

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

DATE: 04 JUN 2024

DAY: TUESDAY

TABLED  
BY:

HON. KIMANI ICHUNGWAT, MP  
MAJORITY LEADER

CLERK AT  
THE TABLE:

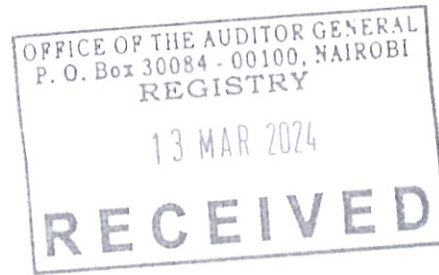
INZOPU MWANGI

**THE AUDITOR-GENERAL**

**ON**

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

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



Science for Prosperity

---

*NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2023

---

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

**National Commission for Science, Technology and Innovation  
Annual Report and Financial Statements  
for the year ended 30 June, 2023**

<b>Table of Contents.....</b>	<b>Page</b>
1. Acronyms, Abbreviations and Glossary of Terms.....	iii
2. Key Commission Information and Management.....	v
3. The Board of Directors.....	xi
9. Key Management Team.....	xviii
10. Chairman's Statement.....	xxi
11. Report of the Chief Executive Officer.....	xxiii
12. Statement of Performance against Predetermined Objectives for FY 2022/2023.....	xxv
13. Corporate Governance Statement.....	xxx
14. Management Discussion and Analysis.....	xxxv
15. Environmental and Sustainability Reporting.....	xlii
16. Report of the Directors.....	xlviii
17. Statement of Directors Responsibilities.....	xlix
18. Report of the Independent Auditor for the Financial Statements of National Commission for Science, Technology and Innovation.....	li
19. Statement of Financial Performance for the year ended 30 June, 2023.....	1
15 Statement of Financial Position as at 30 June, 2023.....	2
16. Statement of Changes in Net Assets for the year ended 30 June, 2023.....	3
17. Statement of Cash Flows for the year ended 30 June, 2023.....	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2023.....	5
19. Notes to the Financial Statements.....	8
20. Appendices.....	50

## **1. Acronyms, Abbreviations and Glossary of Terms**

### **A: Acronyms and Abbreviations**

Ag.	Acting
CEO	Chief Executive Officer
CS	Cabinet Secretary
DCS	Director, Corporate Services
DG	Director General
DR.	Doctor of Philosophy
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
ICPAK	Institute of Certified Public Accountants of Kenya
IG	Inspector General
IPSAS	International Public Sector Accounting Standards
KEPSA	Kenya Private Sector Alliance
NCST	National Council of Science and Technology
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
Prof.	Professor
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
STI	Science, Technology and Innovation
WB	World Bank

**B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.

**Comparative Year-** Means the prior period.

**The Commission -** Means National Commission for Science, Technology and Innovation

**The Act –** Means the Science, technology and Innovation Act, 2013 (STI Act, 2013)

**FY -** Means the Financial Year 2022-2023

## **2. Key Commission Information and Management**

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

The National Commission for Science, Technology and Innovation (NACOSTI) is a state corporation established under the Science, Technology and Innovation Act, 2013 (Revised 2014). The mandate of the Commission is to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto. NACOSTI is the successor to the National Council for Science and Technology that was established under the Science and Technology Act, Cap 250 of the Laws of Kenya in 1977. The Act established the National Council for Science and Technology (NCST), a semi-autonomous agency, to advise on, coordinate and promote matters of research, science and technology.

The Commission's headquarters is in Nairobi County. In order to enhance efficiency and effectiveness in implementation of its mandate, the Commission is structured in seven (7) functions reporting to the Director General as listed below.

- (i) Directorate of Advisory, Standards and Licensing
- (ii) Directorate of Compliance, Monitoring and Evaluation
- (iii) Directorate of Corporate Services
- (iv) Planning, Partnership, and Resource Mobilization Department
- (v) Internal Audit Department
- (vi) Supply Chain Management Department; and
- (vii) Corporation Secretary and Legal Services Department

The Commission is governed by a Board which is appointed by the Cabinet Secretary (CS) responsible for matters of science and technology. The first Board of the Commission was appointed on 7<sup>th</sup> April 2014 and its term ended on 6<sup>th</sup> April 2017. The second Board was appointed on 6<sup>th</sup> December 2017 vide Gazette Notice Numbers 11926 for the Chairperson and 11927 for the Members whose term ended on 5<sup>th</sup> December 2020. The current members of the board were appointed on 8<sup>th</sup> October 2021 vide Gazzette notice Number 208. The Commission is however waiting for appointment of the Chairperson of the Board and a representative of KEPSA.

**(b) Principal Activities**

Mandate:

The objective of the Commission is to regulate and assure quality in the science, technology and innovation sector and advise the government in matters related thereto.

Vision:

A Dynamic and Transformational Science, Technology, and Innovation System/Sector

Mission:

To regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

Functions:

**The functions of the commission are stipulated in section 6(1) of the Act as follows:**

- a) develop, in consultation with stakeholders, the priorities in scientific, technological and innovation activities in Kenya in relation to the economic and social policies of the Government, and the country's international commitments.
- b) lead inter-agency efforts to implement sound policies and budgets, working in collaboration with the county governments, and organizations involved in science and technology and innovation within Kenya and outside Kenya.
- c) advise the national and county governments on the science, technology and innovation policy, including general planning and assessment of the necessary financial resources.
- d) liaise with the National Innovation Agency and the National Research Fund to ensure funding and implementation of prioritized research programmes.
- e) ensure co-ordination and co-operation between the various agencies involved in science, technology and innovation.
- f) accredit research institutes and approve all Scientific research in Kenya.
- g) assure relevance and quality of science, technology and innovation programmes in research institutes.
- h) advise on science education and innovation at both basic and advanced levels.
- i) in consultation with the National Research Fund Trustees, sponsor national scientific and academic conferences it considers appropriate.
- j) advise the Government on policies and any issue relating to scientific research systems.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

- k) promote increased awareness, knowledge and information of research system.
- l) co-ordinate, monitor and evaluate, as appropriate, activities relating to scientific research and technology development.
- m) promote and encourage private sector involvement in scientific research and innovation and development.
- n) annually, review the progress in scientific research systems and submit a report of its findings and recommendations to the Cabinet Secretary.
- o) promote the adoption and application of scientific and technological knowledge and information necessary in attaining national development goals.
- p) develop and enforce codes, guidelines and regulations in accordance with the policy determined under this Act for the governance, management and maintenance of standards and quality in research systems; and
- q) undertake, or cause to be undertaken, regular inspections, monitoring and evaluation of research institutions to ensure compliance with set standards and guidelines.

**(c) Key Management**

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

No.	Designation	Name
1.	Board of Directors	
2.	Director General/CEO	<b>Prof. Walter O. Oyawa</b>
3.	Ag. Director, Corporate Services	<b>CPA Gideon K. Kirui</b>
4.	Ag. Director, Compliance, Monitoring and Evaluation	<b>Dr. David Njubi</b>
5.	Ag. Director, Advisory, Standards and Licensing	<b>Dr. David Ngigi</b>
6.	Deputy Director, Supply Chain Management	<b>Ms. Yasmin Hussein</b>

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General/CEO	<b>Prof. Walter O. Oyawa</b>
2.	Ag. Director, Corporate Services	<b>CPA Gideon K. Kirui</b>

**National Commission for Science, Technology and Innovation**  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

No.	Designation	Name
3.	Ag. Director, Advisory, Standards and Licensing	<b>Dr. David Njubi</b>
4.	Ag. Deputy Director, Registration and Accreditation	<b>Dr. David Ngigi</b>
5.	Ag. Deputy Director, Biological and Health Sciences	<b>Dr. Benson K. Mburu</b>
6.	Deputy Director, Supply Chain Management	<b>Ms. Yasmin Hussein</b>
7.	Internal Audit Officer	<b>CPA. Timothy Mutinda</b>
8.	Deputy Director Legal Services	<b>Mr. Abdallah Bii</b>
9.	Deputy Director Human Resource	<b>Ms. Jennifer Murgor</b>
10.	Deputy Director, Physical, Industrial, Computing and Engineering	<b>Mr. Cyrus Kamau</b>
11.	Deputy Director Licensing, Monitoring and Evaluation	<b>Mr. Godfrey Kalerwa</b>
12.	Deputy Director Humanities and Social Sciences	<b>Ms. Margaret Muthee</b>
13.	Senior Administration Officer	<b>Mr. Muhanji Ambani</b>
14.	Deputy Director, Physical, Industrial, Computing and Engineering	<b>Dr. David Otuoma</b>

**(e) Fiduciary Oversight Arrangements**

**Finance and General-Purpose Committee of the Board**

The Committee comprises of members of the board and is responsible for establishing policies, procedures, and controls for financial governance in the Commission. The committee undertakes financial planning, budget approvals, expenditure approvals and review of financial reports.

**Composition of Finance and General-Purpose Committee**

No.	Name	Designation
1.	Prof. Raphael Munavu	<b>Chairman</b>
2.	Dr. Wanyama Indeje – Representing CS NT	<b>Member</b>
3.	Dr. Gideon Kivengea – Representing PS SDUER	<b>Member</b>
4.	Prof. Walter Oyawa – DG/CEO NACOSTI	<b>Secretary</b>

**Key Commission Information and Management (continued)**

**Audit and Risk Management Committee of the Board**

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

**Composition of Audit Risk Management Committee of the Board**

No.	Name	Designation
1.	Prof. Francis Muregi	Chair
2.	Prof. Dickson Andala	Member
3.	Dr Wanyama Indeje – Representing CS NT	Member
4.	CPA Timothy Mutinda Ngwaa- Internal Auditor NACOSTI	Secretary

**(f) The Commission Headquarters**

NACOSTI Headquarters Building  
 Off Waiyaki Way, Upper Kabete  
 P.O. Box 30623-00100  
 Nairobi, KENYA

**(g) The Commission's Contacts**

Tel.: +254 20 2241349  
 +254 20 3310571  
 E-mail: [dg@nacosti.go.ke](mailto:dg@nacosti.go.ke)  
 Website: [www.nacosti.go.ke](http://www.nacosti.go.ke)

**(h) Commission Bankers**

1. Kenya Commercial Bank Ltd.  
 Kipande House Branch  
 P.O. Box 30012-00100  
 Nairobi, Kenya  
 Tel.: +254 20 3340161

2. NCBA Bank Ltd.  
City Centre Branch  
P.O Box 44599-00100  
Nairobi, Kenya  
Tel.: +254 20 2888000

**(i) Independent Auditor**

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



**(j) Principal Legal Adviser**

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

**Key Commission Information and Management (continued)**

**3. The Board of Directors**

<b>Ref</b>	<b>Board Member</b>
1.	<div data-bbox="363 501 647 808" data-label="Image"> </div> <p data-bbox="699 465 1145 501"><b>Dr. Beatrice Muganda Inyangala</b></p> <p data-bbox="699 501 1436 824">Dr. Beatrice Muganda Inyangala is the Principal Secretary, State Department for Higher Education and Research, Ministry of Education, Kenya Government. Her areas of expertise are public policy, gender inclusivity, quality assurance, teaching methodology, governance and fundraising. Prior to her current appointment, she served as the Deputy Executive Director and the Director of Higher Education at the Partnership for African Social and Governance Research (PASGR).</p> <p data-bbox="341 869 1436 1048">Dr Muganda led the Pedagogical Leadership in Africa (PedaL) project, working closely with multiple partners in distinct contexts to drive sustainable change in the delivery of university programmes to strengthen graduate competencies. She oversaw the training of more than 1000 teaching staff in 60 universities on the African continent in innovative pedagogies.</p> <p data-bbox="341 1084 1436 1263">Dr. Muganda is an accomplished educationist with programme planning, design and implementation expertise. She has facilitated formal partnerships among African universities, with Northern partner universities and international knowledge networks around innovative projects that promote excellence, relevance and access in higher education at both masters and doctoral levels.</p> <p data-bbox="341 1299 1436 1630">Dr. Muganda has extensive knowledge of issues, challenges and opportunities in African higher education and has proactively engaged various policy actors in higher education transformation. She has also been involved in education policy debates globally: EU-Africa policy dialogues, Wilton Park dialogues, The Africa-America Institute, London School of Economics Africa Summit, Africa Sciedev, University World News, Guardian Global Development Professionals Network, and the Association of African Universities. She has contributed to Kenya’s national policy documents such as the Medium-Term Framework on Education and Training for Vision 2030, and the National Manpower Survey.</p> <p data-bbox="341 1666 1436 1774">She holds a B.Ed and M. Phil in Planning and Economics of Education from Moi University, a PhD from the University of Athens, and has received further training at the International Institute of Educational Planning in Paris.</p>

	<p><b>The PS SDHER is represented on the Commission’s Board by Dr. Gideon Kivengea</b></p>  <p><b>Dr. Gideon Mbithi Kivengea – Representing the Principal Secretary, State Department for Higher Education and Research and Board Member</b></p> <p><b>DoB: 01<sup>st</sup> September 1970</b>  <b>Date of Appointment: 07<sup>th</sup> January 2022</b></p> <p>Dr. Kivengea is currently serving as a Deputy Director of Research in the State Department for Higher Education and Research.</p> <p>He has held various responsibilities including serving as board member in Kenya National Innovation Agency and serving as a Council member in the Maasai Mara University</p> <p>Dr. Kivengea holds a Bachelor of Science Degree from Moi University, Master of Science Degree from University of Nairobi and PhD, Degree in Science (Hydrobiology) from the University of Nairobi.</p> <p>His professional training includes a Distinction in Project Planning and Management, a Certificate in Senior Leadership Development Programme and Certificate in Senior Management Course among many other short term training courses.</p> <p>He has published eight Research Publications in peer referred journals and exposure on Fellowship in University of Bremen - German.</p>
2.	 <p><b>Prof. Njuguna Ndung’u – Member</b></p> <p>Prof. Njuguna Ndung’u is the Cabinet Secretary, National Treasury &amp; Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung’u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.</p> <p>Prof. Ndung’u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.</p>
	<p><b>The CS National Treasury is represented on the Commissions Board by Dr. Wanyama Indeje.</b></p>



**Dr. Indeje Wanyama – Member**

**DoB: 05<sup>th</sup> September 1969**

**Date of Appointment: 14<sup>th</sup> November 2021**

Dr. Indeje Wanyama was appointed a member of the Board on 24<sup>th</sup> November 2021 as a representative of the Cabinet Secretary, The National Treasury and Planning. He is a skilled finance professional with more than 10 years of corporate finance and management. The finance guru has a PhD in Management Science, having studied in Shanghai University of Finance and Economics. Further, he holds an MSc in Economic Policy Analysis from Addis Ababa University, Ethiopia, has a BA (Economics) and is a Certified Public Accountant of Kenya.

Dr. Wanyama is an expert in financial systems development, fiscal management and financial reporting, with proven record of developing and implementing financial and operational controls. He's knowledgeable in application of economic principles and procedures for analyzing financial information in relation to supply and demand, investment, industrial productivity, taxes, among other policy related issues.

The seasoned professional started out as an Economist/Planning Officer in the Ministry of Education and rose to become Deputy Director –Financial and Sectoral Affairs Department in the Ministry of Finance/The National Treasury. He previously served as Deputy Chief Finance Officer at the State Department of Livestock for two years; Assistant Director of Budget-Budgetary Supply Department in the Ministry of Finance/The National Treasury for a period of six years; and as Senior Finance Officer in the Ministry of Finance-Budgetary Supply Department for five years.

He has worked as a lecturer at the United States International University, and was a Lead Consultant in the development of the Strategic Plan for the Office of the Controller of Budget 2012-17, and in the recruitment of staff for the same office. Other key accomplishments include preparation of Strategic Plan for the Ministry of Water and Irrigation for the Government of Southern Sudan.

Dr. Wanyama has also authored and co-authored research publications in finance and policy related areas. Other special assignments include his appointment as a member of Inter-Ministerial Task Force responsible for organizing the United Nations Public Service day. He was also a member of secretariat of Public Administration Sector Working Group (PA SWG). The PA SWG, outlines sectoral policy priorities for the Public Administration Sector, and gives the budgetary estimates to be included in the overall Medium Term Expenditure Framework (MTEF) and the annual budget.



**Prof. Raphael M. Munavu, BA, MSc, PhD, OGW, EBS  
– Independent Member**

**DoB: 01<sup>st</sup> August 1947**

**Date of Appointment: 06<sup>th</sup> October 2021**

Raphael Munavu is a Professor Emeritus in the Department of Chemistry, University of Nairobi, Chairman of the Presidential Working Party of Education Reforms in Kenya from (September 2022 to present)

Prof. Munavu attended Kalamazoo College (B.A. 1967-1970), Wayne State University (M.Sc. 1970-1972), and the University of Detroit (Ph.D. 1972-1975) in the USA. His specialization is in Organic, Environmental, and Industrial Chemistry.



