

Under the circumstances, the accuracy and validity of the reported balance of Kshs.1,032,477,159 for research program grants could not be confirmed.

**2.0 Unexplained Adjustments**

The statement of financial position reflects a cash and cash equivalents balance of Kshs.131,544,510 which was arrived at after an unexplained adjustment of Kshs.41,224,066 in the financial year 2018/2019. Further, the statement of financial

position reflects a payables balance of Kshs.71,034,553 which was also adjusted by an unexplained amount of Kshs.39,759,660 in financial year 2018/2019.

In addition, the statement of cashflows reflects cash and cash equivalents at end of year balance of Kshs.130,188,831 which differs from the balance of Kshs.131,544,510 reflected in the statement of financial position as at 30 June, 2020. The resultant difference of Kshs.1,355,679 was not explained or reconciled.

Under the circumstances, the accuracy and validity of the cash and cash equivalents balance of Kshs.131,544,510 and payables of Kshs.71,034,553 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Research Fund Management in accordance with ISSAI 130 on 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 are no key audit matters to report in the year under review.

### **Other Matter**

#### **1.0 Financial Performance**

The statement of financial performance as at 30 June, 2020 reflects a deficit of Kshs.243,357,001 reducing the accumulated surplus from Kshs.334,404,494 reported as at 30 June, 2019 to Kshs.91,047,493 as at 30 June, 2020. If strategies are not put in place to reverse the trend the Fund is likely to face financial challenges in the near future.

#### **2.0 Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.1,623,037,923 against actual receipts of Kshs.822,718,961 resulting to a deficit of Kshs.800,318,962 or 49%. Similarly, the statement reflects an approved expenditure budget of Kshs.1,623,037,923 against actual spending of Kshs.1,066,075,890 resulting into an under-expenditure of Kshs.556,962,033 or 34%. The receipts deficit was attributed to a reduction in Government grants and subsidies during the year under review. The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

## 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements 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, except for the matter described in the Basis for Conclusion on Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Substantive Office Holders**

During the year under review, the Fund had no permanent staff and its operations were carried out by seven (7) officers seconded from the State Department for University Education and Research. The Chief Executive Officer was also serving in an acting capacity. This impaired the operation of the Fund as segregation of duties was not achievable. Further, there seem to be no initiative by the Board of Trustees to recruit its own employees for effective and efficient operation.

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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and the Board of Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

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

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

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

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

I communicate with 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**

**22 November, 2021**

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2019/20	2018/19
Revenue From Non Exchange Transactions		Kshs	Kshs
Transfers from other government entities	6	822,718,961	1,838,909,671
<b>Total Revenue</b>		<b>822,718,961</b>	<b>1,838,909,671</b>
<b>Expenses</b>			
Administration and Operating cost	7	24,578,406	19,572,570
Depreciation and amortisation expenses	9	3,963,547	3,963,547
Board Expenses	8	5,056,850	5,951,952
Research programmes grants	10	1,032,477,159	1,475,017,108
<b>Total expenses</b>		<b>1,066,075,962</b>	<b>1,504,505,177</b>
<b>Deficit for the period</b>		<b>(243,357,001)</b>	<b>334,404,494</b>

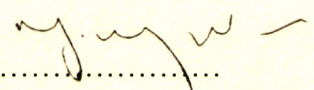
The notes set out on page 7 to 43 form an integral part of the financial statements.

