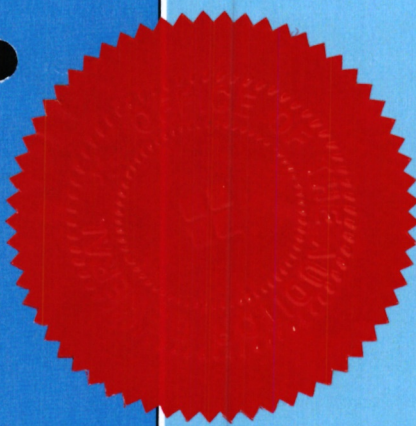
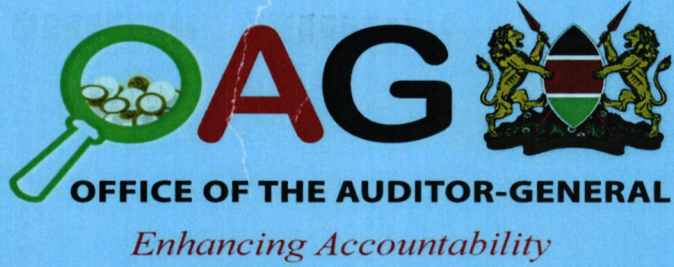



REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT:	04 AUG 2021
	DAY: Wednesday
TABLED BY:	Majority Whip
CLERK-AT THE TABLE:	Gubinde Chebet

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

NATIONAL RESEARCH FUND

FOR THE YEAR ENDED
30 JUNE, 2019



NATIONAL RESEARCH FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE, 2019

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

TABLE OF CONTENTS

I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
National Research Fund bankers	v
II. THE BOARD OF TRUSTEES	vi
Committees of National Research Fund Board	x
III. CHAIRMAN'S STATEMENT	xii
IV REPORT OF THE CHIEF EXECUTIVE OFFICER	xviii
REPORT OF THE TRUSTEES	xxiii
REPORT OF THE AUDITOR-GENERAL ON NATIONAL RESEARCH FUND	xxiv
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CASH FLOWS	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
V. NOTES TO THE FINANCIAL STATEMENTS	6
VI. APPENDICES	37
VII. LIST OF ASSETS	41

I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

National Research Fund (NRF) was established under PART VII of the Science, Technology and Innovation (ST&I) Act (No. 28 of 2013 and is domiciled in Kenya and has the offices at Utalii House, in Nairobi. Its Board of Trustees was gazetted on 24th July 2015 followed by the inauguration, on 10th November 2015 and subsequent appointment of the interim Secretariat in December, 2015. The Act also formed National Council for Science, Technology and Innovation (NACOSTI) and Kenya National Innovation Agency (KENIA).

NRF falls under the Ministry of Education, State Department for University Education and Research. At the Ministry level the NRF is represented by the Cabinet Secretary in charge of Ministry of Education who is responsible for the general policy and strategic direction.

Principal activities

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

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

The functions of NRF are to:

- i. Mobilize resources for the national innovation systems from the Government, the private sector, venture capital, development partners and other sources;
- ii. Prudently manage and invest the funds so mobilized
- iii. Support the development of human resources through grants to persons or research institutions or universities pursuing postgraduate programs in prioritized areas of science, technology and innovation with priority being given to marginalised indigent communities;
- iv. Support the development of research capacities in the national priority areas of science, technology and innovation
- v. Allocate funds for research and promote multi-disciplinary collaboration among Universities and research institutions,
- vi. Evaluate the needs, status and results of research financed through the Fund
- vii. Provide financial support for the development of research facilities by universities, research institutions and other bodies identified by the Commission.
- viii. Provide financial support for participation in international scientific activities through maintaining membership to appropriate international science organizations;
- ix. Provide financial support for collaboration, co-operation and sharing of research information and knowledge., including supporting conferences, workshops, seminars, meetings and other symposia;

- x. Promote the provision of an information infrastructure linking research institutions to facilitate co-operation and sharing of research information and knowledge
- xi. Initiate liaison with bodies involved in the protection of intellectual property rights;
- xii. Compile and maintain a national database of research and innovation funded by the
- xiii. Perform the monitoring and evaluation of the results and impact of the research activities financed out of the Fund.

Vision

A world-class research funding agency for competitive knowledge economy

Mission

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

Strategic Objectives

The NRF is guided by the following strategic objectives:

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

Key Management

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

- Board of Trustees
- Accounting officer who is the Chief Executive Officer
- Technical officers and,
- Support staff

Fiduciary Management

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

S/No.	Designation	Name
1.	Ag. CEO	Dr. Jemimah G. Onsare
2.	Technical Officer	Dr. Roselida Owuor
3.	Technical Officer	Mr. David Ngigi
4.	Head of Finance	Victoria N. Wanyoike
5.	Procurement Officer	Gerishom Karoki

Fiduciary Oversight Arrangements

The key fiduciary committees at NRF for the year 2018/19 were:

Finance Committee

The committee is responsible and instrumental in:

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

Audit and Risk Management Committee

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

Technical Committee

The committee is responsible;