Prof. Munavu has had an illustrious career in academia and public service for the last 35 years. He served as the Chairman of the Kenya National Academy of Sciences (KNAS) for 19 years (2002- 2021), Chancellor of Laikipia University for five years (February 2013 – February 2018), and Commissioner at the Constitutional Commission on Revenue Allocation (CRA) for six years (December 2010 – December 2016).



He was the Dean of the Faculty of Science at the University of Nairobi (1987-1990), founding Principal of Laikipia College of Egerton University (1990-1992), Vice-Chancellor of Egerton University (1992-1994) Deputy Vice-Chancellor (Administration and Finance) at the University of Nairobi (1994-1998) and Vice-Chancellor of Moi University (July 14<sup>th</sup>, 1998 to September 19<sup>th</sup>, 2002). In addition to regular administrative responsibilities, Prof Munavu spearheaded the establishment of International Programs Offices at the University of Nairobi (1995) and at Moi University (1999) and Privately Sponsored Students Programs at Moi University (1998).

Prof. Munavu has published over ninety (90) refereed and commissioned papers and supervised twenty-one (21) postgraduate students. He has written extensively on the role of Higher Education, Chemistry, Science, Technology, and Innovation in socioeconomic development. He has also undertaken many consultancies on the environmental impacts of utilizing various natural resources.


Prof. Munavu is extensively experienced in management and public service. He has held numerous high-impact leadership positions in the education sector. He was appointed Chairman of the Kenya National Examinations Council (KNEC) and served in that capacity for ten years (2000-2010). He also served as Hon. Secretary of the Association of Faculties of Science of African Universities (AFSAU, 1986-1992), a Member of the Presidential Task Force on Public Universities Inspection Board (PUIB, 2005-2007) and the Strategy for University Education in Kenya (2006-2008). Prof. Munavu was the founding Chairman of the Council of the Southeastern University College (SEUCO), the precursor of South Eastern Kenya University (SEKU) from 2008 to 2013.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**





	<p>Prof. Munavu has been conferred with the following National Honours: Order of the Grand Warrior (OGW, 1994), and the Elder of the Burning Spear (EBS, 2001) for his services in the Higher Education Sector. In 2000. He was conferred with an honorary doctorate of Humane Letters, Honoris causa (D.Litt) by Kalamazoo College (USA) in 2001 in recognition of his role in entrenching successful inter-university linkages between universities in Kenya and other foreign universities. He was also awarded the Hon. Doctor of Science degree by Laikipia University in 2013.</p> <p>His social vision is to serve society by facilitating novel wealth-creating, empowering and capacity-building initiatives based on education, national heritage, indigenous knowledge, science and technology. He also champions value-adding enterprises based on readily available natural resources and human capacities in Kenya.</p> <p>√  Prof. Munavu chairs the Finance and General-Purpose Committee of the Board.</p>
4.	<div style="display: flex; align-items: flex-start;"> <div style="flex: 1;">  </div> <div style="flex: 2; padding-left: 10px;"> <p><b>Ms. Rachel Shibalira, MSc, LLB (Hons), Dip (Law) – Independent Member</b></p> <p><b>DoB: 08<sup>th</sup> October 1972</b>  <b>Date of Appointment: 06<sup>th</sup> October 2021</b></p> <p>Ms. Rachel Shibalira was first appointed a member of the Board on 6<sup>th</sup> December 2017 and reappointed on 8<sup>th</sup> October 2021 vide Gazette notice Number 208. Ms. Shibalira holds Msc in Environmental Planning and Management from Kenyatta University, Bachelor of Law from Babasaheb Ambedkar University and Diploma in Law from Kenya School of Law.</p> <p>Ms. Shibalira is a member of Law Society of Kenya and also International Commission of Jurists. She has represented the Government of Kenya in negotiating international conventions and protocols in the area of environment. She has also worked with several countries in the African region helping them define policies and laws on issues of Science and Technology. She has served nationally as a Chairperson of the Biosafety Appeals Board.</p> <p>Ms. Shibalira chairs the Technical Committee of the Board.</p> </div> </div>
5.	<div style="display: flex; align-items: flex-start;"> <div style="flex: 1;">  </div> <div style="flex: 2; padding-left: 10px;"> <p><b>Prof. Francis Wamakima Muregi, PhD – Independent Member</b></p> <p><b>DoB: 20<sup>th</sup> August 1971</b>  <b>Date of Appointment: 06<sup>th</sup> October 2021</b></p> <p>Prof. Francis Wamakima Muregi was first appointed a member of the Board on 6<sup>th</sup> December 2017 and reappointed on 8<sup>th</sup> October 2021 vide Gazette notice Number 208. He is a PhD holder in medical sciences from</p> </div> </div>

	<p>Hamamatsu University School of Medicine, a Master of Science, Biochemistry (Biotechnology Option) and BSc. Biochemistry/Chemistry from Kenyatta University.</p> <p>Prof. Muregi has worked at Kenya Medical Research Institute for more than 10 years. He is currently the Director for Research and Development at Mount Kenya University. He is also serving as a member of the Social and Human Sciences Programme and Expert Committee of Kenya National Commission for UNESCO (KNATCOM). Prof. Muregi is the chair of the Audit Committee of the Board.</p>
6.	<p style="text-align: right;"><b>Prof. Dickson M. Andala, PhD – Member</b></p> <div style="display: flex; align-items: center;">  <div style="flex: 1;"> <p><b>Prof. Dickson Andala is a member of the Board by virtue of being the Chief Executive Officer National Research Fund (NRF).</b></p> <p><b>DoB: 02<sup>nd</sup> April 1979</b></p> <p>He has PhD in Materials Chemistry from Binghamton University and Postdoctoral Fellowship Pennsylvania State University, USA. He is Lead Expert with NEMA; DOSH and CBRN and a reviewer of several local and international journals.</p> <p>He has served in various senior leadership/management positions including an Associate Professor of Materials / Inorganic Chemistry, Multimedia University of Kenya; Director to the Kenya Nuclear Regulatory Authority (KNRA), African Materials Research Society (AMRS) boards, Executive Committee Member to Africa Crystallographic Association (AfCA); Chairman Chemistry Department, Multimedia University of Kenya. Membership to various Professional Associations including African Academies of Science (AAS), Kenya National Academy of Sciences (KNAS); Materials Research Society of Kenya, Kenya Chemical Society (KCS).</p> </div> </div>
7.	<p style="text-align: right;"><b>Dr. Tonny K. Omwansa, PhD – Member</b></p> <div style="display: flex; align-items: center;">  <div style="flex: 1;"> <p><b>Dr. Tonny K. Omwansa is a member of the Board by virtue of being the Chief Executive Officer of Kenya National Innovation Agency (KENIA).</b></p> <p><b>DoB: 01<sup>st</sup> September 1977</b></p> <p>He is the co-author of “Money, Real Quick: Kenya’s disruptive mobile money innovation”. He holds a PhD in Information Systems in which he researched on the adoption of mobile financial services at the base of the pyramid in Kenya.</p> <p>Besides consultancy in technology issues, he has conducted extensive research in mobile transactions in Africa and published various reports including use of airtime transfers, mobile banking, virtual currencies as well as regulation of mobile transactions. His research interests are in the design, adoption and impact of low-cost technologies in developing countries.</p> </div> </div>

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

	<p>His various research assignments have been commissioned by organizations like the GSMA, Bill and Melinda Gates foundation, Rockefeller Foundation and Economic Commission of Africa. He is a recipient of the prestigious Bellagio Fellowship from the Rockefeller Foundation where he worked on the book on mobile money, published in 2012.</p>
8.	<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">  </div> <div style="width: 65%;"> <p><b>Prof. Walter O. Oyawa, PhD - Director General/Chief Executive Officer</b></p> <p><b>DoB: 23<sup>rd</sup> August 1965</b></p> <p>Prof. Walter O. Oyawa, is currently the Director General of the National Commission for Science, Technology &amp; 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.</p> <p>In addition to his current position as Director General of NACOSTI, 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 &amp; 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.</p> </div> </div>






**9. Key Management Team**

No.	Management	Details
1.		<p><b>Prof. Walter O Oyawa, PhD - Director General/Chief Executive Officer</b></p> <p>Prof. Walter Oyawa is the Director General of the National Commission for Science, Technology &amp; 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.</p>
2.		<p><b>CPA Gideon K. Kirui – Deputy Director, Finance</b></p> <p>CPA Kirui is the head of the Finance Department. He holds a Master of Business Administration degree, a Bachelor of Commerce Degree (Accounting) and is a member of the Institute Certified Public Accountant of Kenya (ICPAK) and the Institute of Certified Secretaries.</p>
3.		<p><b>Mr. Geoffrey P. Kalerwa -- Deputy Director Licensing, Monitoring and Evaluation</b></p> <p>Mr. G.P. Kalerwa is the Deputy Director Licensing, Monitoring and Evaluation at the National Commission for Science, Technology and Innovation of Kenya. He holds an EMBA (Strategic Management, MSc in Natural Products Chemistry, BSc. (Chemistry, Mathematics). He is a Member of Kenya Chemical Society (KCS) and Kenya Institute of Management (KIM).</p>
4.		<p><b>Dr. David Njubi, PhD – Ag. Director Advisory, Standards and Licensing</b></p> <p>Dr. Njubi leads the Directorate of Scheduled Sciences at the Commission. He holds a PhD in Animal Genetics, MSc in Animal Production, MSc in Information Systems, and a BSc in Agriculture.</p>

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
for the year ended 30 June, 2023

5.		<p><b>Ms. Yasmin Hussein - Deputy Director, Supply Chain Management</b></p> <p>Ms. Hussein is the head of Supply Chain Department at the Commission. She holds a MSc in Procurement and Logistics and a Bachelor of Commerce Degree with specialization in Operations Management. She is a member of the Kenya Institute of Supplies Management (KISM) and a Professional Member of the Chartered Institute of Purchasing and Supplies (CIPS)</p>
6.		<p><b>Dr. David Ngigi - Ag. Deputy Director, Registration and Accreditation.</b></p> <p>Dr. David Ngigi is the Ag. Deputy Director, Registration and Accreditation. He holds a PhD in Entomology, M.Sc in Agricultural Entomology and B.Sc in Zoology. He is a member of Bioethics Society of Kenya.</p>
7.		<p><b>CPA Timothy Mutinda – Internal Auditor</b></p> <p>CPA Timothy N. Mutinda is the Internal Auditor at the Commission. He holds a Bachelor of Commerce degree from Kenyatta University, A Post-Graduate Diploma in Tax Administration from JKUAT and is Certified Internal Audit Quality Assessor. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors - (IIA - Kenya Chapter).</p>
8.		<p><b>Mr. Abdallah Bii</b></p> <p>Mr Bii is the Manager, Legal Services/ Corporation Secretary at the Commission. He holds a Bachelor of Social Legislation degree from Marathwada University, Bachelor of Laws from Babasaheb Ambedkar University and Diploma in Law from Kenya School. He also holds a Postgraduate Diploma in International Studies from the University of Nairobi. He is also a member of Law Society of Kenya (LSK) and the Institute of Certified Secretaries (ICS).</p>
9.		<p><b>CHRP Jennifer Murgor CHRP</b></p> <p>CHRP Murgor is the head of the Human Resource Management Department. She holds a Master of Business Administration degree, a Bachelor of Arts Degree and is a member of the Institute Human Resource Management (IHRM).</p>

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

10.		<p><b>Mr. Cyrus Kamau</b>  Mr. Cyrus is the Deputy Director, Physical, Industrial, Computing and Engineering.  Mr. Cyrus is a graduate in BSc. computer science major and MSc. Information systems (IS). Fellow, Computer Society of Kenya (FCSK), member of the Association of Computing Practitioners, Kenya (M-ACPK), Institute of Electrical and Electronics Engineers (MIEEE), and Association of Computing Machinery (MACM).</p>
11.		<p><b>Ms. Margaret Muthee - Deputy Director Humanities and Social Sciences.</b>  Ms. Muthee holds a Bachelor of Arts in Anthropology and a Master of Arts in Development Studies. She has undertaken various specialized courses in senior management, results-based monitoring and evaluation, corporate governance, finance for non-finance managers, human rights and science and innovation diplomacy.</p>
12.		<p><b>Mr. Muhanji Ambani - Senior Administration Officer</b>  Mr. Ambani heads the Administration division. He holds a master's degree in public administration, as well as a Bachelor of Arts Degree and a Post Graduate Diploma in Education.</p>
13.		<p><b>Dr. David Otuoma - Deputy Director, Physical, Industrial, Computing and Engineering.</b>  Dr. Otuoma holds a BSc in Physics, MSc in Nuclear Science, and a PhD in Radiation Physics. He is a founding and past Chairman of Eastern Africa Association for Radiation Protection. He also chairs the Kenya Bureau of Standards Technical Committee on Radiometry, Dosimetry and Non-Destructive Testing.</p>
14.		<p><b>Dr. Benson M. Kinyagia. - Ag. Deputy Director, Biological and Health Sciences.</b>  He holds a PhD in Pesticide Science and Safety, A Master of Science in Botany (Plant Pathology) and Bachelor of Education (Botany and Zoology). He is a Lead-Expert at NEMA and a member of Environmental Institute of Kenya (EIK).</p>

## **10. Chairman's Statement**

The National Commission for Science, Technology and Innovation (NACOSTI) is mandated to steer scientific advancement and technological development in the Country through its mandate of regulating and assuring quality in STI and to advising the Government on the same. In the year ended 30<sup>th</sup> June 2023, the Commission has continued with implementation of its second Strategic Plan covering the period 2018 – 2023. In this Strategic Plan Period, the Commission's mission is "To facilitate quality in the research, science, technology and innovation sector through regulation, promotion and provision of advisory services" and its vision is "A knowledge-based economy". To support the realization of the mission, four Key Result Areas (KRAs) were identified as Regulation of Research; Knowledge Sharing and Utilization; Advisory Services and Planning for Research, Science and Technology; and Institutional Capacity.

Research, Science, Technology and Innovation (RSTI) are key to unlocking Kenya's development potential. This has been espoused in several government policy documents including Vision 2030 and its Medium-Term Plans. In the period under review, the Commission has been a key player in the development of the Medium-Term Plan IV (MTP IV) for the period 2023-2027 and aligning of the Ministry of Education programs to the Government's Bottom-Up Economic Transformation Agenda. These Government policy documents formed the basis of the Commission's programs and annual workplans.

To facilitate regulation of research, the Commission has reviewed request for registration of research institutions and recommended those that meet the set requirement to the Cabinet Secretary for registration. Six (6) research institutions were recommended for registration in the Financial Year 2022/2023. Additionally, the Commission licenses all research projects on the Country and a total of 8,187 research licenses were issued during the Financial Year. Periodic monitoring and evaluation is undertaken by the Commission on the programs of the registered research institutions and on execution of the licenced research projects.

Towards knowledge sharing and utilization of research outputs, the Commission during the Financial Year held various conferences, workshops and other fora. These were aimed at bringing together players in the sector to engage and share lessons on on-going research projects and outputs of research. They also served as a source of information utilized by the Commission to develop advisories to the Government and other stakeholders on matters of STI.

During the Financial Year, the Commission received approval for revised Human Resource Instruments from the State Corporations Advisory Committee (SCAC). These four instruments, the Human Resource Policies and Procedures Manual; the Career Progression Guidelines; The Organizational Grading and Structure; and the Staff Establishment will guide the human resource operations in the Commission. The Board is committed to enhancing the welfare of staff and ensuring they are fully equipped to professionally discharged their duties.

The current members of the Board of NACOSTI were appointed in October 2021 and have steered the Commission's operations since then. The Board is however working with the Parent Ministry to have a substantive chairperson and a representative of the Kenya Private Sector Alliance appointed in order to have to full contingent of Board members in place.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

---

The Commission faces financial constraints in meeting the costs of its operations as the Government support for its recurrent activities falls short of required funding hence limiting the Commissions ability to effectively undertake its mandate. The Commission has leased out part of the office block in an effort to increase its internally generated income and revamped its resources mobilization efforts through reaching out to more funding partners to support some of the collaborative programs.

The Commission acknowledges the immense support it receives from the Parent Ministry, the Ministry of Education, and the Government as a whole through financing of its programs and guidance as well as policy support in the execution of its mandate.

Signed *for* Chairman

By: Raphael M. Munava Sign R. Mutine Munava

## 11. Report of the Chief Executive Officer

The National Commission for Science, Technology and Innovation (NACOSTI) is established through the Science, Technology and Innovation (STI) Act of 2013 (Rev. 2014) to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters, related thereto. This key mandate is realized through seventeen (17) functions as stipulated in Section 6(1) of the Act, which may be grouped into four categories, viz, Regulation/Quality Assurance, Advisory Services, Coordination, and Promotion. The programs undertaken in the Year ended 30 June 2023 were therefore geared towards enabling the Commission deliver on this mandate and undertake the stated functions.