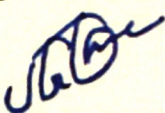
## STATEMENT OF FINANCIAL POSITION

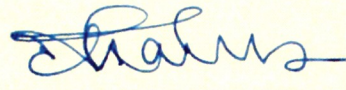
AS AT 30 JUNE, 2020

	Note	2019/20	2018/19
Assets		Kshs	Kshs
<b>Current Assets</b>			
Cash and cash equivalents	11	131,544,510	64,955,141
Receivables	12	11,200,000	472,845,894
Prepaid Expenses		-	1,355,608
<b>Total Current Assets</b>		<b>142,744,510</b>	<b>539,156,643</b>
<b>Non-Current Assets</b>			
Property, plant and Equipment	14	19,337,536	14,806,901
<b>Total Non - Current assets</b>		<b>19,337,536</b>	<b>14,806,901</b>
<b>Total assets</b>		<b>162,082,046</b>	<b>553,963,544</b>
<b>Current Liabilities</b>			
Payables	13	71,034,553	219,559,050
<b>Total Current Liabilities</b>		<b>71,034,553</b>	<b>219,559,050</b>
<b>Net Assets:</b>			
Accumulated surplus		91,047,493	334,404,494
<b>Total Net Assets and liabilities</b>		<b>162,082,046</b>	<b>553,963,544</b>

The Financial Statements set out on pages 1 to 41 were signed on behalf of the Board of Trustees by:

  
.....  
DR. JPR Ochieng - Odera  
Chairman

  
.....  
Jemimah G. Onsare, Ph.D.  
Ag. Chief Executive Officer

  
.....  
Charles O. Kunyoria  
Finance Division  
ICPAK No. 11758

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2019/20	2018/19
		Kshs	Kshs
Cash Flows From Operating Activities			
Surplus for the year	6	-243,357,001	334,404,494
Adjustment			
Depreciation and Amortisation expense	14	3,963,547	3,963,547
Assets donated from state Dept. Univ. Educ.		0	-14,936,000
Operating cash flow before working capital Changes		-239,393,454	323,432,041
Working capital changes			
Decrease in receivables	12	461,645,894	-472,845,894
Increase in prepayments			-1,355,608
Decrease in payables	13	-148,524,497	219,559,050
Cash flow from operating activities		73,727,943	68,789,589
Cash flows from investing activities			
Purchase of property, plant, equipment	13	-8,494,253	-3,834,376
Net cash flows used in investing activities		65,233,690	-3,834,376
Cash flows from financing activities		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		65,233,690	64,955,141
Cash and cash equivalents at start of the Year	11	64,955,141	0
Cash and cash equivalents at end of the Year		130,188,381	64,955,141

## STATEMENT OF NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2020

<b>Particulars</b>	<b>Accumulated Surplus</b>
	<b>Kshs</b>
Balance b/f at 1st July 2018	-
Surplus for the Period FY 2018/19	334,404,494
<b>Balance 30 June, 2019</b>	<b>334,404,494</b>
Balance b/f at 1 July 2019	334,404,494
Deficit for the Period FY 2019/20	(243,357,001)
<b>Balance 30th June, 2020</b>	<b>91,047,493</b>

NOTES TO THE STATEMENTS  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
FOR THE YEAR ENDED 30 JUNE, 2020

	Original Budget	Adjustments	Final Budget	Actual	Variance	Remarks
	Kes	Kes	Kes	Kes	Kes	
Revenue						
Government grants and subsidies	1,623,037,923	-	1,623,037,923	822,718,961	800,318,962	Lack of exchequer funding for Q3 and 4
<b>Total income</b>				-		
Expenses						
Personal Emoluments (Staff allowances)	11,400,000		11,400,000		11,400,000	Delay in obtaining approval to pay staff
Administration and Operating cost	88,100,525	-	88,100,525	24,578,406	63,522,119	Some activities were carried forward to the current FY
Depreciation and amortisation expenses	3,963,475	-	3,963,475	3,963,547	-	Depreciation charge for the year
Board Expenses	16,000,000	-	16,000,000	5,056,850	10,943,150	Fewer Board activities due to absence of the chairperson also due to lockdowns of covid
Research programmes grants	1,503,573,923	-	1,503,573,923	1,032,477,159	532,093,025	Lack of exchequer
Total expenditure	1,623,037,923	-	1,623,037,923	1,066,075,890		
<b>Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,356,929)</b>	<b>(800,318,962)</b>	

(a) An amount of depreciation charge for the year. The additional assets were purchased at the end of the financial year hence no depreciation was charged.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

NRF is established by and derives its authority and accountability from Science, Technology and Innovation (ST&I) Act, 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Utalii House, Utalii Lane, Nairobi.