1. Ensure affective, accurate, timely and transparent disclosure of pertinent information on NRF's operations and performance;
2. Review on quarterly basis the attainment of targets and objectives set out in the agreed performance target with the Government of Kenya;
3. Review, Monitor and ensure that NRF is effectively and consistently delivering on its mandate

National Research Fund Headquarters

Utalii House
Utalii Lane
Nairobi, KENYA

National Research Fund Contacts

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

National Research Fund bankers

1. National Bank of Kenya
Harambee Avenue,
P.O BOX 72866-00200
Nairobi-Kenya
2. Kenya Commercial Bank
Kipande House
P.O. Box 48400-00100
Nairobi-Kenya

Independent Auditors

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

Principal Legal Adviser

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

II. THE BOARD OF TRUSTEES

The Board of Trustees members who held the office in 2018/2019 are as below:





Dr James Patrick Ochieng-Odero, HSC
Date of Birth, 15-8-1957
Independent Member

J. P. Ochieng'-Odero is an entomologist with keen interest in the place of science, technology and innovation (ST&I) in economic development, and the role of learning and knowledge sharing in capacity strengthening. He is currently employed as the Project Team Leader of the DFID/PwC East Africa Research Fund. Earlier he worked as a Senior Research Scientist and Head of the capacity strengthening programme of the International Centre of Insect Physiology and Ecology (ICIPE) including serving as the Network Coordinator of the African Regional Postgraduate Programme in Insect Science (ARPPIS) a training programme implemented in partnership with 34 African universities.

In 2008 he was appointed Deputy Director & Head of Scientific Programmes of the Consortium for National Health Research (CNHR), which is a Kenyan-based health research grant making organization. He is a member of the African Scientific Advisory Board (ASAB) of The African Academy of Sciences (AAS) since March 2019 and serves as a member of the Regional Advisory Group of the DFID-funded Knowledge Systems Innovation Project. He has been (2013-2017) a member of the board of the Commission of University Education (CUE) of Kenya. He has also served as a member of the Programme Monitoring Committee of the Regional Integration Research Network of the Common Market for Eastern and Southern Africa (COMESA).

He graduated with a BSc. (Zoology) in 1982 from the University of Poona, and was awarded the Indian National Merit Scholarship for Science. In 1984, he was awarded an Africa-Wide Postgraduate Research Fellowship that enabled him to undertake postgraduate research at the Department of Scientific and Industrial Research (DSIR), New Zealand leading to his graduation with a PhD in Zoology (specializing in Entomology) from the University of Auckland in 1989.

JPR has published numerous articles on scientific research, capacity building and technology policy. For his various contributions to national development he was awarded a Head of State Commendation (HSC, Kenya) in December 2013

 <p>Dr. Vincent Gaitho Date of Birth: 24-11-1964 Independent Member and Chair of the Technical Committee of the Board</p>	<p>Vincent Gaitho is the Mt. Kenya University Council Vice-Chair. He is a lecturer at Catholic University of East Africa. Dr. Gaitho currently serves as Chairman of the Higher Education and Research Sector Board of Kenya Private Alliance (KEPSA) that acts as entry point between KEPSA and the Government on Policy advocacy work. He is as Environmental Impact Assessment/ Environmental Audit lead expert accredited by NEMA. He represents KEPSA in the NRF Board of Trustees. He holds a Doctorate degree.</p>
 <p>Dr. Habil Olaka Date of Birth: 14-11-1964 Independent Member and Chair of the Finance and Administration Committee of the Board</p>	<p>Habil Olaka is the Chief Executive Officer of Kenya Bankers Association (KBA) since 2010. He is responsible for the strategic direction of the Association under guidance from the KBA Governing Council. Previously he was the Director of Operations of the East African Development Bank (EADB) based in Kampala after serving as the Resident Manager in Kenya. He earlier served the bank as the Head of Risk Management and as the Chief Internal Auditor. Before joining the Bank, he had been with Banque Indosuez (now Bank of Africa) as the Internal Auditor. He started his career at the Price water house Coopers, Nairobi in the Audit and Business Advisory Services Division. He holds a Doctorate of Business Administration from USIU-Africa, a First Class Honours BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business School in the UK. He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK) and the CFA Institute. He is an alumnus of the Strathmore School of Accountancy.</p>

III. CHAIRMAN'S STATEMENT

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

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

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

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

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

The effort by the Government to increase the allocation to research as provided by the Science, Technology and Innovations Act of 2013, where NRF is tasked to mobilize the funds to a tune of 2% (approximately KES 124B) of the country's GDP is promising. Attainment of this goal will enhance investment in creation of new knowledge (Research) that contributes to the overall National Development agenda.

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

1. Delayed appointment of the substantive Chairperson which affected the operations.
2. Delayed receipt of authority to enable the Board initiate recruitment process hence the Fund has inadequacy of staff to execute its expanding activities.
3. The lengthy processes involved in initiation of collaborative programmes with development partners have affected the efficiency in establishment of such programmes.