The execution of the Commission's programs over the last five years has been guided by its Strategic Plan for the period 2018 to 2023. This Strategic Plan focused on four (4) Key Results Areas (KRA) each backed by specific strategic objectives. These Key result Areas and strategic objectives are as follows:

- a) KRA 1: Regulation of Research
  - 1) To ensure relevance and quality of research
  - 2) To enhance co-ordination and co-operation of research and development
- b) KRA 2: Advisory Services for Research, Science and Technology
  - 1) To advise on research, science and technology programmes
  - 2) To mainstream research, science and technology into planning processes
- c) KRA 3: Knowledge Management
  - 1) To facilitate acquisition and sharing of knowledge on research, science and technology
  - 2) To facilitate utilization of knowledge on research, science and technology
- d) KRA 4: Institutional Capacity
  - 1) To Strengthen Institutional Capacity
  - 2) To improve mobilization and prudent utilization of resources

The programs and workplans undertaken during the Financial Year 2022/2023 were therefore based on the activities aimed at realising these strategic objectives. The Commission also commenced the development of the Strategic Plan for the next five-year period which is scheduled to commence on the next Financial Year.

The role of Research, Science, Technology and Innovation (RSTI) in the country's socio-economic development has been acknowledge in the Country's development blueprints including Vision 2023, the various Medium-Term Plans (MTPs) and the Government Bottom-Up Economic Transformation Agenda. The Commission has taken a lead in facilitating adoption of STI as part of day-to-day operations of Government Ministries, Departments and Agencies (MDAs). This is through being the lead agency in the implementation of the STI Mainstreaming indicator in the Performance Contracting framework. Towards this end, the Commission during the Financial Year held several capacity building sessions with the MDAs and facilitated their signing of commitments to implement and report on the targets under this indicator.

As we strive towards knowledge-based economy, RSTI plays a role in guiding policy and facilitating adoption of best practices in various sectors. To enable RSTI players share knowledge and experiences, the Commission during the year organized various conferences, workshops and symposia. These brought together scholars, researchers, policy makers and students with each group

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

---

of participants providing valuable insights and gaining valuable lessons which enriched the use of science in socio-economic development.

The Commission continues to be Kenya's focal point institution in several of the Country's international commitments touching on STI. Through this unique position, the Commission has built linkages amongst the scientific community locally and internationally. Amongst programs and projects in which NACOSTI represents the Country are the Comprehensive Test Ban Treaty Organization (CTBTO) Project; the AFRA project of the International Atomic Energy Agency; the International Centre for Genetic Engineering and Biotechnology; and the Biological Toxins Weapons Convention. These linkages have enabled the Commission lobby for capacity building of the country's research system through training of researchers and provision of research equipment.

The Commission commenced implementation of the revised Human Resource Instruments which were approved by the State Corporations Advisory Committee (SCAC) during the Financial Year. Notable changes in the new instruments are the new Organizational Structure and the setting of the total approved establishment at ninety-eight (98) staff members. The implementation of the new instruments will continue in the next Financial Year and is projected to alleviate constraint experience in the limited staff numbers.

The Commission's management is grateful to the Ministry of Education, in particular the State Department for Higher Education and Research, and the Board of NACOSTI for the continued support for the implementation of NACOSTI Programmes. The management also recognizes the effort of all NACOSTI staff who have shown dedication and commitment to duty throughout the Financial Year.



Prof. Walter O. Oyawa, PhD.  
**Director General/CEO**

**12. Statement of Performance against Predetermined Objectives for FY 2022/2023**

NACOSTI has four (4) Key Results Areas (KRA). During the FY 2022/2023, the Commission continued with the programs as set out in its Strategic Plan which covers the period from 2018 to 2023. This Strategic Plan focused the four (4) KRAs each backed by specific strategic objectives. These Key result Areas and strategic objectives are as follows:

- e) KRA 1: Regulation of Research
  - 1) To ensure relevance and quality of research
  - 2) To enhance co-ordination and co-operation of research and development
- f) KRA 2: Advisory Services for Research, Science and Technology
  - 1) To advise on research, science and technology programmes
  - 2) To mainstream research, science and technology into planning processes
- g) KRA 3: Knowledge Management
  - 1) To facilitate acquisition and sharing of knowledge on research, science and technology
  - 2) To facilitate utilization of knowledge on research, science and technology
- h) KRA 4: Institutional Capacity
  - 1) To Strengthen Institutional Capacity
  - 2) To improve mobilization and prudent utilization of resources

The Commission develops its annual work plans and the annual performance contract targets based on the above 4 Key Results Areas and Strategic Objectives. Assessment of the Commission's performance against its annual work plan and performance contract targets during the Financial Year 2022-2023 is summarized in the table below:

Key Result Area No 1:	Regulation of Research			
	Strategic Objectives	Strategy	KPI	Activities
To ensure relevance and quality of research	Strengthen policy and regulatory framework	No. of standards & Guidelines	Review existing policy and regulatory framework and Develop Standards and Guidelines	Engaged stakeholders on the need for guidelines for registration, licensing and regulation of researchers in Kenya. Draft guidelines developed and disseminated through the Commission's website.
	Enhance compliance with regulatory requirements	Number of public events participated in	Sensitize the public	Continuously sensitized researchers, students, research institutions, universities, other Government MDA's and the general public on the provisions of the STI Act as relates to regulation of Research, Science, Technology and Innovation. Sensitization done through conferences, workshops, meetings, website and the NACOSTI Bulletin.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

		No. of licensed projects	License research projects	A total of 8,187 research licenses were granted in the FY 2022/2023
		Report: No. of institutions registered	Register research institutions	Seven (7) institutions were visited for verification purposes and six (6) institutions recommended to the Cabinet Secretary for registration as research institutions.
	Strengthen Monitoring and evaluation of research programs and projects	No. of Research institutions monitored	Carry out inspection, Monitoring and Evaluation of Research Institutions	Three registered research institutions ( Institute of Primate Research, British Institute of Eastern Africa and African Population for Health Research Center) were inspected, monitored and evaluated. The Commission carried out Monitoring and evaluation of 12 licensed projects. Monitoring & evaluation of the JKUAT Research Chair programme on Innovation in Manufacturing progress was carried out.
		No. of accredited institutions	Accredit institutional ethics review committees	Tharaka University, Pan Africa University, PCEA Chogoria Hospital submitted all the requisite documents, they were visited for assessment on 13th December 2022, 15th December 2022 and 23rd March 2023. Tangaza University, Adventist University of Africa and Meru University of Science and Technology ISERCs were accredited on 1st May 2023.
		No. of Committees	National Scientific and Ethics Review Committee (NSERC)	Held quarterly meetings of the National Scientific and Ethics Review Committee.
<b>To enhance co-ordination and co-operation of research and development</b>	Strengthen collaboration and partnership in research, science and technology	No. of Policy briefs	Advise on establishment of collaborations in RST	Carried out assessment of requests from potential partners for collaboration and prepared a report to guide on the MoUs the Commission could enter into
		No. of collaborations established	Establish new collaborations and partnerships	Developed MoUs with NACADA, KNAS and TUBITAK

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

	Implementation of international commitments in science and technology	No. of commitments reviewed	Review existing international commitments	Prepared a report on the State and impacts of Partnerships, collaborations and international treaties. Amongst the partners and treaties dealt with are BWC, ICGEB, AFRA/IAEA, CTBTO, PerMed, STReK, Pfizer and EASTECO
		No. of programmes	Coordinate international programmes	Coordinated activities of international partners where NACOSTI is the focal point on behalf of the Government of Kenya and also where there is direct agreements with the Commission. Amongst the partners and treaties dealt with are BWC, ICGEB, AFRA/IAEA, CTBTO, PerMed, STReK, Pfizer and EASTECO
<b>Key Result Area No 2:</b>		<b>Advisory Services for Research, Science and Technology</b>		
<b>Strategic Objectives</b>		<b>KPI</b>	<b>Strategic Objectives</b>	<b>KPI</b>
<b>To advise on research, science and technology programmes</b>	Advise on implementation of research, science and technology programmes	No. of advisories	Commission studies on specific areas and issue advisories	3 policy briefs developed in consultation with HLAB STI Roadmap, Advisory to the Parliamentary Committee & Livestock on lifting ban on importation of genetically modified food, Strengthening Research Ethics Review & Oversight in E.A & Promoting Synthetic Biology Research and Product development for vibrant Bioeconomy in Kenya
		Reports	Engage stakeholders for research priority setting	Review and baseline Studies on the state and progress of scientific research systems in the Country was undertaken and a report prepared.
<b>To mainstream research, science and technology into planning processes</b>	Linking research, science and technology to development agenda	Report	Linking research, science and technology to development agenda	Data from the STI mainstreaming indicators for 2022/2023 FY will be analysed and a report prepared for the status of STI in the country (This will form the baseline) in 2023/2024 FY
		Report	Monitor implementation	Monitoring is undertaken through Quarterly reports submitted by the MDAs to show progress in

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

				implementation of the STI Mainstreaming indicators
<b>Key Result Area No 3:</b>		<b>Knowledge Management</b>		
<b>Strategic Objectives</b>		<b>KPI</b>	<b>Strategic Objectives</b>	<b>KPI</b>
<b>To facilitate acquisition and sharing of knowledge on research, science and technology</b>		Engagement Framework	Develop a county engagement framework	Collaborated with the Council of Governors in participating on County fora and engagement of some County Government on STI programs
		No. of fora	Share information on the existing research, equipment and expertise and also disseminate research and technology outputs	Organized Regional Workshop on Strengthening Advanced Biotechnologies in Agricultural Research in East & Central Africa through Regional Research Centres in partnership with ICGEB and the second Multi-Sectoral Conference on Science, Technology and Innovation (MS-COSTI2)
<b>To facilitate utilization of knowledge on research, science and technology</b>		Policy document, Report	Develop and Implement Knowledge Management System	Developed and operationalized the library information management systems for hosting and sharing final research reports/theses
		Policy Brief	Develop institutional framework for management of IP and advice on Intellectual Property Management	University of Eldoret, Jaramogi Oginga Odinga University of Science & Technology and Nyeri National Polytechnic were evaluated on the level of implementation of their policies. Three MDAs namely: - National Industrial Training Authority, Anti Counterfeit Authority, and University Fund were guided in developing Intellectual Property Management Framework/Policy. A report was prepared on the level of implementation of institutional intellectual property management policies.
<b>Key Result Area No 4:</b>		<b>Institutional Capacity</b>		
<b>Strategic Objectives</b>		<b>KPI</b>	<b>Strategic Objectives</b>	<b>KPI</b>
<b>To strengthen the institutional capacity</b>	Enhance corporate image		Implement branding and publicity strategy	Carried out publicity activities through corporate branding in conferences, workshops and production of NACOSTI Bulletin to publicize Commission's activities

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

	Enhance human capital capacity		Implement development plans	Reviewed human resource instruments and implemented staff training and development programs
	Enhance infrastructural capacity		Update and maintain capacity of Commission's infrastructure	Implemented infrastructure repair and maintenance plans
	Enhance internal processes and controls		Develop and implement risk management policy and strategy. Maintain quality management system	Developed and implemented risk management policy and strategy.
	Leverage ICT for business processes		Improve and maintain ICT infrastructure	Utilized ICT in business processes including having in place Research Information Management System (RIMS) and Enterprise Resource Planning (ERP) system
<b>To improve mobilization and prudent utilization of resources</b>	Strengthen resource mobilization		Meeting of Performance Contract target on Financial Stewardship	Met the target on 100% utilization of allocated funds and raising of target internally generated funds
	Ensure prudent utilization of resources		Utilization of funds as per workplan and procurement plan	Utilized allocated funds as per workplan and procurement plan

### **13. Corporate Governance Statement**

The objectives of NACOSTI are stipulated in the Science Technology and Innovation Act, 2013. The Mission of the Commission is to improve the quality of life of Kenyans by integrating science and technology in social and economic developments. It regulates, assures quality, promotes, coordinates and advises the government on matters science, technology, innovation and research. To fulfil its mandate, the Chairperson and members of the board assume the ultimate responsibility to ensure that the Commission is accountable to the public, that the Commission follows relevant rules and regulations and meets the highest standards of corporate governance. The Management exercises due care in ensuring that the Commission's affairs are carried out in the best interest of the Government and the Public.

#### **Commission Structure and Composition**

The Commission is governed by a Board of nine (9) members with the Chief Executive Officer as its Secretary. The Chairperson and three independent members of the Board of the National Commission for Science, Technology and Innovation are appointed by the Cabinet Secretary, Ministry of Education upon recommendation by a selection panel. In addition, a representative of the Cabinet Secretary, the National Treasury; the Principal Secretary, Ministry of Education, State Department for University Education and Research; a representative of KEPSA; the Chief Executive Officer, National Research Fund; and the Chief Executive Officer, Kenya National Innovation Agency (KENIA) are also members of the Board. The members of the board and the management poses a range of requisite qualifications and experience to manage the Commission and work in provision of Chapter 6 of the Constitution.

The Board that was in charge during the FY 2022/2023 period was the third Board of the Commission which was appointed on 8<sup>th</sup> October 2021 vide Gazette notice Number 208. The Commission is however waiting for appointment of the Chairperson of the Board and a representative of KEPSA.

#### **Board charter**

There is a board charter that provides guidelines to the board in exercising its mandate. The charter was adopted by the Commission in accordance with Mwongozo code of governance for state corporations and is complimentary to the requirements regarding the board and the board members contained in applicable Kenyan laws and regulations. The charter is available to board members.

### **Appointment and removal of Directors**

The process of appointment and removal of Directors of the Commission is done as stipulated in the STI Act, 2013

### **Board Trainings**

Board trainings were conducted in the FY 2022/2023. Six (6) trainings were conducted as follows:

- i) LSK annual conf. from 6-10th July 2022 for Ms. Rachel Shibalira
- ii) AFRA-Regional workshop for women in Nuclear Africa from 22-28 July 2022
- iii) ICPAK- Conference for Dr. Tony Omwansa - 1<sup>st</sup> – 5<sup>th</sup> August 2022
- iv) Board Members induction workshop at Lake Naivasha resort 12-22/4/2023
- v) IIA-New board & Audit committee workshop-Prof. Andala, Muregi & Mr. Indeje
- vi) LSK-Africa Power Summit training for Ms. Rachel Shibalira

Roles and Responsibilities of the members of the Board include but not limited to the following:

- i) Formulating and approval of Commissions Vision, Mission and Core Values, strategy and work plans.
- ii) Approval of the annual budget and financial statements.
- iii) Approval of operational policies and manuals

The Chairperson is responsible for the overall Commission's leadership and effectiveness; ensures that key tasks of the Commission are properly understood by the members and the secretariate; and assumes overall responsibility for all the Commissions decisions, severally with other members.

The Director General of the Commission doubles as the Secretary to the Board and the head of the Commission's secretariate. He is responsible for the overall leadership and day-to-day management of the Commission's operations; efficient and effective management of the Secretariat; performance management, operational controls, ethical conduct and good corporate governance.

### **Board remuneration**

The Board and its committees meet regularly in accordance with quarterly schedules. Board members are paid sitting allowance as prescribed in payment regulations to board members. Each member is paid sitting allowance for meetings attended on behalf of the Commission. In addition, the duly appointed chair of the board is also entitled to a monthly Honoraria.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

---

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

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

**The functions of these committees are as follows:**

- a) Finance and General-Purpose Committee.
  - i) Reviewing the Commission’s Budget, capital expenditure, investment strategies and procurement plans.
  - ii) Reviewing and recommending for approval the operating financial results of the Commission.
  - iii) Reviewing and recommending to the Board appropriate Human resources plans, policies, career guidelines and organization structure and their implementation mechanisms.
  - iv) Ensuring the Commission conducts its affairs in compliance with applicable laws and regulations.
- b) Technical Committee
  - i) Overseeing and reviewing the technical programs of the Commission
  - ii) Setting and reviewing the performance targets of the Commission
- c) Audit, Risk Management & Compliance Committee
  - i) Reviewing the Commission’s risk management strategies
  - ii) Assisting in enhancing internal controls to improve efficiency, transparency, and accountability.
  - iii) Reviewing audit issues raised by internal and external auditors.

**Membership of Board Committees**

<b>No.</b>	<b>Finance and General-Purpose Committee</b>	<b>Technical Committee</b>	<b>Audit, Risk Management &amp; Compliance Committee</b>
1.	Prof. Raphael Munavu - <b>Chair</b>	Ms. Rachel Shibalira - <b>Chair</b>	Prof. Francis Muregi - <b>Chair</b>
2.	Dr. Gideon Kivengea	Dr. Gideon Kivengea	Mr. Wanyama Indeje
3.	Mr. Wanyama Indeje	Dr. Tonny Omwansa	Prof. Dickson Andala
4.	Prof. Walter O. Oyawa, PhD	Prof. Walter O. Oyawa, PhD	CPA Timothy Mutinda Ngwaa

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

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

<b>Nature of Meeting</b>	<b>Full Board</b>	<b>Finance and General-Purpose Committee</b>	<b>Technical Committee</b>	<b>Audit, Risk Management &amp; Compliance Committee</b>
<b>Scheduled Meetings</b>	4	5	3	3
<b>Special Meetings</b>	0	0	0	0
<b>Total</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>3</b>

During the year, the Commission held a total of Fifteen (15) meetings comprising of eight (4) Full board, Five (5) Finance and General Purpose, Three (3) Technical Committee and Three (3) Audit, Risk Management & Compliance.