### 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 *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Relevant new standards and amendments to published standards effective for the year ended 30 June, 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1 January 2020</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 are covered purely under Public Sector combinations as amalgamations.

### 3 Adoption of new and revised standards

#### i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1 January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the</li> </ul>

Standard	Effective date and impact:
	accounting treatment for instruments held as part of the risk management strategy.
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1 January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>

**ii. Early adoption of standards**

NRF did not early-adopt any new or amended standards in year 2019-2020.

**Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

The entity recognises revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue. Other non-exchange revenues are recognised 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 recognised 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

## **Summary of significant accounting policies (Continued)**

### **Revenue recognition (Continued)**

potential related to the asset will flow to the entity and can be measured reliably.

Recurrent grants are recognised in the statement of

Comprehensive income. Development/capital grants are recognised 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 entity recognises 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 recognised only to the extent that the expenses incurred are recoverable.

##### ***Sale of goods***

Revenue from the sale of goods is recognised 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 recognised 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies (Continued)

#### b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity'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.

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

#### c) Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

### **Summary of Significant Accounting Policies (Continued)**

Current income tax relating to items recognised directly in net assets is recognised in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where applicable.

**c) Taxes**

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside surplus or deficit is recognised outside surplus or deficit. Deferred tax items are recognised in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **d) 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.

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 derecognised 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 recognised 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.

**e) 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised 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 recognised 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.

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

<b>Item</b>	<b>Rate of depreciation</b>
Buildings	2.5%
Motor vehicles	20%
Furniture and fittings	12.5%
Computers	33.33%
Plant and equipment	12.5%

**Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalised 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 recognises the associated lease liability at the inception of the lease. The liability recognised is measured as the present value of the future minimum lease payments at initial recognition.

## **Summaries of significant accounting policies (Continued)**

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised 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 recognised 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 recognised 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 amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

### **(g) Research and development costs**

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

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

- The ability to measure reliably the expenditure during development.

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

## **(h) 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 Entity 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 amortised cost using the effective interest method, less impairment. Amortised 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 recognised 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 amortised cost using the effective interest method, less impairment. Amortised 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 recognised in surplus or deficit.

## **(i) Financial instruments (Continued)**

### ***Financial assets (Continued)***

#### ***Impairment of financial assets***

The Entity 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 a 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 reorganisation.
- 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 Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised 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 amortised cost using the effective interest method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest method amortisation process.

Amortised 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.

**(i) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realisable 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 realisable 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 recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the Entity.

**(j) Provisions**

Provisions are recognised 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 Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised 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 Entity does not recognise 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 Entity does not recognise 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 recognised in the financial statements of the period in which the change occurs.

### **(k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

### **(l) Changes in accounting policies and estimates**

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

### **(m) Employee benefits**

#### **Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits

identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**(n) 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 recognised as income or expenses in the period in which they arise.

**(o) Borrowing costs**

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

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

**(p) Related parties**

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

**(q) Service concession arrangements**

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

corresponding liability, adjusted by a cash consideration paid or received.

#### **(r) 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.

### **Comparative figures**

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

#### **(s) 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 30 June, 2019.

### **4 Significant Judgements and Sources of Estimation Uncertainty**

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

### **5 Estimates and assumptions**

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

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

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## 6. Transfers from other Government Entities

	2019/20	2018/19
	Kshs	Kshs
<b>Unconditional grants</b>		
Grants from State Department for University Educ.	822,718,961	1,817,211,671
Transfer returned from University of Nairobi		6,762,000
Assets donated by State Dept. for University Educ.		14,936,000
<b>Total</b>	<b>822,718,961</b>	<b>1,838,909,671</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. Administration and Operating Cost