To mitigate aforementioned challenges, the Board undertakes to mobilize resources towards the 'Big Four' agenda and will continue to strengthen Human Capital through support of integrated collaborative research programmes; invest in physical research infrastructure;

Automate NRF operations to increase efficiency and Develop a resource mobilization strategy to increase the research grant kitty.



Dr. Habil Olaka
Internim Chairman

IV. STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

Approval of the financial statements

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



Dr. Habil Olaka
Interim Chairman



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





Mr Jared Osoro

Date of Birth: 24-8-1971

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

Jared Osoro serves as Director of Research and Policy, and the Director of the Kenya Bankers Association (KBA) Centre for Research on Financial Markets and Policy since January 2013. He has over 13 years' experience as a practicing economist in the financial sector. He most recently served as Bank Economist for the East African Development Bank, a position he held for more than 10 years. His professional interest is in the areas of International Macroeconomics, Financial Economics, Economic Policy and Modelling, and Development/Project Financing Economics. He holds a Master of Science Degree in Economics from the University of Zimbabwe and a Bachelor's Degree in Economics from the University of Nairobi, and has received post-graduate training in Project Financing Economics from Bradford University (United Kingdom), and Development Evaluation Economics from World Bank and Carleton University (Canada).



Archbishop T.Z. Ingana

Date of Birth: 27-9-1966

Archbishop Titus Ingana is currently Head of Science, Technology and Innovation Policy Department and represents Principal Secretary, State Department for University Education at NRF Board of Trustees. He is a former UN policy Advisor to the Prime Minister of East Timor (Timor Leste-Indonesia) and has amongst others worked as a consultant in Rwanda on ISCO-Potter Human Resource modelling. He has Authored 18 books. He is a holder of Masters Degree in Geology.



Ms. Edna Atisa

Date of Birth: 23-9-1977

Edna Atisa is the representative of CS National Treasury and Planning at the NRF Board of Trustees. She is a holder of BA (Economics) and MA (Economics) and a postgraduate graduate diploma in education. She has also trained in several professional courses on management, strategic leadership and Governance.

 <p>Dr. M.K Rugutt Date of Birth: 23-8-1956</p>	<p>Moses Rugutt is the Director General at the National Commission for Science Technology and Innovation. He holds a PhD in Veterinary Medicine from University of Glasgow, a Master of Tropical Veterinary Science at the University of Edinburgh and a Bachelor of Veterinary Medicine from the University of Nairobi.</p>
 <p>Dr. Salome M. Guchu Date of Birth: 18-9-1975</p>	<p>Salome M. Guchu is currently the Ag. Chief Executive Officer of the Kenya National Innovation Agency (KENIA). She has experience in the area of research and innovation policy and management. She is a holder of PhD in Chemistry from University of Nairobi, a Master of Science and Bachelor of Science from the same university. She has also trained in several professional courses on research, technology and innovation policy and management, leadership and Governance.</p>
 <p>Dr. Jemimah G. Onsare Date of Birth: 12-6-1976</p>	<p>Jemimah G. Onsare is a Principal Research Officer at the Directorate Research Science and Technology (DRST), State Department of University Education and Research, Ministry of Education and is currently the Ag. Chief Executive Officer NRF. She has experience in resource mobilization and management of Research Grants and has participated in various programmes within the ST&I sector both at National and International level. Dr. Onsare also has experience in Microbiological Research (Antimicrobials), grants proposal writing and has published a number of research articles in international Journals of repute. She holds a PhD (Applied Microbiology – Antimicrobials) under the Kenya – India Bilateral Agreement Scholarship from Guru Nanak Dev University, Amritsar – India and has training on putting ideas to work – strategies for innovation – led sustainable growth (International Programme Sponsored by SIDA).</p>





Committees of National Research Fund Board

<p>Finance and Administration Committee</p>	<p>Dr.Habil Olaka - Chair Ms. Edna Atisa Dr. Moses Rugutt Arch-Bishop Ingana Dr. JPR OchiengOdero</p>
<p>Technical Committee</p>	<p>Dr. Vincent Gaitho - Chair Dr. Moses Rugutt Arch-Bishop Ingana Dr. JPR Ochieng Odero Dr. Salome Guchu Dr.Habil Olaka Mr. Jared Osoro</p>
<p>Audit Committee</p>	<p>Mr. Jared Osoro – Chair Ms. Edna Atisa Arch-Bishop Ingana Dr. Vincent Gaitho Salome Guchu</p>

Management Team

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

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

	<p>Dr. Jemimah G. Onsare Acting Chief Executive officer</p> <p>Details as above.</p>
	<p>Dr. Roselida Owuor (Technical staff) holds a PhD in Cell and Molecular Biology from Maseno University. Has trained in several professional courses on management, strategic leadership and Governance.</p>
	<p>Mr David Ngigi (Technical Staff) holds M.Sc. in Agricultural Entomology from Moi University and currently pursuing a doctorate degree in the same field. Has trained in several professional courses on management, strategic leadership and Governance.</p>
	<p>Ms Victoria N. Wanyoike is a certified public accountant and holds Bachelor's Degree in Business management (Finance option). She is a member of the Institute of certified Public Accountants of Kenya</p>
Procurement	The Ministry procures on behalf of the Board

V. CHAIRMAN'S STATEMENT

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- Created awareness of the Fund by convening an interactive forum to sensitize stakeholders about National Research Fund; and
- Conducted a National Research and Development survey on Research and Development (R&D).