Below table indicates the number and type of meeting attended by each board member for the year ended 2022/23.

<b>S/NO</b>	<b>Name</b>	<b>Full Board</b>	<b>F&amp;GP Committee</b>	<b>Technical Committee</b>	<b>Audit &amp; Risk Management Committee</b>	<b>Special meetings of the board</b>
1.	Prof. Raphael Munavu	4	5	0	0	0
2.	Dr. Gideon Kivengea	4	5	3	0	0
3.	Mr. Wanyama Indeje	3	5	0	3	0
4.	Ms. Rachel Shibalira	4	0	3	0	0
5.	Dr. Tonny Omwansa	4	0	3	0	0
6.	Prof. Francis Muregi	4	0	0	3	0
7.	Prof. Dickson Andala	4	0	0	3	0
8.	Prof. Walter Oyawa (DG/CEO)	4	5	3	0	0

**Statement of Compliance and conflict of interest**

To the best of the Commissions and the managements knowledge, no person, employee, or agent acting on behalf of the Commission, with the knowledge or authority of the Commission or management, committed any offence under the Prevention of Corruption Act or indulged in any unethical behaviour in the conduct of the Commission's business, or been involved in money laundering, or any practice or activity contrary to national laws or international interventions.

### **Code of Conduct**

Each member of the Board derives his/her authority and position from a legitimate nomination procedure. However, on becoming a member, he/she becomes bound by the overriding fiduciary duty to act in good faith in pursuit of the best interest of the Commission as a whole. In the discharge of their duties, members operate within the collective framework of a collective Board as guided by Mwongozo Code of Governance for State Corporations.

### **Risk Management**

The members of the Board and the management of the Commission are committed to a process of enterprise risk management that guides in the identification of strategic and operational risks through a structured, systematic, proactive, and integrated process. This is done through a risk management framework, which enables management to focus in a comprehensive and holistic manner on all risks faced by the Commission. A risk management policy established by the Commission is one of the important steps in ensuring that the management identifies and manages all risks, and further that the members of the Board provide an oversight, as well as policy direction in managing risks.

### **Risk management structure and roles**

The risk management structure of the Commission comprises of the audit Committee, the management team, and a risk committee at the secretariate level comprising of representatives from each department. The audit Committee's mandate is to monitor implementation of risk management framework established by the Commission. It also ensures that risk management system implemented by management meets the requirements set out in the policy. The commission has an independent Internal Audit and risk department whose function is to provide independent assurance to the Commission and management through structured audits, reviews, testing and other techniques, carrying out risk-based audits, reporting on effectiveness and efficiency of risk management process as well as reporting on the Commission's compliance with the risk policy. Continuous risk assurance audits were conducted during the year to review the Commissions risk status.

## 14. Management Discussion and Analysis

### Operational and Financial Performance

#### i) Budget Performance

The main source of funding for the Commission's activities is GoK budgetary allocation. The Commission also generates funds internally and has collaborative research projects for which it works with collaborative research partners. The Commission had an approved budget of Ksh. 323,341,804.00 vis-a-vis Ksh. 315,923,742 in the previous financial year. The approved budget comprised of Kshs. 207,841,804.00 from GoK grants, Kshs. 85,000,000.00 from A-i-A and Ksh. 30,500,000.00 from collaborative research grants.

#### Analysis of Budget against Actual performance Comparison

NO	Details	Annual Budget Amount	Actual Realised	Variance	% Variance
		Kshs.	Kshs.	Kshs.	Kshs.
1	GoK Recurrent Grants	207,841,804.00	207,841,804.00	-	0%
2	Research Permits	50,000,000.00	49,939,164.00	60,836.00	0%
3	Rental Income	30,132,000.00	33,874,055.20	-3,742,055.20	12%
4	Collaborative Research Grants	30,500,000.00	20,503,857.80	9,996,142.20	-33%
5	Other Incomes	4,868,000.00	11,101,012.16	-6,233,012.16	128%
	<b>TOTAL</b>	<b>323,341,804.00</b>	<b>323,259,893.16</b>	<b>81,910.84</b>	

#### ii) Revenue

Exchequer receipts from National Treasury and Comparison with the previous financial years

#### Exchequer Transfers

Description	2022-2023	2021-2022	2020-2021	2020	2019
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
GoK Recurrent Grants	207,841,804	202,841,804	172,841,804	225,381,804	230,363,518
Other Government Grants	-	-	-	-	-
<b>Total</b>	<b>207,841,804</b>	<b>202,841,804</b>	<b>172,841,804</b>	<b>225,381,804</b>	<b>230,363,518</b>

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

Internally Generated Revenue and Collaborative Project Grants During the Last 5 FYs

Description	2022-2023	2021-2022	2020-2021	2020	2019
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Research Permit Fees</b>	49,939,164	40,905,876	26,189,106	23,376,099	31,950,790
<b>Collaborative Research Projects</b>	20,503,858	38,949,938	30,809,070	18,400,201	51,821,176
<b>Rental Income</b>	33,874,055	30,132,155	19,376,250	-	-
<b>Other Incomes</b>	11,101,012	11,011,641	2,244,723	4,168,487	10,850,816
<b>Total A-i-A</b>	<b>115,418,089</b>	<b>120,999,611</b>	<b>78,619,149</b>	<b>45,944,787</b>	<b>94,622,782</b>

**Expenditure**

The Commission incurred a total of Ksh. 320,189,455 in expenditure and provisions in the year under review vis-a-vis Ksh. 304,196,205 in the previous FY 2021/2022. Out of the total expenditure, Ksh. 123,287,232 was used towards compensation to employees, Ksh. 11,198,618 was spent towards Board of the Commission expenses with the rest being used towards payments of goods and services. Collaborative research projects are utilized depending on approval by the project financier.

Expenditure incurred and comparison with the previous five (5) financial years.

Expenses	Note	2023	2022	2021	2020	2019
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Employee Costs	11	123,287,232	125,114,661	138,506,238	149,496,582	123,006,309
Depreciation and Amortization Expense	12	15,488,945	6,823,283	8,474,027	9,802,390	9,113,764
Repairs and Maintenance	13	10,138,568	8,438,560	4,911,980	3,329,917	5,657,139
Contracted Professional Services	14	6,810,184	6,074,299	5,849,257	5,525,970	9,078,484
Collaborative Projects Cost	15	32,360,787	46,554,610	27,385,768	27,643,785	49,423,310
Use of Goods and Services	16	119,004,485	99,670,821	68,609,773	90,300,272	124,826,271
Board Expenses	17	11,198,618	9,756,624	4,434,889	9,849,738	8,212,245
Bank Charges	18	900,636	763,347	565,058	537,956	634,571
Audit Fees	19	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total Expenses</b>		<b>320,189,455</b>	<b>304,196,205</b>	<b>259,736,989</b>	<b>297,486,611</b>	<b>330,952,092</b>

**Key Projects and investments decisions being implemented/planned.**

At the close of the FY 2022/2023, the installation of one office lift was being concluded. The lift has been commissioned and is in use by the time of this report. Additionally, the Commission concluded the installation of Enterprise Resource Planning (ERP) System.

**Major Risks facing the Commission.**

The Commission in its strategic plan 2018-2022 identified and analysed various risks. The Commission further adopted various mitigation measures against the identified risks. In the FY 2022/2023, the Commission continued to implement mitigation measures against the identified and emerging risks. However, Human Capital remains a major challenge as the staff level of the Commission continues to diminish with more staff members proceeding for retirement in the year under review. The Commission however obtained approval to replace and recruit a total of 35 staff members. The process of recruitment and replacements are ongoing.

**The major risks identified are as follows:**

S/No	Nature of Risk	Risk Description	Risk Rating	Mitigation Measure
1	Human Capital	Inadequate human resource to undertake the Commission's function	Medium	Recruit more staff to meet the demand for services. Recruitment process ongoing.
2	Technological Risks	Inadequate resources to handle modern information communication platforms	Medium	Purchase of equipment and training of personnel. The Commission has trained staff in the two implemented systems and has done refresher trainings for the same during the year
		Cyber Security Concerns	Low	Regular trainings on technological changes. Monitoring and implementation of latest technologies and enhancement in knowledge in cyber security i.e introduction of a Two-Factor Authentication (2FA) for all email accounts of the Commission

**National Commission for Science, Technology and Innovation**  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

3	Legal and Policy Risks	Change of government policies and priorities	Medium	Aoapt to the new policies
				Lobby for favourable policies
4	Financial Risk	Inadequate funding to support Commission's programs. This includes Inadequate GoK Grants	Medium	Resource mobilization. The Commission has developed resource mobilization policy and sensitized selected staff on resource mobilization.u There has also been continuous engagement with National Treasury for optimal funding of the Commissions activities
		Late disbursements	Medium	Diversify sources of funds Lobby for timely disbursement of funds

**Material Arrears in Statutory/financial Obligations**

The Commission has been constructing its headquarters building as the key development project. The building was handed over to the Commission by the contractor in March 2017 and the Commission moved into the offices in June 2017. There were however pending payments due to the Contractor which had arisen due to budget limitations. The Commission has made efforts to settle pending bills based on availability of funds. As at the end of the Financial Year, the amount outstanding are claims by the main contractor and some subcontractors. The amount claimed by the contractors is however at variance with the workings of the Project Supervisors, State Department for Public Works. Whereas the Project Supervisors indicate the claims total Kshs. 154.961million, the main contractor is claiming Kshs. 362 million, which continues to accrue interest on delayed payments. The main contractor declared a dispute on these claims and filed for arbitration of the dispute. The contractor later escalated the same dispute to the High Court. The Commission is awaiting the outcome of the case filed by the Contractor.

**Review of Performance and Contribution to Research, Science and Technology Sector**

The Commission's mandate as per the Science, Technology and Innovation (STI) Act of 2013 is to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters, related thereto. This mandate is realized through seventeen (17) functions as stipulated in Section 6(1) of the Act, which may be grouped into four categories, viz,

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

Regulation/Quality Assurance, Advisory Services, Coordination, and Promotion. In the Year ended 30 June 2023, the Commission developed workplans and programs geared towards enabling the Commission deliver on this mandate and undertake the stated functions. Activities undertaken during the Financial Year towards the Commission’s core mandate are discussed below.

**a) Ensuring relevance and quality of research.**

During the Financial Year, the Commission worked on strengthen policy and regulatory framework in the RSTI activities in the Country. This went hand-in-hand with enhancing compliance with regulatory requirements. Towards this end, the Commission engaged stakeholders on the need for guidelines for registration, licensing and regulation of researchers in Kenya. The Commission also continuously sensitized researchers, students, research institutions, universities, other Government MDA’s and the general public on the provisions of the STI Act as relates to regulation of Research, Science, Technology and Innovation. This sensitization was done through conferences, workshops, meetings, website and the NACOSTI Bulletin. This was aimed at highlighting the provisions of the STI Act, 2013, which under 6(1)(f) obligates the Commission to approve all Scientific research in Kenya. As per STI (Research Licensing) Regulations, 2014, all scientific research activities shall be licensed by the Commission to ensure that no harm occurs to the natural, social and cultural environments of Kenya and human life.

The heightened awareness resulted in increase in the number of research license applied for and issued. A total of 8,187 research licenses were granted during the year ended 30th June 2023 which the regional spread and past trends as follows:

Nationally	Licenses granted			
	2019/2020	2020/2021	2021/2022	2022/2023
Kenyan/EAC Citizens	6155	4895	6532	7,700
African Non-EAC Citizens	53	75	97	125
Non-African Nationals	273	183	354	362
<b>TOTAL</b>	<b>6481</b>	<b>5153</b>	<b>6983</b>	<b>8,187</b>

The other way of ensuring relevance and quality of research is through registration and accreditation of research institute. This ensures that the Commission and the Government has a record of entities

that undertake research in the Country and is able to subject them to standards and guidelines. In FY 2022/2023, six (6) research institutes were recommended for grant of certificate of registration.

Section 23 of the STI Act, 2013 on monitoring and evaluation, requires the Commission to at least once in every three years, conduct an evaluation of each research institute established under the STI Act for purposes of assessing and evaluating the quality of activities and products of such an institution. Towards this end, three registered research institutions (Institute of Primate Research, British Institute of Eastern Africa and African Population for Health Research Center) were inspected, monitored and evaluated during the Financial Year 2022/2023. Additionally, the Commission carried out monitoring and evaluation of 12 licensed projects.

To enable the Commission reach a wider base of researchers, the task of reviewing research proposals for ethical clearance is delegated to accredited Institutional Scientific and Ethics Review Committee (ISERCs). At the beginning of the Financial Year 2022/2023, there were thirty-four (34) accredited ISERCs in the country. Due to increased research activities, various institutions apply for accreditation of ISERCs within their institutions to which the Commission responds by assessing for suitability and if found fit, accredited. During the Financial Year, Tangaza University, Adventist University of Africa and Meru University of Science and Technology ISERCs were accredited on 1st May 2023.

**b) Enhancing co-ordination and co-operation in research, science and technology**

Strategic international and local collaborations and linkages in research, science, technology and innovation, enhances shared benefits in the output of RSTI activities. The Commission therefore works towards enhancing collaboration and partnership in research, science and technology. In the Financial Year 2022/2023, the Commission established collaborative partnerships and entered into Memorandum of Understanding (MoUs) with National Authority for Campaign Against Drug Abuse (NACADA), Kenya National Academy of Sciences (KNAS) and Scientific and Technological Research Council of Turkey (TUBITAK).

The above new partnerships added into already existing collaborations and partnerships. Some of these emanate from international commitments and treaties where NACOSTI is the focal point on behalf of the Government of Kenya and also from direct agreements with the Commission. Amongst

the partners and treaties dealt with during the Financial Year are Biological Weapons Convention (BWC), International Centre for Genetic Engineering and Biotechnology (ICGEB), African Regional Cooperative Agreement for Research, Development and Training related to Nuclear Science and Technology (AFRA/IAEA), Comprehensive Test-Ban Treaty Organization (CTBTO) and East African Science and Technology Council (EASTECO). The Commission assessment of these collaborations and partnerships and prepared a report on the state and impacts of the partnerships, collaborations and international treaties.

**c) Advisories on research, science, technology and innovation**

The Commission continuously scans the RSTI environment for emerging trends and issues for which it should advise the Government, other policy makers and the general public on interventions and responses. During the Financial Year, the Commission developed three (3) policy briefs in consultation with leading scientists. These were and advisory to the Parliamentary Committee & Livestock on lifting ban on importation of genetically modified food; advisory on Strengthening Research Ethics Review & Oversight in East Africa; and advisory on Promoting Synthetic Biology Research and Product development for vibrant Bioeconomy in Kenya.

**d) Mainstreaming research, science and technology into planning processes**

In an effort to embed Science, Technology and Innovation (STI) in the public service, the Commission spearheaded the implementation of the indicator on STI Mainstreaming as part of the 19th Performance Contract Cycle in FY 2022/23. The overall objective was foster a culture of incorporating STI in the day-to-day activities of the participating MDAs. 265 MDAs committed to implementing and reporting on the activities under this indicator and the Commission supported through capacity building on the development of STI strategies and on data collection and reporting. Valuable data has been collected from the quarterly reports from these MDAs and this will provide input into the report on the status of STI in the country.

**e) Facilitate acquisition and sharing of knowledge on research, science and technology.**

As we strive towards knowledge-based economy, RSTI plays a role in guiding policy and facilitating adoption of best practices in various sectors. To enable RSTI players share knowledge and

experiences, the Commission during the year organized various conferences, workshops and symposia. Through collaboration with the Council of Governors in participating on County fora and engagement of some County Government on STI programs. The Commission also organized Regional Workshop on Strengthening Advanced Biotechnologies in Agricultural Research in East & Central Africa through Regional Research Centres in partnership with ICGEB and the second Multi-Sectoral Conference on Science, Technology and Innovation (MS- COSTI2). These knowledge sharing fora brought together scholars, researchers, policy makers and students with each group of participants providing valuable insights and gaining valuable lessons which enriched the use of science in socio-economic development.

Knowledge sharing is complemented by the by having in place and Intellectual Property Management framework that protects the rights of intellectual property owners while also allowing science to prosper. Towards this end, the Commission during the year evaluated the level of implementation of Intellectual Property Policies amongst public institutions who have these policies in place and guided them in areas where there were shortfalls. The Commission also sampled a number of institutions which did not have these policies and built their capacity in developing their institutional policies.

#### **Challenges affecting performance.**

i. Understaffing

NACOSTI in consultation with State Corporations Advisory Committee (SCAC), developed an organization structure to address its expanded mandate. The approved staff establishment is 98 but currently the Commission has only 46 are in post staff. The Commission however obtained approval for recruitment and replacement of 35 staff, the process of recruitment is ongoing.

ii. Budget Constraints

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

#### **15. Environmental and Sustainability Reporting**

The objective of the Commission is to regulate and assure quality in the Science, Technology and Innovation sector and advise the Government in matters related thereto. This is our purpose; the

driving force behind everything we do. We are guided by our core values; Integrity, Customer Focus, Professionalism, Teamwork and Leadership in the discharge of our mandate. This is what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence as outlined in our Service delivery charter. Below is an outline of the organisation's policies and activities that promote sustainability.