#### Administration and Operating Cost

	2019/20	2018/19
	Kshs	Kshs
Bank service commission and charges	89,800	48,810
Catering services	412,224	187,915
Communication supplies and services	492,838	552,000
Contracted Professional Services	1,997,520	1,125,000
Contracted Technical Services	2,613,650	1,869,100
Domestic travel, subsistence and other travel costs	8,831,612	4,138,736
Foreign Travel and subsistence	198,009	2,069,674
Fuel, oil and lubricants	1,518,780	1,215,300
Fumigation Services	85,000	-
Insurance expenses	1,512,574	615,186
Office and general supplies and services	1,472,348	1,936,100
Printing , advertising, supplies and services	2,875,901	2,867,064
Routine Maintenance	446,950	784,316
Routine Maintenance - other assets	-	60,000
Training Expenses	669,600	1,103,369
Utilities, supplies and services	361,600	
<b>Total</b>	<b>23,578,406</b>	<b>-</b>
<b>Accrued Expenses</b>		
Audit fee provision	1,000,000	1,000,000
<b>Total</b>	<b>1,000,000</b>	
<b>Total general expenses</b>	<b>24,578,406</b>	<b>19,572,570</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8. Board expenses

	2019/20	2018/19
	Kshs	Kshs
Chairman's Honoraria	-	400,000.00
Chairman's airtime	-	35,000
Transport cost	95,160	305,577
Subsistence Allowances	1,211,000	597,000
Sitting Allowances	3,144,000	3,300,000
Other Expenses (foreign travel)	462,690	1,314,375
Lunches	144,000	
<b>Total Board expenses</b>	<b>5,056,850</b>	<b>5,951,952</b>

### 9. Depreciation and Amortisation expenses (See Note 15)

	2019/20	2018/19
	Kshs	Kshs
Property Plant and Equipment	3,963,547	3,963,547
	<b>3,963,547</b>	<b>3,963,547</b>

## 10) Research grants programme costs

Research grants program costs	2019/20	2018/19
	Kshs	Kshs
COVID -19 and Locusts programme	435,000	
Infrastructure	-	996,015,284
Innovations	142,000	62,437,500
Internship and Exchange Programmes	57,500	150,000
Kenya-France		
Kenya-Germany	68,657,916	68,903,695
Kenya-South Africa	11,844,285	5,832,000
Multidisciplinary	525,617,471	145,739,115
LEAP-AGRI	36,472,788	35,574,068
Newton Utafiti fund	170,546	65,331,139
Next Einstein Forum	177,835,783	
Pamoja		9,872,924
Performance Contracting	10,120,392	21,824,625
Phd	126,855,118	28,125,308
Science grant Council	1,617,144	1,277,766
Support for Conferences	11,654,955	33,933,684
Innovation Grants	7,436,239	
PhD (26 projects) (ongoing-1st call)	24,790,022	
Innovation grants	28,770,000	
<b>Total Research Program Grants</b>	<b>1,032,477,159</b>	<b>1,475,017,108</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11. Cash and Cash Equivalents

		2019/20	2018/19
Financial institution	Account number	Kshs	Kshs
(a) Current account			
National Bank of Kenya	01060208597200	43,100,478	49,129,232
<b>Sub- total</b>		<b>43,100,478</b>	<b>49,129,232</b>
<b>Cash in Transit</b>		<b>88,000,000</b>	
(b) Deposits			
Kenya Commercial Bank	1236065395	444,033	15,825,909
<b>Sub- total</b>		<b>444,033</b>	<b>15,825,909</b>
<b>Grand total</b>		<b>131,544,510</b>	<b>64,955,141</b>

### 12. Receivables from non-exchange transactions

Description	2019/20	2018/19
	Kshs	Kshs
Receipts from SDUE	11,200,000	472,845,894
<b>Total current receivables</b>	<b>11,200,000</b>	<b>472,845,894</b>

Receivables from non-exchange transactions above represent an amount received in respect of third quarter of the FY 2019/2020 and which was received in July 2020.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. Trade and other Payables from Non-Exchange Transactions - Others