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

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7. Alignment of the strategic plan to the 'Big Four' Agenda;
8. Development of finance procedures manual.

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

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

4. Delayed appointment of the substantive Chairperson which affected the operations.
5. Delayed receipt of authority to enable the Board initiate recruitment process hence the Fund has inadequacy of staff to execute its expanding activities.
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integrated collaborative research programmes; invest in physical research infrastructure; Automate NRF operations to increase efficiency and Develop a resource mobilization strategy to increase the research grant kitty.



Dr. Habil Olaka
Interim Chairman

National Research Fund
Annual Report and Financial Statements For the year ended 30th June, 2019

7.	Kenya/France	6	2,715,150	2,715,150
	Total		360,715,150	309,715,150

*: *On-going programmes*

In addition to the above, the other achievements include:

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



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

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

3 Years On-Going programmes (Annex vi)		
Programme	No. Of Funded Projects	Amount Awarded during FY 2016/2017
Multidisciplinary Research	157	1,966,797,445.30
Doctoral Research	218	272,224,910
Masters Research	198	68,495,032
Infrastructural Grants	20	996,015,284
Total	594	3,303,532,672.30

Other than NRF- Africa Science Granting Council initiative, all the bilateral programs are based on core-financing model where each partner funds its component and they both share the knowledge emanating from such programme.

The bilateral partnerships and amounts mobilized are summarized below;

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

CORPORATE GOVERNANCE STATEMENT

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

Role and functions of the Board

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

National Research Fund Board of Trustees was inaugurated in November 2015 and is in the process of operationalizing its function. During the period under review, the Board underwent training on corporate governance and its performance for Financial year 2018/2019 was conducted in July 2019 and the report is yet to be released. The Chairman held office up to October 2018 and was paid honoraria amounting to Ksh. 400,000 which includes the arrears from the previous FY. The Board conducted its meetings as shown in the table below and there was no conflict of interest registered.

Board Meetings and Attendance

Committee/ Board	Members	Meetings	Attendance
Finance Administration Committee	1. Dr.Habil Olaka – Chair 2. Ms. Edna Atisa 3. Dr. Moses Rugutt 4. Arch-Bishop Ingana 5. Dr. JPR Ochieng Odera	Quarter 1 - Nil	Nil
		Quarter 2 - Nil	Nil
		Quarter 3 - 1	5 members
		Quarter 4 - 3	Meeting 1 - 5 members Meeting 2 - 5 members Meeting 3 - 4 members
Technical Committee	1. Dr. Vincent Gaitho - Chair 2. Dr. Moses Rugutt 3. Arch-Bishop Ingana 4. Dr. JPR Ochieng Odera 5. Dr. Salome Guchu 6. Dr. Habil Olaka 7. Mr. Jared Osoro	Quarter 1 - Nil	Nil
		Quarter 2 - Nil	Nil
		Quarter 3 - 1	Meeting 1 - 5 members
		Quarter 4 - 2	Meeting 1 - 6 members Meeting 2 - 4 members
Audit Committee	1. Mr. Jared Osoro – Chair 2. Ms. Adna Atisa 3. Arch-Bishop Ingana 4. Dr. Vincent Gaitho 5. Salome Guchu	Quarter 1	Nil
		Quarter 1	Nil
		Quarter 1	Nil
		Quarter 4 - 1	Meeting 1 - 5 members
Full Board	1. Mr. Tirop Kosgey 2. Dr. Vincent Gaitho - Chair 3. Dr. Moses Rugutt 4. Arch-Bishop Ingana 5. Dr. JPR Ochieng Odera 6. Dr. Salome Guchu 7. Dr. Habil Olaka 8. Mr. Jared Osoro	Quarter 1 - 2	Meeting 1 - 7 members Meeting 2 - 5 members
		Quarter 2 - 2	Meeting 1 - 8 members Meeting 2 - 6 members
		Quarter 3 - 1	Meeting 1 - 7 members
		Quarter 4 - 2	Meeting 1 - 7 members Meeting 2 - 6 members

MANAGEMENT DISCUSSION AND ANALYSIS

The key activities for FY 2018/2019 based on the Fund's core mandate, includes support development of research capacity through human resource, Developmental Research and national research infrastructure grants as well as resource mobilization for the advancement of Science, Technology and Innovation in Kenya. The programmes focused on the current Government development policy namely; Universal Health, Food and Nutrition Security, Affordable Housing and Manufacturing.

In addition to research and innovation support, NRF through a competitive process has funded institutional scientific research infrastructure to create the National Centres of state-of-the-art laboratories for researchers to carry out their work in a conducive environment to enhance efficiency as well as quality of Research outputs such as publications in high Impact factor journals and spin offs innovations in the Big Four priority areas. Most of the funded programmes are implemented within three years life cycles.