**i) *Sustainability Strategy and Profile***

The Commission is involved in partnerships and linkages with other stakeholders regarding Science, Technology and Innovation in Kenya towards sustainable development. The Commission maintains continuous engagements with stakeholders in the sector both locally and internationally.

Additionally, a risk management policy established by the Commission is one of the important steps in ensuring that the management identifies and manages all risks, and further that the members of the Board provide an oversight, as well as policy direction in managing risks that may affect sustainability of the Commission. The management has completed the development and installation of Enterprise Resource Planning (ERP) System and through partnership with Amband system developers, key processes relating to registration of research institutions and issuance of research licenses in the Research Management Information System (RIMS) has been automated as a mitigation to technological risks. The Commission has also established resource mobilization policy, established, and operationalized resource mobilization committee to mitigate towards financial risks facing the Commission. Risk management committee of the board as well as the internal audit department of the Commission are fundamental component of the Commissions sustainability strategy. The implementation of business continuity programmes is continuous and continued to be enhanced in FY 2022/2023 to ensure the Commissions sustainability.

**ii) *Environmental performance***

The Commission is guided by the National Environment Policy 2013, which aims to provide a framework for an integrated approach to sustainable management of Kenya's environment and natural resources. The Commission has undertaken and continues to undertake programmes to ensure that its environmental activities remain sustainable in the long run. This is demonstrated by the policies and practices relating to disposal of electronic waste, pooling of water dispenser

units, sharing of printer services, preference to soft copies of documents over hard copy documents, where applicable, just in time replenishment of stores and printing on both sides of the paper. The Commission has also participated in tree planting exercises to contribute to the Government's efforts to increase the national tree coverage. In addition, the Commission has installed and commissioned a water treatment plant.

**iii) *Employee welfare***

The Commission has a clear Human Resource Policy and Procedures Manual which subscribes to the tenets of public service values and principles in the recruitment of staff, as provided Article 232 of the Constitution. The staff are subjected to a fair performance appraisal system whose output, amongst other aspects, helps in the identification of areas of improvement and training needs for individual staff.

The Commission recognises that, in addition to offering pay benefits and a healthy working environment to employees, their emotional and social needs should also be catered for as they discharge their duties. The Commission is committed to undertake social responsibility to promote welfare amongst its employees. The Commission has developed policies that address various social and health challenges.

The Commission recognizes the impact of emerging pandemics e.g. HIV/AIDS and Covid-19, their impact in the workplace and it's far-reaching effects on productivity. The Commission is therefore committed to developing a programme to mitigate the effects of the pandemic. A workplace policy on HIV and AIDS is already in place. The main objective of the policy is to provide a framework to address HIV and AIDS issues in the Commission, if any. As captured in the Human Resource Policy and Procedures Manual, the Commission ensures that no employee is discriminated and/or stigmatized on the basis of real or perceived infection with any of the diseases associated with such pandemics.

The Commission has provided a healthy working environment to all employees. The HR policy requires all Heads of functional areas to take responsibility to minimize the risk of sickness transmission by taking the appropriate first Aid and universal infection control precautions at the workplace.

Additionally, the Commission ensures that addiction to drugs or substance are treated like any other disease; An employee who is determined to have drug and substance abuse problem will be rehabilitated using the appropriate mechanisms. The Commission undertakes to provide both inpatient and outpatient rehabilitation services within the limits that will be provided in the medical insurance scheme.

The Commission also has continued to ensure maintenance of a clean and smoke-free working environment. Accordingly, no person shall be permitted to smoke any tobacco or tobacco products while on the Commission's premises except in the designated smoking area.

The Commission has procured a comprehensive medical cover for members of staff which shall include last expense cover of not less than Kshs.100,000.00 for the employee, one spouse and up to four (4) dependent children. Upon the death of an employee the Commission commits to provide coffin up to a maximum of Kshs. 50,000; pay for mortuary expenses up to a maximum of two (2) weeks and prepare an obituary in two (2) national dailies.

Lastly all issues related to gender have been embedded in the policy on Gender Mainstreaming in the Commission.

Further, the Commission has delegated and furnished a room for nursing mothers which serves both the Commission's staff and staff of the sister SAGAs housed in NACOSTI Plaza. In support of the Universal Health initiatives, the Commission organized several health clinics during the year under review where screening for Non-Communicable Diseases and HIV were conducted. These clinic services were open to staff from the other agencies as well, and they thankfully took full advantage of it. The Commissions offices are a registered place of work with the ministry of labour and thus is in compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) *Market place practices-*

a) *Responsible Supply chain and supplier relations*

The Commission is guided by the Public Procurement and Asset Disposal ACT 2015 and the Public Procurement and Asset Disposal Regulations 2020. The Commission also adheres to the requirement of Access to Government Procurement Opportunities (AGPO) directive which requires 30% of all procurement activities be set aside for businesses owned by women, youth, and persons with disabilities. The Commission also maintains good business practices by paying its suppliers within the stipulated thirty (30) days in accordance with the Commissions Service delivery Charter.

b) *Product stewardship*

Pursuant to STI regulation 2014, the Commission has put in place conditions for application of research permits. All persons granted research license must abide by these conditions. All research license applications are done online through the Research Information Management System (RIMS) which ensures that only licensing personnel can access the researcher's information. This ensures confidentiality of any information availed by researchers. Further, granted permits have security features such as Quick Response (QR) Code to confirm authenticity of the permits and to safeguard applicants against fraud such as forging of research permits.

v) *Corporate Social Responsibility / Community Engagements*

The Commission has continued to support the Government initiated Internship program to enable new graduates gain work experience through engagement of recent graduates as interns and those still in college in work attachments. During the Financial Year 2022/2023, the Commission availed internship opportunities to twelve (12) recent graduates in various fields of training and three (3) students who required work-place attachment as part of their university training programs.

The Commission appreciates that global warming is a big environmental threat and seeks to join the concerted efforts towards its alleviation. Towards this end the Commission observed a tree planting day on the 23<sup>rd</sup> of June 2023 at its headquarter, in Loresho Primary School and at Kabete Vet Lab. Upwards of Six Hundred (600) tree seedlings, being medicinal, indigenous

and fruits, were planted, and steps undertaken to nurse these seedlings to ensure a high rate of survival. The Commission hopes to expand this exercise to other public areas in the coming seasons.

Conscious of the fact that our country loses close to three thousand lives annually, and many others injured due to road traffic crashes, the Commission found it rewarding to sensitize its clientele and other members of the public on road safety risk factors. Various key messages were shared through our social media platforms as well as IEC materials. Posters containing key road safety messages such as over speeding, drunk driving, use of undesignated road crossings were designed and shared. In addition, the Commission mobilized its staff to clear overgrown bushes that had spread to the shoulders of the Upper Kabete Road and reduced visibility for road users.

**16. Report of the Directors**

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

**i) Principal activities**

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

**ii) Results**

The results of the Commission for the year ended 30 June, 2023, are set out on page 1-4

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page v - viii. During the year no director retired/resigned.

**iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. However, the commission had only a marginal surplus during the year which it will request for the authority to plough pack into financing its activities.

**v) Auditors**

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

By Order of the Board



.....  
**Prof. Walter Oyawa**

**CEO/Secretary to the Board**

## **17. Statement of Directors Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on 30 June, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Commission (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

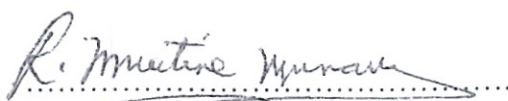
*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

---

In preparing the financial statements, nothing has come to the attention of the Directors to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Commission's financial statements were approved by the Board on 29<sup>th</sup> September 2023 and signed on its behalf by:



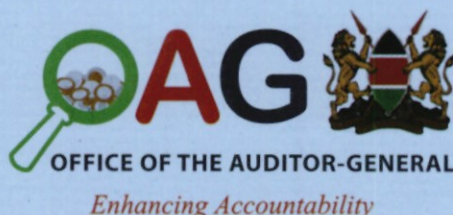
**Name: Prof. Raphael Munavu**  
*for Chairperson of the Board*



**Name: Prof. Walter Oyawa**  
**Accounting Officer**

# REPUBLIC OF KENYA

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



HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION FOR THE YEAR ENDED 30 JUNE, 2023**

### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Commission for Science, Technology and Innovation set out on pages 1 to 55, which comprise the

---

*Report of the Auditor-General on National Commission for Science, Technology and Innovation for the year ended 30 June, 2023*

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of cash flows, statement of changes in net assets and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Commission for Science, Technology and Innovation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Commission for Science, Technology and Innovation Act, 2013.

### **Basis for Qualified Opinion**

#### **Misstatement of the Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,465,158,888 as disclosed in Note 22 to the financial statements. As previously reported, included in this balance is work in progress amount of Kshs.1,341,252,770 relating to certified works on the building which has not been capitalized. The project supervisor, the State Department for Public Works issued the Commission with a certificate of substantial completion allowing it to move into the building in May, 2017 and to partially release 50% of the retention money. Management explained the delay in capitalization was due to disputed claims by the contractor relating to additional claims on account of penalties and interest on delayed payments. However, no depreciation is being charged despite the building being put into use.

In addition, review of the project status report dated 19 January, 2020, indicated that total certified works amounted to Kshs.1,297,971,643, therefore exceeding the contract sum by Kshs.306,980,653 or 31%. Management has attributed the excess amounts to variations due to cost fluctuations above the Bills of Quantity provisions, interest on delayed payment and contractual claims already provided in Clause 23.3 of Conditions of Contract and penalties due to contractual breaches on the part of the Commission. Review of the current position in the year revealed that the main contractor presented claims for penalties, interest and contractual sums amounting to Kshs.362,000,000 which was however at variance with the State Department for Public Work's computed amount of Kshs.154,961,000. Further, a Pending Bills Committee appointed by the Principal Secretary, State Department for University Education and Research has not finalized negotiations with the contractor to waive their claims for interest on delayed payments. The main contractor has declared a dispute on these claims and the Commission is waiting for the outcome of the legal process. Further, value for money has not been realized from the investment in the office block.

In the circumstances, the accuracy and fair statement of the property, plant and equipment balance of Kshs.1,465,158,888 as at 30 June, 2023 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the previous year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance remained unresolved as at 30 June, 2023.

## **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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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

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

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 controls, risk management and overall governance.

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

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

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


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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue 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 Commission 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 Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**16 April, 2024**

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

*National Commission of Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
for the year ended 30 June, 2023.

**19. Statement of Financial Performance for the year ended 30 June, 2023**

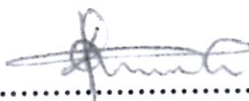
Description	Note	2023	2022
		Kshs.	Kshs.
<b>Revenue from Non-Exchange Transactions</b>			
Government Recurrent Grants	5	207,841,804	202,841,804
Licenses and permits	6	49,939,164	40,905,876
Collaborative Research Projects	7	20,503,858	38,949,938
<b>Revenue from Exchange Transactions</b>			
Rental Income	8	33,874,055	30,132,155
Other Income	9	11,101,012	11,011,641
<b>Total Revenue</b>		<b>323,259,893</b>	<b>323,841,415</b>
<b>Expenses</b>			
Employee Costs	10	123,287,232	125,114,661
Depreciation and Amortization Expense	11	15,488,945	6,823,283
Repairs and Maintenance	12	10,138,568	8,438,560
Contracted Professional Services	13	6,810,184	6,074,299
Collaborative Projects Cost	14	32,360,787	46,554,610
Use of Goods and Services	15	119,004,485	99,670,821
Board Expenses	16	11,198,618	9,756,624
Bank Charges	17	900,636	763,347
Audit Fees	18	1,000,000	1,000,000
<b>Total Expenses</b>		<b>320,189,455</b>	<b>304,196,205</b>
<b>Surplus/(Deficit) before tax</b>		<b>3,070,438</b>	<b>19,645,210</b>
<b>Surplus/(Deficit) for the period</b>		<b>3,070,438</b>	<b>19,645,210</b>

The notes set out on pages 8 to 49 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
.....

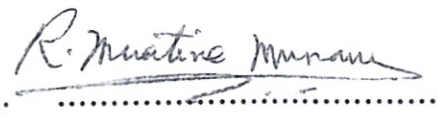
**Name: Prof. Walter Oyawa**  
**CEO/Accounting Officer**

**Date**

  
.....

**Name: Gideon Kirui**  
**Head of Finance**  
**ICPAK M/No:4005**

**Date**

  
.....

**Name: Prof. Raphael Munavu**  
**for Chairman of the Board**

**Date**

*National Commission of Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023**

**15 Statement of Financial Position as at 30 June, 2023**

Description	Note	2023 Kshs.	2022 Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	19	87,937,524	67,488,873
Accounts Receivables and Pre - Payments	20	17,174,394	152,279,229
Inventories	21	6,738,769	11,876,617
<b>Total Current Assets</b>		<b>112,113,187</b>	<b>231,644,719</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	22	1,465,158,888	1,490,864,975
Intangible Assets - ERP Software	23	25,664,397	-
<b>Total Non-Current Assets</b>		<b>1,490,823,284</b>	<b>1,490,864,975</b>
<b>Total Assets</b>		<b>1,602,936,472</b>	<b>1,722,509,694</b>
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	24	205,405,191	185,660,530
<b>Total Current Liabilities</b>		<b>205,405,191</b>	<b>185,660,530</b>
<b>Net Assets</b>			
Revaluation Reserves	25	86,886,293	86,886,293
Revenue Reserves	26	172,556,762	311,874,646
Capital Grants	27	1,138,088,226	1,138,088,226
		<b>1,397,531,281</b>	<b>1,536,849,165</b>
<b>Total Net Assets and Liabilities</b>		<b>1,602,936,472</b>	<b>1,722,509,695</b>

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

  
 .....

**Name: Prof. Walter Oyawa**  
**Accounting Officer/CEO**

**Date**

  
 .....

**Name: CPA Gideon Kirui**  
**Head of Finance**  
**ICPAK M/No: 4005**

**Date**

  
 .....

**Name: Prof. Raphael**

**Munavu**  
**for Chairman of the Board**


**Date**

*National Commission of Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023.**


**16. Statement of Changes in Net Assets for the year ended 30 June, 2023**

	Capital Grants	Revaluation Reserves	Revenue Reserves	TOTAL
	Kshs	Kshs	Kshs	Kshs
<b>1st July 2021</b>	<b>1,138,088,226</b>	<b>86,886,293</b>	<b>292,229,436</b>	<b>1,517,203,954</b>
Additional Capital	-	-	-	-
Surplus/(Deficit) for the period	-	-	19,645,210	<b>19,645,210</b>
<b>30th June 2022</b>	<b>1,138,088,226</b>	<b>86,886,293</b>	<b>311,874,646</b>	<b>1,536,849,164</b>
<b>1st July 2022</b>	<b>1,138,088,226</b>	<b>86,886,293</b>	<b>311,874,646</b>	<b>1,536,849,164</b>
Additional Capital	-	-	-	-
Stock of Partitioning Material w/o			(5,746,188)	<b>(5,746,188)</b>
Revenue Reserves w/o			(136,642,133)	<b>(136,642,133)</b>
Surplus/(Deficit) for the period	-	-	3,070,438	<b>3,070,438</b>
<b>30th June 2023</b>	<b>1,138,088,226</b>	<b>86,886,293</b>	<b>172,556,762</b>	<b>1,397,531,280</b>


The Commission has been having audit issues involving stock of partitioning materials of Ksh. 5,746,100 which disappeared in the ministry of public works go down in industrial area in the year 1997 and Receivables from Gok recurrent grants of Ksh. 136,642,133 relating to FY 2014/2015. The first Public Investment Committee on Governance & Education (PIC-G&E) sitting and in their report dated 20.06.2023, recommended that the two matters be closed and written off in the Commissions books.

  
 .....  
**Name: Prof. Walter Oyawa**  
**Accounting Officer/CEO**

**Date**

  
 .....  
**Name: CPA Gideon Kirui**  
**Head of Finance**  
**ICPAK M/No: 4005**

**Date**


  
 .....  
**Name: Prof. Raphael Munavu**  
**for Chairman of the Board**

**Date**


*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
for the year ended 30 June, 2023.