	2019/20	2018/19
<b>Grants Payables</b>	<b>Kshs</b>	<b>Kshs</b>
KEMRI		8,283,946
Technical University of Mombasa		8,929,912
Kirinyaga University		53,300,000
Muranga University		46,250,000
Jaramogi Oginga Odinga Univ.		33,556,900
Innovation Grants	7,436,239	60,200,000
PhD (26 projects) (ongoing-1st call)	24,790,022	
Innovation grants	28,770,000	
<b>Total</b>	<b>60,996,261</b>	
<b>Other payables</b>		
Other Payables-admin and operating	8,038,292	8,038,292
Audit fee - provision	2,000,000	1,000,000
<b>Total</b>	<b>10,038,292</b>	
<b>Grand Total Payables</b>	<b>71,034,553</b>	<b>219,559,050</b>

## 15. Property, Plant and Equipment

	<b>Motor vehicles</b>	<b>Furniture &amp; Equipment</b>	<b>Computers</b>	<b>Total</b>
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>Rate</b>	<b>20%</b>	<b>12.50%</b>	<b>33.33%</b>	
<b>At 1 July, 2018</b>	14,936,000	-		14,936,000
Additions	-	1,448,500	2,385,876	3,834,376
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June, 2019</b>	<b>14,936,000</b>	<b>1,448,500</b>	<b>2,385,876</b>	18,770,376
<b>At 1<sup>st</sup> July, 2019</b>	14,936,000	1,448,500	2,385,876	18,770,376
Additions	7,797,233	447,400	249,620	8,494,253
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June, 2020</b>	<b>22,733,233</b>	<b>1,895,900</b>	<b>2,635,496</b>	27,264,629
<b>Depreciation and impairment</b>	-	-	-	-
At 1 July, 2018	2,987,200	181,063	795,284	3,963,547
Depreciation	-	-	-	-
Impairment	-	-	-	-
<b>At 30 June, 2019</b>	<b>2,987,200</b>	<b>181,063</b>	<b>795,284</b>	3,963,547
<b>At 1 July, 2019</b>	2,987,200	181,063	795,284	3,963,547
Depreciation	2,987,200	181,063	795,284	3,963,547
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
<b>At 30 June, 2019</b>	<b>5,974,400</b>	<b>362,125</b>	<b>1,590,568</b>	7,927,093
<b>Net book values</b>	-	-	-	-
<b>At 30 June, 2019</b>	<b>11,948,800</b>	<b>1,267,438</b>	<b>1,590,592</b>	14,806,830
<b>At 30 June, 2020</b>	<b>16,758,833</b>	<b>1,533,775</b>	<b>1,044,928</b>	19,337,536

## 16. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount	Fully performing	past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June, 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June, 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

***B: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position.***

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements are considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within

**FINANCIAL RISK MANAGEMENT (Continued)**

12 months equal their carrying balances, as the impact of discounting is not significant.

**(iii) Market risk**

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

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

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FINANCIAL RISK MANAGEMENT (Continued)

#### (ii) Market risk (Continued)

##### (a) Foreign currency risk (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June, 2020</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total financial assets</b>	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
<b>Total financial liabilities</b>	-	-	-
<b>Net foreign currency asset/(liability)</b>	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June, 2019</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total financial assets</b>	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
<b>Total financial liabilities</b>	-	-	-
<b>Net foreign currency asset/(liability)</b>	-	-	-

## FINANCIAL RISK MANAGEMENT (Continued)

### Foreign currency sensitivity analysis

The following table demonstrates the effect on the entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

### (iii) Market risk (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2020</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2019</b>			
Euro	10%	-	-
USD	10%	-	-

### b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

#### *Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

#### *Sensitivity analysis – This is not applicable to NRF*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### FINANCIAL RISK MANAGEMENT (Continued)

#### Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

#### Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>At 30 June, 2020</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
<b>At 30 June, 2019</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-

<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.