National Research Fund started the year by clearing the pending bills incurred in previous FY. In addition, the National funded programmes which are in tandem with the NRF's mandate of facilitating research for the advancement of Science, Technology and Innovation for national development in line with the 'Big Four' agenda, total of Ksh. 1.475 Billion have been disbursed to the various R and D institutions.

REPORT OF THE TRUSTEES

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

Principal activities

NRF's principal activities continue to be:

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

Results

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

The Trustees

The members of the Board of trustees who served during the year are shown on page vi to x. During period under review, the chairman, Mr. Tirop Kosgey's 1st term ended in October 2018, and since then no other Chairman has been appointed.

Auditors

The Auditor General is responsible for the statutory audit of the NRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. No firm of Certified Public Accountants was nominated by the Auditor General to carry out the audit of NRF for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf. This is due to the fact that NRF commenced operations as a separate entity from the state department in July 2018 hence there is no previous audit

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 RESEARCH FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Research Fund set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Research Fund as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance and Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

Basis for Qualified Opinion

1. Unconfirmed Research Program Grants

The statement of financial performance reflects research program grants of Kshs.1,475,017,108. However, confirmations by the recipients of grants amounting to Kshs.635,657,943 were not provided for audit verification. It has therefore, not been possible to confirm the accuracy and validity of the reported balance of Kshs.1,475,017,108 for research program grants.

2. Unreconciled Variance in Payables from Non-Exchange Transactions

The statement of financial position reflects payables from non-exchange transactions balance of Kshs.218,558,978 as at 30 June, 2019. However, the balance differed with the balance of Kshs.258,318,638 reflected in the supporting schedule provided for audit by Kshs.39,759,660. No explanation or reconciliation was provided for the difference.

In the circumstances, it has not been possible to confirm the accuracy and validity of the reported balance of trade and other payables from non-exchange transactions of Kshs.218,558,978 as at 30 June, 2019.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.1,817,211,671 against actual receipts of Kshs.1,838,909,671 resulting to a surplus of Kshs.21,698,000. Similarly, the statement reflects an approved expenditure budget of Kshs.1,854,297,625 against actual spending of Kshs.1,503,505,105 resulting into an under-expenditure of Kshs.350,792,520 or 18.9%. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Substantive Office Holders

As reported under key entity information and management section of the annual reports and financial statements, the Chief Executive Officer was serving in an acting capacity, a substantive Chairperson had not been appointed and secretariat services were offered by officers deployed from the Ministry of Education. This is contrary to Section 32 (4) (a) and Section 34 of the Science, Technology and Innovation Act, 2013 which provides for the appointment of a Chairperson of the Board of Trustees and the Director and staff of the Fund respectively.

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

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

05 July, 2021

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

	Note	2018/19	2017/18
Revenue From Non Exchange Transactions		Kshs	Kshs
Transfers from other governments entities	6	1,838,909,671	-
Total Revenue		1,838,909,671	-
Expenses			
Administration & Operating cost	7	18,572,570	-
Depreciation and amortization expenses	9	3,963,475	-
Board Expenses	8	5,951,952	-
Research programs grants	10	1,475,017,108	-
Total expenses		1,503,505,105	-
Surplus for the period		335,404,566	-

The notes set out on pages 6 to 41 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2018/19	2017/18
Assets		Kshs	Kshs
Current Assets			
Cash and cash equivalents	11	64,955,141	-
Receivables	12	472,845,894	-
Prepaid Insurance Expense	14(i)	1,355,608	-
Total Current Assets		539,156,643	-
Non-Current Assets			
Property, plant and Equipment	13	14,806,901	-
Total Non - current assets		14,806,901	-
Total assets		553,963,544	-
Current Liabilities			
Payables from non-exchange transactions	14(i)	218,558,978	-
Total Current Liabilities		218,558,978	-
Total Net Assets		335,404,566	
Represented by:			
Accumulated surplus		335,404,566	-
Total Net Assets		553,963,544	-

The Financial Statements set out on pages 27 to 48 were signed on behalf of the Board of Trustees by:



Dr. Habil Olaka
Interim Chairman



Dr. Jemimah G Onsare, PhD
Ag. CEO NRF



Charles Omwega Kunyoria
CPA NO: 11758
Finance Division

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

Particulars	Cumulative Surplus	Total
	Kshs	Kshs
Balance b/f at 1st July 2018		
Surplus for the Period FY 2018/19	335,404,566	335,404,566
Balance carried forward at 30th June 2019	335,404,566	335,404,566

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

	Note	2018/19	2017/18
		Kshs	Kshs
Cash Flows From Operating Activities			
Surplus for the year		335,404,566	
Adjustment			
Depreciation & Ammortization expense	9	3,963,475	
Assets donated from state Dept. University Educ.	13	(14,936,000)	
Operating cashflow before working capital Changes		324,432,041	
Working capital changes			
Increase in receivables	12	(472,845,894)	
Increase in prepayments	14(i)	(1,355,608)	
Increase in payables.	14(i)	218,558,978	
Cash flows from operating activities		68,789,517	
Cash flows from investing activities			
Purchase of property, plant, equipment	13	(3,834,376)	-
Net cash flows used in investing activities		(3,834,376)	-
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents	11	64,955,141	-
Cash and cash equivalents at start of the Year		-	-
Cash and cash equivalents at end of the Year		64,955,141	-