**17. Statement of Cash Flows for the year ended 30 June, 2023**


Details	Note	2023	2022
		Kshs.	Kshs.
Cash and Cash equivalents at the beginning of the Year		67,488,873	47,358,862
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
GoK Recurrent Grants	5	207,841,804	202,841,804
Licences and Permits	6	49,939,164	40,905,876
Collaborative Research Projects	7	20,503,858	38,949,938
Rental Income	8	30,781,805	23,878,325
Other Income	9	10,446,132	11,011,641
<b>Total Receipts</b>		<b>319,512,763</b>	<b>317,587,584</b>
<b>Payments</b>			
Employee Costs	10	120,113,149	123,834,472
Repairs and Maintenance	12	9,514,878	8,926,776
Contracted Services	13	6,435,168	6,074,299
Collaborative Projects Expenses	14	32,245,787	46,554,610
Use of goods and services	15	104,875,876	95,035,437
Board Expenses	16	11,198,618	9,756,624
Bank Charges	17	900,636	763,347
Audit Fees	18	1,000,000	1,000,000
<b>Total Payments</b>		<b>286,284,112</b>	<b>291,945,565</b>
<b>Net Cash flows from Operating Activities</b>		<b>33,228,651</b>	<b>25,642,019</b>
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant and Intangible Assets	22-23	(12,780,000)	(5,512,008)
<b>Cashflows from Financing Activities</b>			
<b>Net cash flows from Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease ) in cash and cash equivalents</b>		<b>20,448,651</b>	<b>20,130,011</b>
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>87,937,524</b>	<b>67,488,873</b>

  
.....  
Name: Prof. Walter Oyawa  
Accounting Officer/CEO

Date

  
.....  
Name: CPA Gideon Kirui  
Head of Finance  
ICPAK M/No: 4005

Date

  
.....  
Name: Prof. Raphael Munavu  
for Chairman of the Board

Date

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2023

Details	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Percentage of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Recurrent Grants	207,841,804		207,841,804	207,841,804	-	100%
Internally generated revenue	62,000,000	23,000,000	85,000,000	91,167,101	6,167,101	107%
Collaborative Research Projects	30,500,000		30,500,000	20,503,858	(9,996,142)	67%
<b>Total Income</b>	<b>300,341,804</b>	<b>23,000,000</b>	<b>323,341,804</b>	<b>319,512,763</b>	<b>(3,829,041)</b>	<b>99%</b>
<b>Expenses</b>						
Employee Costs	132,000,000		132,000,000	120,113,149	11,886,851	91%
Repairs and Maintenance	10,000,000		10,000,000	9,514,878	485,123	95%
Contracted Professional Services	6,500,000		6,500,000	6,435,168	64,832	99%
Use of goods and Services	96,541,804	20,000,000	116,541,804	104,875,876	11,665,928	90%
Board Expenses	8,000,000	3,000,000	11,000,000	11,198,618	(198,618)	102%
Bank Charges	800,000		800,000	900,636	(100,636)	113%
Audit Fee	1,000,000		1,000,000	1,000,000	-	100%
Collaborative Projects Cost	30,500,000		30,500,000	32,245,787	(1,745,787)	106%
Asset Acquisition	15,000,000		15,000,000	12,780,000	2,220,000	85%
<b>Total Expenses</b>	<b>300,341,804</b>	<b>23,000,000</b>	<b>323,341,804</b>	<b>299,064,112</b>	<b>24,277,692</b>	<b>92%</b>
<b>Surplus/(Deficit)</b>	-	-	-	<b>20,448,651</b>		

Name: Prof. Walter Oyawa  
Accounting Officer/CEO

Date

Name: CPA Gideon Kirui  
Head of Finance  
ICPAK M/No: 4005

Date

Name: Prof. Raphael Munavu  
for Chairman of the Board

Date

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Statement of Comparison of Budget to Actual Amounts**

**Explanation of material variances (10 percent over/under)**

**1. Differences in Budgeted and Actual Figures (IPSAS 24.14)**

i) **Revenue from Collaborative research projects:** Collaborative research project revenue fell short of the budgeted revenue due to delay in disbursement of 4<sup>th</sup> quarter grants from CTBTO.

ii) **Use of goods and Services:** The Commission incurred expenses towards Use of goods and services according to the budget, however, due to delay in disbursement of 4<sup>th</sup> quarter GoK Recurrent grants, there were payables at the close of the period. The payments were settled in the subsequent quarter.

**2. Changes between original and final budget. (IPSAS 24.29)**

i) **Use of goods and services:** The Commission had envisaged increase in use of goods and services as it was involved by the PS -SDHER to facilitate PS appointed task forces: NARTIC and Open University of Kenya. With the increase in AiA from research licenses, the commission requested for budget increase in order to meet the expenses obligated to her.

ii) **Board Expenses:** The Commission had a new board appointed in the previous year. Some of the board members had not taken their induction training as required in Mwongozo Code of Governance for State Corporations. This necessitated adjustment in board expenses budget to meet board training needs.

**3. Reconciliation of Statement of Financial Performance to Statement of Budget and Actual**

**Amounts:** The total actual on comparable amounts in this statement and the statement of financial performance amounts for all the expenditure items do not tie due to differences in accounting basis. The budget is prepared and implemented on cash basis, while the financial statements are prepared on the accrual basis. The differences are majorly caused by the accrued income, accrued expenses, provisions and prepayments. The differences are reconciled below:

<b>Rental Income</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		33,874,055
Add Accrued Rent b/f	9,925,830	9,925,830
Less Accrued Rent c/f	(13,018,080)	(13,018,080)
Balance as per the budget/cash flow		30,781,805

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
for the year ended 30 June, 2023.

<b>Other Incomes</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		11,101,012
Add Accrued other Income B/F		
Less Accrued Other income c/f	(654,880)	(654,880)
Balance as per the budget/cash flow		10,446,132

<b>Internally generated revenue</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		115,418,089
Less accrued rent and other incomes in the year	(3,092,250)	(3,092,250)
Add accrued income from other incomes	(654,880)	(654,880)
Balance as per the budget		111,670,959

<b>Employees Cost</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		123,287,232
Less Provision for Gratuity	(499,313)	(499,313)
Less PAYE Tax Payable	(3,254,162)	(3,254,162)
Add Employee advance receivable	579,392	579,392
Balance as per the budget	(3,174,083)	120,113,149

<b>Repairs and Maintenance</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		10,138,568
Less accrued motor vehicle expenses	(623,691)	(623,691)
Balance as per the budget		9,514,878

<b>Contracted professional Services</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		6,810,184
Less accrued contracted services	(375,015)	(375,015)
Balance as per the budget		6,435,168

<b>Use of goods and Services</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		119,004,485
Less Accrued Expenses	(14,128,609)	(14,128,609)
Balance as per the budget		104,875,876

<b>Collaborative Project Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		32,360,787
Less Accrued collaborative project expenses	(115,000)	(115,000)
Balance as per the budget		32,245,787

<b>Assets Acquisition</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as per the financial statements		14,163,000
Less Payable for Laptops	(1,383,000)	(1,383,000)
Balance as per the budget		12,780,000

## **19. Notes to the Financial Statements**

### **1. General Information**

NACOSTI was established by and derives its authority and accountability from the Science, Technology and Innovation (STI) Act, 2013. The Commission is wholly owned by the Government of Kenya and is domiciled in Kenya. The Commission's principal activity is to promote, coordinate and to regulate the progress of STI in the country.

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Commission. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</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 Commission’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 Commission’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>The Commission has no financial instruments hence the standard has no impact on the financial statements.</i></p>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

Standard	Effective date and impact:
	<p>reporting Commission 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 Commission.</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 Commission's financial performance, financial position and cash flows.</li> </ul> <p><i>The standard highlights on social benefits accorded to the public for betterment of their lives. Examples include state retirement benefits, disability benefits, income support and unemployment benefits, amongst others. This standard is not aligned to the commission's core mandate hence has no effect in the financial statements</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
for the year ended 30 June, 2023.

Standard	Effective date and impact:
	<p><i>The Commission has no financial instruments hence the standard (IPSAS 41 and its amendments) have no impact on the financial statements.</i></p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</i></li> <li>• <i>IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</i></li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> <li>• <i>IPSAS 22: The commission's financial reports have been prepared as per IPSAS 22 guidelines. The report includes statements of financial position, performance, cash flows, and changes in net assets/equity which are prepared objectively and as per the provided guidelines by the National treasury. The standardisation of the report will allow comparison of performance with other government agencies for decision making. All relevant assumptions adopted and notes to the financial reports have been disclosed.</i></li> <li>• <i>IPSAS 39: The commission has in place updated and approved Human Resource Instruments. The instruments are in tandem with the IPSAS 39 guidelines on matters Employee benefits. The commission implements the standard by accounting for all employee benefits. This includes short term benefits like salaries and wages which are wholly settled within and before the end of the accounting period in which employees render the services. Post Employment benefits like retirement benefits, long-term benefits like study leave and termination benefits.</i></li> </ul>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• <i>IPSAS 29: Refers to IPSAS 41 which is not applicable to the commission.</i></li> </ul>

**Notes to the Financial Statements (Continued)**

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Commission.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The commission has an operating lease on its building at NACOSTI plaza, with six (6) tenants. Five (5) of whom are from government agencies under the Ministry of Education and one (1) a restaurateur from private sector. The tenants have a five-year renewable lease, with a provision of one month notice in case of termination. The restaurateur has a lease incentive (access to a fully equipped commercial kitchen and furniture).</i></p> <p><i>The lease agreement requires advance payment of rent on quarterly basis.</i></p> <p><i>The standard will have impact to the commission's financial statement., The commission has taken note of this new standard and will adopt within the timeline.</i></p>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The commission has no financial instruments hence the standard will not have impact to the financial statements.</i></p>

*iii. Early adoption of standards*

The Commission did not early adopt any new or amended standards in FY 2022/2023

**Notes to the Financial Statements (Continued)**

**4. Summary of Significant Accounting Policies**

a) **Revenue recognition**

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

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *commission* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) **Revenue from exchange transactions**

**Rendering of services**

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

**Notes to the financial statements (continued)**

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

**Sale of goods**

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

**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. The commission holds a Kenya shillings bank account at KCB and dollar account at NCBA Bank. The two accounts attract monthly interest which forms part of the commission's stream of revenue in A-i-A.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Commission's right to receive payments is established. However, the commission does not have investors who require dividend payouts.

**Rental income**

Rental income arising from rental of office space and hostel facility is accounted for on a straight-line basis over the lease terms and included in revenue. The tenants are issued with invoices on a quarterly basis.

**b) Budget information**

The original budget for the Current FY 2022/2023 was approved by the National Assembly on 6<sup>th</sup> April 2022. 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 Commission upon receiving the respective approvals in order to conclude the final budget. The Commission's *budget* is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

---

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 3 of the Notes to the Statement of Comparison of Budget to Actual Amounts on page 6.

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

**Notes to the Financial Statements (Continued)**

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

**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 recognized 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 recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized 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 recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized 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 *Commission* and the same taxation authority.

**Notes to the Financial Statements (Continued)**

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

*Sales tax*

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

- i) 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 recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) 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 the useful life of the asset. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**a) 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 Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The various classes of assets and depreciation/amortisation rate are indicated below: The method of depreciation used is both reducing balance and straight-line method.

<b>Asset Class</b>	<b>Depreciation rate</b>	<b>Mode of Depreciation</b>
Motor Vehicle	25%	Reducing balance
Plant and Equipment	12.50%	Reducing balance
Computers	30%	Reducing balance
Furniture and Fittings	12.50%	Reducing balance
ERP software	20%	Straight line basis

**b) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Commission*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *commission* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *commission* 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 *commission*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

The commission has an operating lease on its building at NACOSTI plaza, with six (6) tenants. Five (5) of whom are from government agencies under the Ministry of Education and one (1) a restaurateur from private sector.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

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

*Table below includes the details of the Lessee in the financial year ended 30 June 2023.*

	<b>Lessee</b>	<b>Contract Length</b>	<b>Nature of space</b>
1	Kenya National Innovation Agency (KENIA)	5 Year renewable lease	Office
2	Kenya National Qualification Authority (KNQA)	5 Year renewable lease	Office
3	National Bio-safety Authority (NBA)	5 Year renewable lease	Office
4	National Research Fund (NRF)	5 Year renewable lease	Office
5	University Fund Board (UFB)	5 Year renewable lease	Office
6	Kipevu Restaurant Limited	5 Year renewable lease	Restaurant

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as finite (5years). The Intangible assets are assessed for impairment at each reporting date.

**f) Research and development costs**

The Commission's expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the commission can demonstrate:

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

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

**Notes to the Financial Statements (Continued)**

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

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The commission does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

**Financial assets**

**Classification of financial assets**

The commission classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Commission's management model for financial assets and the contractual cash flow characteristics of the financial asset. The commission has no financial assets.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. The previous financial reports have a long outstanding receivable of kshs 136,642,133 attributed to undisbursed GOK grants for FY 2014/15. The Public Investment Committee on Governance & Education (PIC-G&E) examined audited reports for the commission for previous financial periods (FY 2018/19, 2019/20 and 2020/21). The committee observed that it's inconceivable for National Treasury to release the pre-requisite amount and therefore recommended that the amount to be written off in the subsequent year. In the current financial year, this receivable has been written off, however the rest of the receivables in the report remain viable (collectable) since the debtors are still serving/active.

**Notes to the Financial Statements (Continued)**

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

**a) Financial liabilities**

**Classification**

The Commission classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *commission*.

The previous financial reports have inventories worth Kshs. 5,746,188 attributed to partitioning materials that were stolen in a go-down owned by public works, industrial area. The Public Investment Committee on Governance & Education (PIC-G&E) examined audited reports for the commission for previous financial periods (FY 2018/19, 2019/20 and 2020/21). The committee observed that the previous committee had handled the matter and the Inspectorate of state corporations had recommended that the matter be closed. Therefore, the committee recommended that the amount to be written off in the subsequent year upon adoption of the report. In the current financial year, this inventory has been written off, however the rest of the inventory in the report remains.

**Notes to the Financial Statements (Continued)**

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

**i) Provisions**

The Commission maintains provisions for depreciation in prescribed rates of depreciation and provision for gratuity at 31% of the basic salary of an employee engaged on a contract basis.

In addition, the commission has an ongoing dispute resolution arbitration and court case, relating to claims by the contractor of its building. The Commission is awaiting the outcome of the dispute resolution process so as to provide for any payments awarded to the plaintiff.

**j) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The commission mandate is to promote and to regulate the progress of STI in the country. Therefore, not mandated to provide social amenities.

**k) Contingent liabilities**

The Commission has no quantified contingent liability but in regard to the outcome of the Arbitration award which has been escalated to high court, the Commission has disclosed details of the contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There are claims by the contractor of NACOSTI Headquarters Construction Project which have been escalated to High Court. The Commission is awaiting the outcome of the court case. The liability is disclosed however no provision is made since the matter is yet to be concluded.

**l) Contingent assets**

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

**Notes to the Financial Statements (Continued)**

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

**m) Nature and purpose of reserves**

The commission creates and maintains two reserves: Revenue and revaluation reserves. The revenue reserve contains accumulated surpluses in previous financial periods while the revaluation reserve relates to the commission's land revalued gains. .

**n) Changes in accounting policies and estimates**

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

**o) Employee benefits**

**Retirement benefit plans**

The *commission* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the commission pays fixed contributions into Jubilee Insurance 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. The commission has a defined pension contribution where employer contributes 20% of employee's basic while the employee contributes 10%. The trustee of these funds is Jubilee Insurance umbrella scheme, who collects and manages the fund on behalf of the commission.

**p) Foreign currency transactions**

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

**Notes to the Financial Statements (Continued)**

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

**q) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**r) Related parties**

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

**s) Service concession arrangements**

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

**t) 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.

**Notes to the Financial Statements (Continued)**

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

**ii) Comparative figures**

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

**v) 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, 2023.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**5. Transfers from Other Government entities**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
GoK Recurrent Grants	207,841,804	202,841,804
Other Government Grants	-	-
<b>Total</b>	<b>207,841,804</b>	<b>202,841,804</b>

GoK Recurrent grants are the commission's major source of income. The commission received recurrent grants as per the approved budget for recurrent expenditure.

**a) Transfers from Ministries, Departments and Agencies (MDAs)**

Name of The Commission Sending the Grant	Amount recognized to Statement of Financial performance.	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers (Current FY)	Insert Comparative FY
	KShs	KShs	KShs	KShs	KShs
Ministry of Education – SDHER	207,841,804	-	-	207,841,804	202,841,804
<b>Total</b>	<b>207,841,804</b>	<b>-</b>	<b>-</b>	<b>207,841,804</b>	<b>202,841,804</b>

**6. Licences and Permits**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Research Permit Fees	49,939,164	40,905,876

One of the Commissions mandates is to license all research studies conducted in Kenya. In this regard, the Commission receives Licensing fee from research permit applicants as A-i-A. Revenue from research permits have been increasing due to increased awareness on the need to acquire permit by the researchers.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
for the year ended 30 June, 2023.

**Notes to the Financial Statements (Continued)**

**7. Public Contributions and Donations**

**Collaborative Research Projects Income**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
EU Projects	6,862,592	15,410,414
CTBTO	13,641,266	15,409,671
Other Projects	-	8,129,853
<b>Total</b>	<b>20,503,858</b>	<b>38,949,938</b>

The Commission has collaborative research partners for which it works with the partners to finance specific research projects identified and specified in the partnership MOUs. During the year, collaborative research project income was contributed by EU project partners and CTBTO. The revenues and expenses on these projects are determined by the partners through the MOUs and subsequent approvals of expenditures.