## FINANCIAL RISK MANAGEMENT (Continued)

### Fair value of financial assets and liabilities (Continued)

#### a) *Financial instruments not measured at fair value (Continued)*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

#### iv) **Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>		
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

## 17. RELATED PARTY BALANCES

### Nature of related party relationships

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

## Government of Kenya

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

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

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
Grants from National Government	-	-
<b>Total</b>	-	-
<b>(a) Key management compensation</b>		
Directors' emoluments	-	-
<b>Total</b>	-	-

## Currency

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

## APPENDICES

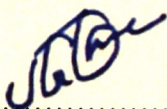
### I. Progress on follow up of Auditor recommendations

The audit of the activities of NRF for the FY 2018/2019 was conducted and the issues raised are at the final stages of conclusion. FY 2018/2019 was the Agency's first year of self-reporting and systems audit as well.

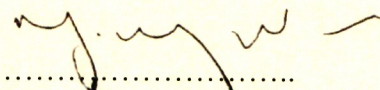
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

#### Guidance Notes:

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



.....  
Jemimah G. Onsare, Ph.D.  
Ag. Chief Executive Officer



.....  
DR. JPR Ochieng - Odera  
Chairman

Date 28/5/2021

Date 28-05-2021

## II. Projects Implemented By NRF

At current there are no projects implemented by NRF and funded by development partners. NRF has entered into bilateral agreements with various development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/ No)	Consolidated in these financial statements (Yes/No)
1.						
2.						

### Status of Projects completion

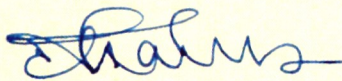
Currently, there are no projects implemented by National Research Fund.

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.							
2.							
3.							

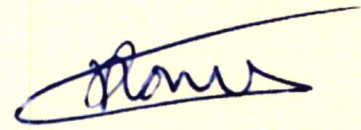
### III: Inter-Entity Transfers

ENTITY NAME:				
<b>Break down of Transfers from the State Department for University Education and Research</b>				
<b>FY 2019/2020</b>				
Recurrent Grants				
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
1.	08- Aug-2019	405,759,480	2019/2020	
2.	01-Nov-2019	405,759,481	2019/2020	
3.	20-July-2020	11,200,000	2019/2020	
<b>Total</b>		<b>822,718,961</b>		

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



.....  
Charles O. Kunyoria  
Finance Division-NRF  
ICPAK Number 11758



.....  
Robert Asumani Samuel  
Head of Accounting Unit-SDUE  
ICPAK Number 10100