*National Research Fund
Annual Report and Financial Statements For the year ended 30th June, 2019*

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance	Remarks
	Kes	Kes	Kes	Kes	Kes	
Revenue						
Government grants and subsidies	1,854,297,625	37,085,954	1,817,211,671	1,817,211,671		
Donations from SDUE (Motor Vehicles) at NBV	-	-	-	14,936,000	(14,936,000)	(a)
Refunds from University of Nairobi	-	-	-	6,762,000	(6,762,000)	(b)
Total income	1,854,297,625	37,085,954	1,817,211,671	1,838,909,671	(21,698,000)	
Expenses						
Employee costs	6,400,000	(6,400,000)	0	-	-	Delay in obtaining approval to pay staff
Administration & Operating cost	116,699,700	(67,500,000)	49,199,700	18,572,570	30,627,130	Some activities were carried forward to the current FY
Depreciation and amortization expenses	-			3,963,475	(3,963,475)	Depreciation charge for the year
Board Expenses	20,000,000	(4,000,000)	16,000,000	5,951,952	10,048,048	Fewer Board activities due to absence of the chairperson also due to lockdowns of covid
Research programs grants	1,711,197,925	77,900,000	1,789,097,925	1,475,017,108	314,080,817	Lack of exchequer
Total expenditure	1,854,297,625	(36,000,000)	1,854,297,625	1,503,505,105	350,792,520	
Surplus for the period			5,676,046	335,404,566		

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

V. NOTES TO THE FINANCIAL STATEMENTS

General Information

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

Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENT (Continued)

3. Adoption of new and revised standards (Continued)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. **Early adoption of standards**

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

4. Summary of significant Accounting Policies

a) **Revenue recognition**

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

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Summary of significant accounting policies (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

c) Taxes

Current income tax

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

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 applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (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 entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Summaries of significant accounting policies (Continued)

c) Taxes (Continued)

Sales tax

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

➤ When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

➤ When receivables and payables are stated with the amount of sales tax included

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are 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.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other

repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

National Research Fund charges depreciation on its assets on straight- line basis. A full year's charge is made in the year of purchase and none in the year of disposal. The rates of the depreciation on NRF's assets is as follows:-

Item	Rate of depreciation
Buildings	2.5%
Motor Vehicles	20%
Furniture and fittings	12.5%
Computers	33.33%
Plant and equipment	12.5%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) 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.

Summary of significant accounting policies (Continued)

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

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

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

i) Inventories (Continued)

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

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

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

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) 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.

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

Comparative figures

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

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

3. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity
The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

Changes in the market in relation to the asset

Provisions

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

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

6 a) Transfers from other Government Entities

Transfers from other governments	2018/19	2017/18
	Kshs	Kshs
Unconditional grants		
Grants from State Department for University Educ.	1,817,211,671	-
Transfer returned from University of Nairobi	6,762,000	-
Assets Acquired at State Dept. for University Educ.	14,936,000.00	-
Total	1,838,909,671	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Administration & Operation Cost

	2018/19	2017/18
	Kshs	Kshs
Insurance expenses	615,186	-
Communication supplies and services	552,000	-
Domestic travel, subsistence and other travel costs	3,138,736	-
Foreign Travel and subsistence	2,069,674	-
Printing , advertising, supplies and services	2,867,064	-
Training Expenses	1,103,369	-
Catering services,	187,915	-
Office and general supplies and services	1,936,100	-
Fuel, oil and lubricants	1,215,300	-
Revision for Audit fees	1,000,000	-
Contracted Professional Services	1,125,000	-
Contracted technical Services	1,869,100	-
Bank service commission and charges	48,810	-
Routine Maintenance- Vehicles	784,316	-
Routine Maintenance-other assets	60,000	-
Total general expenses	18,572,570	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8) Board expenses

	2018/19	2017/18
	Khs	Kshs
Chairman's Honoraria	400,000	
Chairman's airtime	35,000	
Transport mileage cost	305,577	
Subsistence Allowances (Per diem)	597,000	
Sitting Allowances	300,000	
Other Expenses	1,314,375	
Total Board expenses	5,951,952	

9). Depreciation and Amortization expenses (See Note 13)

Depreciation	2018/19	2017/18
	Kshs	Kshs
Property Plant & Equipment	3,963,475	
	3,963,475	

10) Research grants program costs

	2018/19	2017/18
	KShs	KShs
Science grant Council Initiative	1,277,766	-
LEAP-AGRI Program	35,574,068	-
Innovations Grants	62,437,500	-
Kenya South Africa	5,832,000	-
Multidisciplinary Research Program	145,739,115	-
Kenya Germany	68,903,695	-
Infrastructure Program Grants	996,015,284	-
Phd Projects Grants	28,125,308	-
Pamoja Grants	9,872,924	-
Surpport for Conferences	33,933,684	-
Performance Contracting (R&D Survey, M&E and other activities)	21,824,625	-
Internship & Exchange Programs	150,000	-
Newton Utafiti fund	65,331,139	-
Total Research Program Grants	1,475,017,108	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11) Cash and cash equivalents