**8. Rental Revenue from Facilities and Equipment**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Rent Income	27,294,000	24,105,600
Service Charge	6,580,055	6,026,555
<b>Total</b>	<b>33,874,055</b>	<b>30,132,155</b>

The Commission has rented out office space in which the tenants pay rent on a quarterly basis. In the period under review, rental income went up due to full occupancy of the building.

**9. Other Income**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Multi Sectoral Conference Cost Sharing/STI Mainstreaming	5,663,280	3,630,139
ISERC Cost Sharing Charges	550,000	1,625,000
Bank Interest Income	128,322	1,388,121
Foreign Exchange gain/(Loss)	4,759,410	3,858,086
Other Income	-	510,295
<b>Total</b>	<b>11,101,012</b>	<b>11,011,641</b>

Other income constitutes income from other sources as detailed below:

- The Commission conducts multisectoral conference on STI in which various industry players participates, due to its budget constraint, the Commission requests for cost sharing of the conference expenses through contribution towards the same by the participants.
- The Commission also sensitizes Institutional Ethics Review Committees of research institutions on Research ethics. The participants meet part of the sensitization expenses in terms of ISERC cost sharing charges.
- Other Revenue include bank interest income and unrealized foreign exchange gain on the Commission's US Dollar Account

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**10. Employee Costs**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Salaries and Allowances	101,594,676	106,844,210
Wages - Contract Staff	8,772,579	4,947,336
Employer Contribution to Staff Pension Schemes	11,785,171	12,013,277
Employer Contribution to NITA	26,800	29,650
Gratuity	1,108,006	1,280,189
<b>Total</b>	<b>123,287,232</b>	<b>125,114,661</b>

Employees Costs are salaries and allowances paid to the employees of the Commission in the period under review. The decrease is explained by exit of two employees proceeding to retirement in the year. The Commission is however in the process of replacements and recruitments of staff as have been approved by the National Treasury and SCAC.

**11. Depreciation and Amortization**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property, Plant and Equipment Depreciation	9,072,846	6,823,283
Intangible Assets - ERP Amortization	6,416,099	
<b>Total</b>	<b>15,488,945</b>	<b>6,823,283</b>

Depreciation and amortization relate to depreciation of the Commissions tangible assets and amortization of the Commission ERP System for the year. The Commission uses reducing balance method to depreciate PPE while Straight line method is adopted for amortization of ERP Software. The Commission concluded installation of ERP in the year under review hence the commencement of amortization of the intangible asset.

**12. Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Computers and Softwires Maintenance	6,998,773	5,452,494
Building and Stations	1,081,057	393,720
Motor Vehicles	2,058,738	2,263,916
Furniture and Equipment	-	328,430
<b>Total</b>	<b>10,138,568</b>	<b>8,438,560</b>

Computer and Software maintenance consists of Computer maintenance, Software maintenance, software licences, and service level agreements on computers and software. Other maintenance consists of repairs on

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

NACOSTI building, motor vehicles and furniture and fittings. Increase in Computers and Software maintenance was attributed to increase in software licenses due to high exchange rates.

**13. Contracted Services**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Security Services	2,195,184	2,094,264
Cleaning and Garbage Collection	2,305,000	2,594,549
Legal Services		1,306,697
Contracted Research Study	2,310,000	-
Transport and Relocation Services	-	78,789
<b>Total</b>	<b>6,810,184</b>	<b>6,074,299</b>

**14. Collaborative Research Project Costs**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
EU Projects	13,026,852	11,445,796
CTBTO	14,706,736	16,675,714
IDRC	-	14,422,000
Other Projects	4,627,200	4,011,100
<b>Total</b>	<b>32,360,787</b>	<b>46,554,610</b>

The Commission has collaborative research partners for which it works with the partners to finance specific research projects identified and specified in the partnership MOUs. The expenses on these projects are determined by the partners through the MOUs and subsequent approvals of expenditures.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**15. Use of Goods and Services**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Utilities and Supplies	5,085,719	4,397,934
Printing, Advertising, Information Supplies and Services	3,912,704	3,941,282
Domestic Travel	29,263,768	27,887,126
Foreign Travel	10,471,618	8,906,204
Committee and Conferences	33,546,181	16,873,634
Staff Insurances and Medical	10,299,880	13,579,338
Motor Vehicle Insurance	592,254	418,666
Fuel, Oil and Lubricants	2,536,477	2,655,350
Training Expenses	8,896,432	8,369,906
Hospitality	3,565,334	1,566,921
Communication Supplies and Services	6,214,946	5,714,079
Office and General Supplies	679,735	2,982,587
Land Rent and Rates	403,625	405,488
Trade Shows and Exhibitions	613,400	61,445
Computer Supplies and Accessories	974,123	1,910,863
Subscriptions to International Organizations	1,948,290	-
<b>Total</b>	<b>119,004,485</b>	<b>99,670,821</b>

The classification of expenses as “use of goods and services” has been informed by the financial reporting template provided by IPSAS for accrual basis accounting for SAGAs. The previous periods classification into “administrative expenses” excluded Domestic and Foreign travels which has now been rearranged to the right classification since the Commission does not budget for travel expenses in the staff costs.

Increase in expenses relating to use of goods and services are contributed by increased activities related to the Commissions core mandate of regulation, promotion, coordination and advisory on Research Science, Technology and Innovation (RST&I) activities in the country. This includes the coordination of the STI mainstreaming PC indicator involving all Government MDAs in the country and hosting of workshops and conferences to facilitate dissemination of the outputs of Research Science, Technology and Innovation

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**16. Board Expenses**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Sitting Allowance	5,040,000	2,860,000
Lunch Allowance	98,000	88,000
Accommodation	3,722,634	3,206,325
Transport	1,310,634	1,361,099
Board Induction/Training expenses	1,027,350	2,241,200
<b>Total</b>	<b>11,198,618</b>	<b>9,756,624</b>

**17. Bank Charges and Commission**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Bank Charges	900,636	763,347

**18. Audit Fees**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Audit Fees	1,000,000	1,000,000

This is provision for audit fees for the year under review.

**19. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Kenya Commercial Bank	62,085,344	23,139,237
NCBA Bank	25,810,553	44,251,680
Cash on Hand	41,627	97,956
<b>Total</b>	<b>87,937,524</b>	<b>67,488,873</b>

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	2022-2023	2021-2022
		Kshs.	Kshs.
<b>a) Current Account</b>			
Kenya Commercial Bank	1104162547	62,085,344	23,139,237
NCBA Bank	2904970067	25,810,553	44,251,680
<b>Sub- Total</b>		<b>87,895,897</b>	<b>67,390,917</b>
<b>b) Others (Specify)</b>			
Cash In Hand		41,627	97,956
<b>Sub- Total</b>		<b>41,627</b>	<b>97,956</b>
<b>Grand Total</b>		<b>87,937,524</b>	<b>67,488,873</b>

**20. Receivables and Prepayments**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Grants Receivable	-	136,642,133
Staff Advances	579,392	
Other Receivables and Prepayments	3,576,922	5,711,266
Rent Receivable	13,018,080	9,925,830
<b>Total</b>	<b>17,174,394</b>	<b>152,279,229</b>

Grants which were receivable from GoK recurrent revenue have been written off following the recommendation of the Public Investment Committee on Governance & Education (PIC-G&E).

**(a) Receivables from Exchange Transactions (Current)**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
<b>Receivables</b>		
Other Receivables and Prepayments	1,513,377.50	2,805,828.50
Rent Receivable	13,018,080.00	9,925,830.00
<b>Total Current Receivables</b>	<b>14,531,457.50</b>	<b>12,731,658.50</b>

All receivables from exchange transaction are current receivable. Rent receivable went up due to delay in payment of rent from KNQA.

*National Commission for Science, Technology and Innovation*  
**Annual Report and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**(b) Ageing analysis for Receivables from exchange transactions**

Description	2022-2023		2021-2022	
	Kshs.		Kshs.	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	13,900,707.50	96%	12,731,658.5	100%
Between 1- 2 years	630,750.00	4%	0	0%
Between 2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
<b>Total (a+b)</b>	<b>14,531,457.50</b>	<b>100%</b>	<b>15,637,096</b>	<b>100%</b>

**(c) Receivables from Non- Exchange Transactions**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Grants Receivable	-	136,642,133
Other Receivables and Prepayments	2,905,437.50	2,905,437.50
<b>Total</b>	<b>2,905,437.50</b>	<b>138,737,570.50</b>

**21. Inventories**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Partitioning materials	-	5,746,188
Consumable stores	6,738,769	6,130,429
<b>Total</b>	<b>6,738,769</b>	<b>11,876,617</b>

Stock of partitioning materials have been written off following the recommendation of the Public Investment Committee on Governance & Education (PIC-G&E)

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**22. Property, Plant and Equipment**

<b>Column 1</b>	<b>Land &amp; Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Computers</b>	<b>W-i-P (Building)</b>	<b>Total</b>
<b>Rate</b>	<b>0.00%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>25.00%</b>	<b>30.00%</b>	<b>0.00%</b>	
<b>Cost</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Cost 1 July 2022	86,000,000	70,160,456	12,835,394	48,600,122	34,260,521	1,341,252,770	1,593,109,262
Disposals	-	-	-	-	-	-	-
Additions	-	-	-	12,780,000	1,383,000	-	14,163,000
<b>Cost 30 June 2023</b>	<b>86,000,000</b>	<b>70,160,456</b>	<b>12,835,394</b>	<b>61,380,122</b>	<b>35,643,521</b>	<b>1,341,252,770</b>	<b>1,607,272,262</b>
Accum Depreciation 1 July 2022	-	50,606,292	9,170,573	42,229,704	31,033,959	-	133,040,529
Accum Depreciation on Disposals	-	-	-	-	-	-	-
Charge for the Year	-	2,444,270	458,103	4,787,604	1,382,869	-	9,072,846
<b>Accum Depreciation 30 June 2023</b>	<b>-</b>	<b>53,050,563</b>	<b>9,628,675</b>	<b>47,017,309</b>	<b>32,416,828</b>	<b>-</b>	<b>142,113,375</b>
<b>Net Book Value 30 June 2023</b>	<b>86,000,000</b>	<b>17,109,893</b>	<b>3,206,719</b>	<b>14,362,813</b>	<b>3,226,693</b>	<b>1,341,252,770</b>	<b>1,465,158,888</b>
<b>Net Book Value 30 June 2022</b>	<b>86,000,000</b>	<b>19,554,163</b>	<b>3,664,821</b>	<b>6,370,418</b>	<b>3,226,562</b>	<b>1,341,252,770</b>	<b>1,460,068,734</b>

The commission has been construction its offices which has been in use since 2017, However, there have been pending cases due to the claim by the contractors for interests and penalties due to delayed payments. The matter has since been escalated to High court. The commission is waiting for determination of the High Court so as the bring the mater to conclusion. The cost of construction of the building has been represented and Work In Progress.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**Valuation**

Land and buildings were valued in the year 2011 in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30<sup>th</sup> June 2020). These amounts were adopted in the year 2011.

**22 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	86,000,000	0	86,000,000
Buildings- Work In Progress	1,341,252,770	0	1,341,252,770
Plant And Equipment	12,835,394	9,628,675	3,206,719
Motor Vehicles, Including Motorcycles	61,380,122	47,017,309	14,362,813
Computers And Related Equipment	35,643,521	32,416,828	3,226,562
Office Equipment, Furniture, And Fittings	70,160,456	53,050,563	17,109,893
<b>Total</b>	<b>1,607,272,262</b>	<b>142,113,375</b>	<b>1,465,158,888</b>

No Asset in Property plant and Equipment were identified to have fully depreciated:

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**23. Intangible Assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Cost</b>		
<b>At beginning of the year</b>	<b>30,796,241</b>	<b>25,659,223</b>
Additions	1,284,255	5,137,018
<b>At end of the year</b>	<b>32,080,496</b>	<b>30,796,241</b>
Additions—internal development	0	0
<b>At end of the year</b>	<b>32,080,496</b>	<b>30,796,241</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	0	0
Amortization	6,416,099	-
<b>At end of the year</b>	<b>6,416,099</b>	-
Impairment loss	0	0
<b>At end of the year</b>	<b>6,416,099</b>	-
<b>NBV</b>	<b>25,664,397</b>	<b>30,796,241</b>

The Commission concluded installation of Enterprise Resource Planning Software and adopted amortization at 20 % on straight line method.

**24. Trade and Other Payables**

Description	2022-2023		2021-2022	
	Kshs.		Kshs.	
Provision for Audit Fees	1,000,000		1,000,000	
Milicons Ltd - WIP	173,072,820		173,072,820	
Research Grants payable	1,184,223		1,184,223	
Gratuity Payable	3,466,671		2,967,358	
Other Trade Payables	26,681,477		7,436,129	
<b>Total</b>	<b>205,405,191</b>		<b>185,660,530</b>	
Description	2022-2023		2021-2022	
	Kshs.		Kshs.	
Ageing analysis: (Trade and other payables)		% of the Total	Comparative FY	% of the Total
Under one year	26,171,317	12.7%	6,426,656	3.5%
1-2 years	0	0%	0	0%
2-3 years	2,967,358	1.5%	2,967,358	1.5%
Over 3 years	176,266,516	85.8%	176,266,516	95%
<b>Total (tie to above total)</b>	<b>205,405,191</b>	<b>100%</b>	<b>185,660,530</b>	<b>100%</b>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
for the year ended 30 June, 2023.

**Notes to the Financial Statements (Continued)**

**25. Revaluation Reserve**

**Revaluation Reserves**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Land valued in February 2011	86,886,293	86,886,293
<b>Total</b>	<b>86,886,293</b>	<b>86,886,293</b>

**26. Revenue Reserve**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Opening Balance	311,874,646	292,229,436
PIC approved W/O – GoK Grants Receivable	(136,642,133)	-
PIC approved W/O – Stock of Partitioning Materials	(5,746,188)	-
Surplus/(Deficit) for the year	3,085,618	19,645,210
<b>Total</b>	<b>172,556,762</b>	<b>311,874,646</b>

**27. Capital Grants**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Opening Balance	1,138,088,226	1,138,088,226
Capital grants for the year	-	-
<b>Total</b>	<b>1,138,088,226</b>	<b>1,138,088,226</b>

**28. Adjustments on PIC-G&E Recommendations**

Description	Brought Forward 2021-2022 as per audited financial statements	Adjustments during the year relating to prior periods	Carried down on the face of the Financial Statements
Inventories - Partitioning Materials	5,746,188	(5,746,188)	-
Grants Receivable	136,642,133	(136,642,133)	-
Revenue Reserves	311,874,646	(142,388,321)	169,486,324

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**29. Current Provisions**

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance b/f	0	0	2,967,358.34	0	2,967,358.34
Additional provisions	0	0	1,108,005.80	0	1,108,005.80
Provision utilised	0	0	(608,693.10)	0	(608,693.10)
<b>Total provisions year end</b>	<b>0</b>	<b>0</b>	<b>3,466,671.04</b>	<b>0</b>	<b>3,466,671.04</b>

The Commission's HR policy does not provide for leave and bonus provisions. The policy stipulates that annual leave is not cumulative. Hence, leave earned are taken within the leave year it falls due or be forfeited. However, an employee may, if he so wishes, carry forward from one (1) leave year to another not more than half of his annual leave entitlement.

Gratuity provision is accorded to employees on contract terms. By the close of the year, the Commission had one (1) staff under the gratuity provision.

**30. Employee Benefit Obligations**

The Commission contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Commission's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1080.00 per employee per month. Other than NSSF the Commission also has a defined contribution scheme operated by Jubilee Pension Fund. Employees contribute 10% while employers contribute 20% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance in the period in which they are incurred.

**31. Surplus Remission (for category 3 entities)**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. However, the commission did not make any meaningful surplus during the year (FY 2022-2023) and hence no remittance to the Consolidated Fund has been proposed.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**32. Cash Generated from Operations**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>Cash flow from Operating Activities</b>			
Surplus/(Deficit) for the year		3,070,438	9,645,210
Adjustments for items not involving cash movements			
Depreciation	11	15,488,945	6,823,283
<b>Surplus before working capital changes</b>		<b>18,574,563</b>	<b>26,468,492</b>
<b>Working Capital Changes</b>			
Increase in Accounts Receivables	20	(1,799,799)	(6,742,046)
Decrease/Increase in Inventory	21	(608,339)	902,228
Decrease/Increase in Accounts Payables	24	19,744,661	5,013,346
<b>Net Cash flow from operating activities</b>		<b>35,895,905</b>	<b>25,642,019</b>
<b>Cash flow from Investing Activities</b>			
Capital Grants		-	-
Changes in Fixed Assets	22-23	(15,447,254.60)	(5,512,008)
<b>Increase/Decrease in Cash and Cash Equivalents</b>		<b>20,448,650</b>	<b>20,130,011</b>
<b>Cash and Cash Equivalents - Beginning</b>		<b>67,488,873</b>	<b>47,358,862</b>
<b>Cash and Cash Equivalents - Ending</b>	19	<b>87,937,524</b>	<b>67,488,873</b>

**33. Financial Risk Management**

The Commission's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Commission'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 Commission 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 Commission's financial risk management objectives and policies are detailed below:

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**i) Credit risk**

The Commission 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 Commission's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

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

Description	Total amount	Fully performing	Past due	Impair ed
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2023</b>				
Receivables from exchange transactions	14,531,457.50	14,531,457.50	0	0
Receivables from non-exchange transactions	2,905,437.50	2,905,437.50	0	0
Bank balances	87,937,524.00	87,937,524.00	0	0
<b>Total</b>	<b>105,374,419.00</b>	<b>105,374,419.00</b>	<b>0</b>	<b>0</b>
<b>As at 30 June 2022</b>				
Receivables from exchange transactions	9,925,830	9,925,830	0	0
Receivables from non-exchange transactions	136,642,133	0	136,642,133	0
Bank balances	67,488,873	67,488,873	0	0
<b>Total</b>	<b>214,056,836</b>	<b>77,414,703</b>	<b>136,642,133</b>	<b>0</b>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts has been recognised in the financial statements.