## LIST OF ASSETS

CLASS	QTY	Name	Model	Description	Serial Number	Cost	Date of Purchase	Current User/office	Location of the Asset
Motor Vehicle	1	KCK 756U		Staff Bus		4,500,000		NRF	NRF
Motor Vehicle	1	KCK785U	Toyota	Prado Land Cruiser		10,436,000		NRF STAFF	NRF STAFF
<b>Total</b>						<b>14,936,000</b>			
ICT Equipment	2	Laser Jet Printer				304,000		SECRETARY	SECRETARY
ICT Equipment	2	Smart phones				679,336		CEO,DEP DIR,ASSIST DIR,1 AT STORE	CEO,DEP DIR,ASSIST DIR,1 AT STORE
ICT Equipment	4	Laptops				558,540		1 SECRETARY,2 AT RECEPTION	1 SECRETARY,2 AT RECEPTION
ICT Equipment	4	Desktop				260,000		1 AT ACCOUNTS,1 AT STORE	1 AT ACCOUNTS,1 AT STORE
ICT Equipment	2	Scanner				254,000		AT STORE	AT STORE
<b>Total</b>						<b>2,385,876</b>			
<b>Office Equipment</b>	5	Steel and chrome filling				<b>498,500</b>		ACCOUNTS	ACCOUNTS
<b>Furniture</b>	10					<b>950,000</b>		AT BOARD ROOM,ACCOUNTS,STOR	AT BOARD ROOM,ACCOUNTS,STORE
Safe office fire resist	2				B116075270		27-May-17	1 AT ACCOUNTS, 1 AT CEOs OFFICE	1 AT ACCOUNTS, 1 AT CEOs OFFICE
Safe office fire resist	1				B116075460		27-May-17		
Shredder Machine	2				Cc 184016040006		25-May-17	1 AT RECEPTION,1 AT CEOs OFFICE	1 AT RECEPTION,1 AT CEOs OFFICE
water dispenser	3				04658/10/106		25-May-17	CEOs OFFICE,DEP DIR, ASSIST DIR	CEOs OFFICE,DEP DIR, ASSIST DIR
Television	2				02R53Kdh800005,		27-May-17	AT STORES	AT STORES
					03 CE3KJ40004		27-May-17	AT STORES	AT STORES
Microwave	2				04479/10611		27-May-17	CEOs OFFICE	CEOs OFFICE
					04126/10155		27-May-17	AT RECEPTION	AT RECEPTION
Computer desk top	6				3C06402BGF		25-May-17	CEOs OFFICE	CEOs OFFICE
					3CG64115QT		25-May-17	DEPUTY DIRECTOR'S	DEPUTY DIRECTOR'S
					3C06480L2		25-May-17	ASSISTANT DIRECTOR'S	ASSISTANT DIRECTOR'S
Printer desktop	4				PHBVK4BOCF		31-Mar-17	ACCOUNTS	SECRETARY,ACCOUNTS,RECEPTION
					PHVK4BOC2		27-May-17	SECRETARY	ACCOUNTS
					PHCHQ02105		27-May-17	CEOs OFFICE,DEP DIRECTOR'S	SECRETARY
LCD projector	1						27-May-17	AT STORES	CEOs OFFICE,DEP DIRECTOR'S
Laptops	3				CND70101ZK		25-May-17	CEO,ASSIST DIRECTOR	AT STORES
Kyocera photocopyin	2				CND70101ZM		25-May-17	DEP DIRECTOR	CEO,ASSIST DIRECTOR
							12-May-17	CEO OFFICE	DEP DIRECTOR
Office Cabinets	4						27-May-17	ACCOUNTS, AT STORES	CEO OFFICE
Fridge	2						7-Jun-17	CEOs OFFICE	ACCOUNTS, AT STORES
Sofa sets	2						27-May-17	SECRETARY,CEOs OFFICE	CEOs OFFICE
Coffee tables	2						25-May-17	SECRETARY,CEOs OFFICE	SECRETARY,CEOs OFFICE
Visitors chairs	6						25-Mar-17	SECRETARY,CEOs OFFICE,RECEPTION	SECRETARY,CEOs OFFICE
Conference chairs	20						25-May-17	BOARD ROOM,AT STORES	SECRETARY,CEOs OFFICE,RECEPTION
Conference table	2						25-May-17	BOARD ROOM,AT STORES	BOARD ROOM,AT STORES
Executive table9( big)	2						25-May-17	BOARD ROOM,AT STORES	BOARD ROOM,AT STORES
Executive table ( sma	2						25-May-17	CEO OFFICE,SECRETARY	BOARD ROOM,AT STORES
Executive book shelv	3						25-May-17	CEO OFFICE,SECRETARY	CEO OFFICE,SECRETARY
Executive book shelv	4						25-May-17	AT STORES	CEO OFFICE,SECRETARY
High back hp executiv	4						25-May-17	AT STORES	AT STORES
Secretarial seats	2						29-Mar-17	AT STORES	AT STORES
Work stations	12						27-May-17	AT STORES	AT STORES
Work station chairs	12						27-May-17	AT ICT OFFICE	AT ICT OFFICE
Coat hangers	2						27-May-17	AT ICT OFFICE	AT ICT OFFICE
								CEOs OFFICE, DEP DIRECTOR	CEOs OFFICE, DEP DIRECTOR