Description	2018-2019	2017-2018
	KShs	KShs
Current account	64,955,141	-
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	64,955,141	-

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

11 (a). Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
National bank of Kenya		49,129,232	-
Sub- total		49,129,232	-
b) Deposits			
Kenya Commercial bank		15,825,909	-
Sub- total		15,825,909	-
Grand total		64,955,141	-

12). Receivables from non-exchange transactions

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables(Exchequer from SDUE)	472,845,894	-
Total current receivables	472,845,894	-

Receivables from non- exchange transactions above represent exchequer for the fourth quarter of the FY 2018/2019 was received on 2 July 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13). Property, Plant and Equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Rate		20%	12.50%	33.33%				
At 1 July 2018	-	14,936,000.00			-	-	-	14,936,000
Additions	-	-	1,448,500.	2,385,876	-	-	-	3,834,376
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th June 2018	-	-			-	-	-	-
Additions	-	-			-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2019	-	14,936,000	1,448,500	2,385,876	-	-	-	18,770,376
Depreciation and impairment	-	-	-	-	-	-	-	-
At 1 July 2018	-	-	-	-	-	-	-	-
Depreciation	-	2,987,200	181,063	795,212	-	-	-	3,963,475
Impairment	-	-	-	-	-	-	-	-
At 30 June 2018	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2019	-	2,987,200	181,063	795,212	-	-	-	3,963,475
Net book values	-	-	-	-	-	-	-	-
At 30th June 2019	-	11,948,800	1,267,438	1,590,644				14,806,901
At 30th June 2018	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14) (i) Trade and other Payables from Non-Exchange Transactions

Research Grants accrued	2018/19	2017/18
	KShs	KShs
KEMRI	8,283,946	-
Technical University of Mombasa	8,929,912	-
Kirinyaga University	53,300,000	-
Muranga university	46,250,000	-
Jaramogi Oginga Odinga Univ.	33,556,900	-
Pay as per attached(Innovation Grants)	60,200,000	-
Technical University of Kenya	7,038,220	-
Acrued Audit Fees	1,000,000	-
Total	210,520,757.60	-

14 (ii) Prepaid Insurance Expense

DATE	PAYEE	DESCRIPTION	P.V NO	AMOUNT
29/06/2019	APA Insurance	Insurance cover for members of the Board	PV 0229	385,200
29/06/2019	APA Insurance Heritage	Insurance cover for members of the board	PV 0306	386,532
29/06/2019	Insurance Heritage	Being Insurance cover for NRF Prado motor vehicle	PV 0320	366,904
29/06/2019	Insurance	Being insurance cover for NRF Bus	PV 0321	216,972
		Total		1,355,608

The above insurance expense was paid in the FY 2018/2019 being a prepayment for FY 2019/2020.

15 FINANCIAL RISK MANAGEMENT

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	64,955,141	472,845,894.00	-	-
Bank balances	64,955,141	64,955,141	-	-
Total	537,801,035	537,801,035	-	-
At 30 June 2018	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

NRF was not self reporting during the FY 2017/2018. The first set of accounts were prepared in the FY 2018/2019

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

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

(i) Credit risk

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

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

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

*National Research Fund
Annual Reports and Financial Statements For the year ended 30th June, 2019*

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	64,955,141	472,845,894.00	-	-
Bank balances	64,955,141	64,955,141	-	-
Total	537,801,035	537,801,035	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

NRF was not self reporting during the FY 2017/2018. The first set of accounts were prepared in the FY 2018/2019

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

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENT (Continued)

16. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Market risk (Continued)

a) Foreign currency risk (Continued)

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

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Total financial assets	-	-	-
Financial Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Total financial liabilities	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

(iii) Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2019			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis – N/A for NRF

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2019				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2018				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

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

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

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

4. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

vi) Board of directors;

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
Grants from National Govt	-	-
Total	-	-
a) Key management compensation		
Directors' emoluments	-	-
Total	-	-

5. Currency

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

Appendix 1: Progress on follow up of Auditor recommendations


There has been no previous auditor issues for NRF.

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

Guidance Notes:

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

.....
Dr. Jemimah G. Onsare, PhD
 Ag. C.E.O , NRF
 Date.....



Dr. Habil Olaka
 Interim Chairman
 Date. 28/05/2021.