**ii) Liquidity risk management**

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June (Current FY)</b>				
Trade payables	23,229,900	3,551,597	174,257,043	<b>200,938,519</b>
Current portion of borrowings	0	0	0	<b>0</b>
Provisions	1,000,000	0	0	<b>1,000,000</b>
Deferred income	0	0	0	<b>0</b>
Employee benefit obligation	3,466,671	0	0	<b>3,466,671</b>
<b>Total</b>	<b>27,696,571</b>	<b>3,551,597</b>	<b>174,257,043</b>	<b>205,405,190</b>
<b>As at 30<sup>th</sup> June (Previous FY)</b>				
Trade payables	5,718,773	2,449,358	173,525,043	<b>181,693,174</b>
Provisions	1,000,000	0	0	<b>1,000,000</b>
Employee benefit obligation	2,967,358	0	0	<b>2,967,358</b>
<b>Total</b>	<b>9,683,131</b>	<b>2,449,358</b>	<b>173,525,043</b>	<b>185,660,532</b>

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**iii) Market risk**

The Commission has put in place an internal audit function to assist it in assessing the risk faced by the Commission 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 Commission'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 Commission's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

The Commission 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. The *Commission* 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. Further, the commission holds a dollar bank account where all receipts for foreign research applicants are deposited/paid into. At the end of each financial year, the balance is converted from Dollar to Kenya shillings at the prevailing spot exchange rate. Due to forex rate fluctuations, there is a risk of the revenue loss. The commission plans to take advantage of favourable future rates.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

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

**Current FY**

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2023</b>			
<b>Financial Assets</b>	0	0	0
Investments	0	0	0
Cash	25,810,553	0	0
Debtors	0	0	0
<b>Total Financial Assets</b>	<b>25,810,553</b>	<b>0</b>	<b>0</b>
<b>Financial Liabilities</b>			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>25,810,553</b>	<b>0</b>	<b>0</b>

**Foreign currency sensitivity analysis**

**Previous FY**

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2023</b>			
<b>Financial Assets</b>	0	0	0
Investments	0	0	0
Cash	44,251,679.82	0	0
Debtors	0	0	0
<b>Total Financial Assets</b>	<b>44,251,679.82</b>	<b>0</b>	<b>0</b>
<b>Financial Liabilities</b>			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>44,251,679.82</b>	<b>0</b>	<b>0</b>

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes To The Financial Statements (Continued)**

**Financial Risk Management**

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

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
<b>2023 FY</b>			
Euro	10%	0	0
USD	10%	2,581,055.27	2,581,055.27
<b>2022 FY</b>			
Euro	10%	0	0
USD	10%	4,425,167.98	4,425,167.98

**b) Interest rate risk**

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

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**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 Commission'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 *Commission* considers relevant and observable market prices in its valuations where possible.

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.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**iv) Capital Risk Management**

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	86,886,293	86,886,293
Retained Earnings	172,556,762	311,874,646
Capital Reserve	1,138,088,226	1,138,088,226
<b>Total Funds</b>	<b>1,397,531,281</b>	<b>1,536,849,165</b>
Total Borrowings	205,405,191	185,660,532
Less: Cash and Bank Balances	(87,937,524)	(67,488,873)
Net Debt/(Excess Cash And Cash Equivalents)	117,468,067	118,171,659
<b>Gearing</b>	<b>8.4%</b>	<b>7.7%</b>

**34. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Commission include those parties who have the 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 the Commission, holding 100% of the Commission's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Commission, both domestic and external.

**Other related parties include:**

- i. The Parent Ministry- The Ministry of Education
- ii. Key management.
- iii. Board of directors.
- iv. Suppliers/ Vendors
- v. Researchers
- vi. Collaborators and partners
- vii. Affiliated institutions/organizations
- viii. Citizen

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
for the year ended 30 June, 2023.

Notes to the Financial Statements (Continued)

**Related party disclosures (continued)**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to govt agencies	0	0
Rent income from govt. Agencies	33,874,055	30,132,155
Water sales to govt. Agencies	0	0
Others (specify) e.g. interest and bank charges	0	0
<b>Total</b>	<b>33,874,055</b>	<b>30,132,155</b>
<b>B) purchases from related parties</b>		
Purchases of electricity from KPLC	5,085,719	4,397,934
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	403,625	405,488
Training and conference fees paid to govt. Agencies	2,491,768	2,014,152
Others (specify)	0	0
<b>Total</b>	<b>7,981,112</b>	<b>6,817,574</b>
<b>b) Grants /transfers from the government</b>		
Grants from national govt	207,841,804	202,841,804
Grants from county government	0	0
Donations in kind	0	0
<b>Total</b>	<b>207,841,804</b>	<b>202,841,804</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
<b>Total</b>		
<b>d) Key management compensation</b>		
Director General's emoluments	6,261,128	6,081,128
Compensation to key management	33,519,903	37,482,720
<b>Total</b>	<b>39,781,031</b>	<b>43,563,848</b>

**35. Contingent Assets and Contingent Liabilities**

The Commission has not made any provisions for Contingent Assets or Contingent Liabilities

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Notes to the Financial Statements (Continued)**

**36. Capital Commitments**

<b>Capital Commitments</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Installation of 1 Office lift	9,000,000	0
Utility Vehicle	0	15,000,000
<b>Total</b>	<b>9,000,000</b>	<b>15,000,000</b>

NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Installation of office lift was authorized, contracted for and was ongoing at the close of the year.

**37. Events after the Reporting Period**

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

**38. Ultimate And Holding Commission**

The Commission is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**39. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

*National Commission of Science, Technology and Innovation*  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**20. Appendices**

**Appendix 1: Implementation Status of Auditor-General's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
<b>A. REPORT ON THE FINANCIAL STATEMENTS</b>				
1	<p><b>Loss of Inventory:</b>                      The statement of financial position reflects an inventories balance of Kshs 11,876,617 as disclosed in Note 22 to the financial statements. This includes stock of partitioning materials worth Kshs 5,746,188 removed from the Commission's offices at Emperor Plaza building in 1997 and transferred to the Ministry of Public Works which have not been accounted for as at the date of this report. The materials subsequently went missing from the Ministry's go down at Industrial area where they were being kept under safe custody. The matter has been under investigation by the Directorate of Criminal Investigations (DCI) over the last eighteen (18) years who indicated that no records were found to enable the investigations to determine what happened as the police files could not be traced after five (5) years. In September 2015, the Public Investment Committee deliberated on the issue and observed that the DCI had taken inordinately long time to conclude investigations.                      The committee recommended that the then Chief Executive Officer, the Corporation's officers assigned to supervise the exercise of relocating the stocks and the Ministry of Public Works Officers then in charge of the go down at Industrial Area be held accountable and be</p>	<p>The materials went missing from the Ministry's godown at Industrial Area where they had been kept for safe custody.</p> <p>The first Public Investment Committee on Governance &amp; Education (PIC-G&amp;E) sitting and in their report dated 20.06.2023, recommended that the issue of the stock of partitioning materials worth Kshs 5,746,188 be closed and written off in the Commissions books.</p>	<b>Resolved</b>	Resolved

**National Commission of Science, Technology and Innovation**  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>surcharged for the loss of the materials. However as at the time of this report no surcharge or recovery of the amount had been instituted.</p> <p>In the circumstances, inventories balance of Kshs 11,876,617 as at 30 June, 2022 is overstated by Kshs 5,746,188.</p>			
2	<p><b>Unsupported Accounts Receivables and Prepayments:</b></p> <p>The statement of financial position reflects receivables from non-exchange transactions balance of Kshs 152,279,229 as disclosed in Note 21 to the financial statements.</p> <p>Included in this balance is an amount of Kshs 136,642,133 relating to grants expected from the Government in the financial year 2014/2015 which were not received. The amount represents budgeted Exchequer appropriations which ought to have lapsed at the close of that accounting year.</p>	<p>The first Public Investment Committee on Governance &amp; Education (PIC-G&amp;E) sitting and in their report dated 20.06.2023, recommended that the issue of receivable grants of Kshs 136,642,133 be closed and written off in the Commissions books.</p>	<b>Resolved</b>	
	<p>Rent receivable increased from Kshs 3,672,000 to Kshs 9,925,830 indicating laxity in the collection efforts.</p> <p>In the circumstances, the accuracy, recoverability and fair statement of accounts receivables and prepayments' balance of 152,279,229 as at 30 June, 2022 could not be confirmed.</p>	<p>Recovery efforts have been put in place.</p>	Partly resolved	During FY 2023-2024
3	<p><b>Unsupported Trade and Other Payables:</b></p> <p>The statement of financial position reflects trade and other payables from exchange transactions amounting to Kshs 185,660,530 as disclosed in Note 24 to the financial statements. This balance includes</p>	<p>The amounts related to second tranche payable to Japan Society for Promotion of Science (JSPS) project implementors but being held by</p>	<p><b>Not Resolved:</b></p> <p>A follow up with the</p>	<p>During FY 2023/2024</p>

**National Commission of Science, Technology and Innovation**  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>research grants payable of Kshs 1,184,223 which has been outstanding from the prior period and whose details of the activities and beneficiaries were not provided for audit review.</p> <p>Information provided by management indicated that the amounts related to second tranche payable to Japan Society for Promotion of Science (JSPS) project implementors but being held by the Commission as the implementors are yet to account for the first tranche.</p>	<p>the Commission as the implementors are yet to account for the first tranche.</p>	<p>project implementers is in progress. Supporting documents relating to the project are available too.</p>	
	<p>Included in other payables balance of Kshs 7,436,129 is long outstanding and unsupported amount of Kshs 1,759,800 with Kshs 282,640 being due to Kenya Power and Lighting Company, Kshs 477,150 due to Postal Corporation of Kenya and Kshs 1,000,000 due to Ministry of Public Works.</p> <p>In the circumstances, the accuracy and fair statement of trade and other payables from exchange transactions balance of Kshs 185,660,530 as at 30 June, 2022 could not be confirmed.</p>	<p>The amounts due to the Kenya Power and Lighting Company, Postal Corporation of Kenya and Ministry of Public works have not been claims and there are no documents to support the payables; these are balances b/fwd from prior periods. The management is following up with the three organizations to ascertain if these payables are genuine after which the payment will be made.</p>	<p>Not resolved</p>	<p>During FY 2023-2024</p>
4	<p><b>Inaccuracies in Property, Plant and Equipment:</b></p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs 1,490,864,975 as disclosed in note 29 to the financial statements. Included in this balance is work in progress amounting to Kshs 1,341,252,770 relating to certified works on the building which has not been capitalized. The project supervisor, the</p>	<p>Delay in the capitalization was due to disputed claims by the contractor relating to additional claims on account of penalties and interest on delayed payments.</p>	<p>Not Resolved</p>	<p>The Commission awaiting conclusion of the ongoing court case relating to the building so as</p>

**National Commission of Science, Technology and Innovation  
Annual Reports and Financial Statements  
for the year ended 30 June, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>State department for Public Works issued the Commission with certificate of substantial completion allowing it to move into the building in May 2017 and partially release 50% of the retention money. No depreciation is being charged despite the building being put into use.</p> <p>In addition, review of the project status financial appraisal in the final account report of 19 January 2020, indicated that total certified work amounted to Kshs 1,297,971,643 therefore exceeding the contract sum by Kshs 306,980,653 or 31%. Management attributed the excess amounts to variations due to cost fluctuations above the bills of quantity provisions, interest on delayed payment and contractual claims already provided in clause 23.3 of conditions of contract and penalties due to contractual breaches on the part of the Commission.</p> <p>A review of the position in the current year indicates that the main contractor has made disputed claims relating to penalties, interest and contractual sums. The amount claimed by the contractor is however at variance with the workings of the project supervisors, State department of public works and is hence in dispute and not quantifiable.</p> <p>Further, a pending bills committee appointed by the principal secretary, State department for university education and research has not finalized negotiations with the contractors as regards having the contractors agree to waive their claims for interest on delayed payments. The main contractor has declared a dispute on these claims and the Commission is waiting for the outcome of the legal process.</p> <p>Further, the work in progress balance also includes the cost of Enterprise Resource Planning (ERP) system procured at a cost of Kshs</p>	<p>The excess amount of Kshs 306,980,653 is attributable to cost fluctuations above the bills of quantity provisions, interest on delayed payment and contractual claims already provided in clause 23.3 of conditions of contract and penalties due to contractual breaches on the part of the Commission.</p>		<p>to resolve this issue</p>

**National Commission of Science, Technology and Innovation**  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status:</b> <i>(Resolved / Not Resolved)</i>	<b>Timeframe:</b> <i>(Put a date when you expect the issue to be resolved)</i>
	<p>30,796,241 which has wrongly been classified as Property, Plant and Equipment, and not an intangible asset.</p> <p>In the circumstances, the validity, accuracy and fair statement of the property, plant and equipment balance of Kshs 1,490,864,975 as at 30 June, 2022 could not be confirmed. In addition, the value for money may not have been realised on the payments made on the office block.</p>			
<b>B. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
1	<p><b>Trade and Other Payables from Exchange Transactions:</b>  The statement of financial position reflects trade and other payables balance of Kshs 185,660,530 as disclosed in Note 24 to the financial statements. Information provided indicates that the amount constitutes certified works which had not been paid for as indicated below:</p> <p>Certificate No. 23 (balance) dated 6 July 2017: Certified Amount Kshs 82,541,230, revised Amount Kshs 56,074,970</p> <p>Certificate No. 25 dated 30 October 2018: Certified amount Kshs 113,239,107, revised amount Kshs 92,223,075</p> <p>Certificate No. 26 dated (retention money balance) Certified amount Kshs 24,774,775.</p> <p>The Commission with support from the Parent Ministry made part payments for actual works done thus reducing the amounts in the certificates issued by the project supervisor, State Department for Public Works, as indicated by the revised amounts.</p>	<p>Upon issuing of a ruling by the arbitrator, the main contractor was not satisfied and escalated the matter to the High Court. The Commission has therefore not made any payments in the year and will get the way forward once the legal process is completed.</p>	Not Resolved	Once the legal process is completed

**National Commission of Science, Technology and Innovation  
Annual Reports and Financial Statements  
for the year ended 30 June, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The main contractor, however, did not agree with the certificates issued by the project supervisors and declared a dispute. As per the provisions of the contract, the dispute was filed before an arbitrator with the Commission being represented by the office of the Attorney General. Upon issuing of a ruling by the arbitrator, the main contractor was not satisfied and escalated the matter to the High Court. The Commission has therefore not made any payments in the year and will get the way forward once the legal process is completed.</p> <p>Review of the outstanding payment certificates revealed that interest amounting to Kshs 147,659,596 arising from delay in payment of certified work has accrued as at 30 June, 2022. The expenditure could have been avoided had the Parent Ministry settled the bills on time. In these circumstances, value for money may not have been realised on the payments by the Parent Ministry. In addition, public funds may be charged improperly if penalties end up being paid.</p>			

**Guidance Notes:**

.....  
Director General/C.E.O/M.D (enter title of head of Commission)

Date:

**National Commission of Science, Technology and Innovation**  
**Annual Reports and Financial Statements**  
**for the year ended 30 June, 2023.**

**Appendix V- Inter- Entity Confirmation Letter**



**National Commission for Science, Technology and Innovation**

Confirmation of amounts received by National Commission for Science, Technology and Innovation as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary Commission] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
RECEIPT:110689	31/08/2022	17,320,150.00	0	0	17,320,150.00	17,320,150.00	0
RECEIPT:110690	02/09/2022	17,320,150.00	0	0	17,320,150.00	17,320,150.00	0
RECEIPT:110691	05/09/2022	17,320,150.00	0	0	17,320,150.00	17,320,150.00	0
RECEIPT:113342	13/12/2022	51,960,451.00	0	0	51,960,451.00	51,960,451.00	0
RECEIPT:117426	14/04/2023	51,960,452.00	0	0	51,960,452.00	51,960,452.00	0
RECEIPT:117591	27/06/2023	51,960,451.00	0	0	51,960,451.00	51,960,451.00	0
<b>Total</b>		<b>207,841,804.00</b>	<b>0</b>	<b>0</b>		<b>207,841,804.00</b>	<b>0</b>

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department**

Name Gideon K. Kirui Sign [Signature] Date .....