*National Research Fund
Annual Reports and Financial Statements For the year ended 30th June, 2019*

**Appendix II: Projects Implemented By NRF
Projects**

Projects implemented by NRF Funded by development partners

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)


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

Currently there are no projects implemented by NRF


Appendix III: Inter-Entity Transfers

ENTITY NAME:				
Break down of Transfers from the State Department for University Education & Research				
FY 2018/2019				
a. Recurrent Grants				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
1		16- Oct-2018	463,574,406.25	2018/2019
2		07-Mar-2019	426,488,453.00	2018/2019
3		02-May-2019	454,302,918.00	2018/2019
4		02-July-2019	472,845,894.00	2018/2019
		Total	1,817,211,671.25	

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



Charles Omwega Kunyoria
 Finance Manager NRF
 ICPAK Number 11758



Robert Asumani Samuel
 Head of Accounting Unit SDUE
 ICPAK Number 10100

Appendix IV: Recording of transfers from other Government entities

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
University of Nairobi	11-May-2019	Recurrent	6,762,000	Statement of financial performance					6,762,000
Total									6,762,000

**National Research Fund
Annual Reports and Financial Statements For the year ended 30th June, 2019**

Appendix V: list of assets

CLASS	QTY	Name	Model	Description	Serial Number	Cost	Date of Purchase	Current User/office	Location of the Asset
Motor Vehicle	1	KCK 756U		Prado Staff Bus		4,500,000		NRF	NRF
Motor Vehicle	1	KCK785U	Toyota	Land Cruiser		10,436,000		NRF STAFF	NRF STAFF
Total						14,936,000			
ICT Equipment	2	Laser Jet Printer				304,000		SECRETARY	SECRETARY
ICT Equipment	2	Smart phones				588,540		1 SECRETARY, 2 AT RECEPTION	1 SECRETARY, 2 AT RECEPTION
ICT Equipment	4	Desktops				260,000		1 AT ACCOUNTS, 1 AT STORE	1 AT ACCOUNTS, 1 AT STORE
ICT Equipment	1	Scanner				254,000		AT STORE	AT STORE
Total						2,385,876			
Office Equipment	5	Steel and chrome filling				498,500		ACCOUNTS	ACCOUNTS
Furniture	9					950,000		1 AT BOARD ROOM, ACCOUNTS, STORE	1 AT BOARD ROOM, ACCOUNTS, STORE
Safe	2				B116075270 B116075460		27-May-17 27-May-17	1 AT CEOs OFFICE	1 AT CEOs OFFICE
Shredder Machine	2				Cc 184016040006		25-May-17	1 AT RECEPTION, 1 AT CEOs OFFICE	1 AT RECEPTION, 1 AT CEOs OFFICE
water dispenser	3				04658/10/106		25-May-17	CEOs OFFICE, DEP DIR, ASSIST DIR	CEOs OFFICE, DEP DIR, ASSIST DIR
Television	2				02RS3Kdh80005, 03 CE3K140004		27-May-17	AT STORES	AT STORES
Microwave	2				04479/10611 04126/10155		27-May-17 27-May-17	CEOs OFFICE	CEOs OFFICE
Computer desk top	6				3CQ6402BGF 3CG64115QT 3CC6480L2		25-May-17 25-May-17 25-May-17	CEOs OFFICE DEPUTY DIRECTOR'S OFFICE SECRETARY/ACCOUNTS, RECEPTION	CEOs OFFICE DEPUTY DIRECTOR'S OFFICE SECRETARY/ACCOUNTS, RECEPTION
Printer desktop	4				PHVK4BOCF PHVK4BOC2 PHCHQ02105		31-Mar-17 27-May-17 27-May-17	ACCOUNTS SECRETARY CEOs OFFICE, DEP DIRECTOR'S	ACCOUNTS SECRETARY CEOs OFFICE, DEP DIRECTOR'S
LCD projector	1				CND70101ZK		25-May-17	AT STORES	AT STORES
Laptops	3				CND70101ZK CND70101ZM		25-May-17 12-May-17	CEO, ASSIST DIRECTOR DEP DIRECTOR	CEO, ASSIST DIRECTOR DEP DIRECTOR
Kyocera photocopyin	2						27-May-17	RECEPTION	RECEPTION
Office Cabinets	4						27-Jun-17	ACCOUNTS, AT STORES	ACCOUNTS, AT STORES
Fridge	2						27-May-17	CEOs OFFICE	CEOs OFFICE
Sofa sets	2						25-May-17	SECRETARY, CEOs OFFICE	SECRETARY, CEOs OFFICE
Coffee tables	2						25-Mar-17	SECRETARY, CEOs OFFICE	SECRETARY, CEOs OFFICE
Visitors chairs	6						25-May-17	BOARD ROOM, AT STORES	BOARD ROOM, AT STORES
Conference chairs	20						25-May-17	BOARD ROOM, AT STORES	BOARD ROOM, AT STORES
Conference table	2						25-May-17	SECRETARY	SECRETARY
Executive tables (big)	2						25-May-17	CEO OFFICE, SECRETARY	CEO OFFICE, SECRETARY
Executive book shelv	3						25-May-17	AT STORES	AT STORES
Executive book shelv	4						25-May-17	AT STORES	AT STORES
High back hp executiv	4						29-Mar-17	AT STORES	AT STORES
Secretarial seats	2						29-Mar-17	AT STORES	AT STORES
Work stations	12						27-May-17	AT ICT OFFICE	AT ICT OFFICE
Work station chairs	12						27-May-17	AT ICT OFFICE	AT ICT OFFICE
Coat hangers	2							CEOs OFFICE, DEP DIRECTOR	CEOs OFFICE, DEP DIRECTOR

