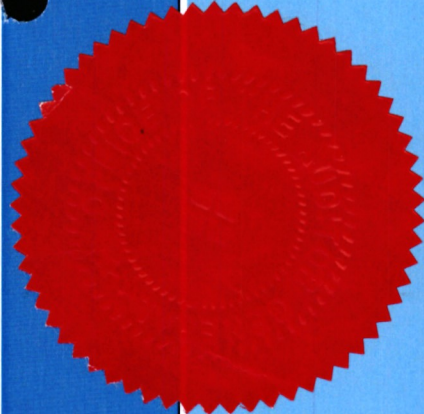


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REPORT
OF
THE AUDITOR-GENERAL
ON
NATIONAL RESEARCH FUND
FOR THE YEAR ENDED
30 JUNE, 2022

THE NATIONAL ASSEMBLY
PAPERED & AID

DATE: 26 APR 2023

DAY:
Wednesday

TABLED
BY:

Hon. Naomi Wago
Deputy Majority Whip

CLERK-AT
THE TABLE:

Finky Mutuki



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

06 MAR 2023

RECEIVED



NATIONAL RESEARCH FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

National Research Fund Annual Report and Financial Statements For the year ended 30 June, 2022.



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KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

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 Kenya National Innovation Agency from the Government, the private sector, venture capital, development partners and other sources;
- ii. Prudently manage and invest the funds so 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, Evaluate the needs, status and results of research financed through the Fund
- vi. Provide financial support for the development of research facilities by universities, research institutions and other bodies identified by the Commission.
- vii. Provide financial support for participation in international scientific activities through maintaining membership to appropriate international science organizations;
- viii. Provide financial support for collaboration, co-operation and sharing of research information and knowledge., including supporting conferences, workshops, seminars, meetings and other symposia;

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

Vision

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

Mission

To 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:

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

Fiduciary Management

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

S/No.	Designation	Name
1.	Ag. CEO	Dr. Jemimah G. Onsare
2.	Technical Officer	Mr. Bernard Nzumbi Mulatya
3.	Technical Officer	Mr. Jacob Kamwaria Njagih
4.	Technical Officer	Dr. Kioko Mwanja Nzuki
5.	Head of Finance	Mr. Charles Omwega Kunyoria
6.	Head of Human Resource	Ms Agnes Munyambu
7.	Procurement Officer	Mr. Jairus Ndege Onkware

Fiduciary Oversight Arrangements

The key fiduciary committees at NRF for the year ended 30th June 2022 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' recommendations;
- iv. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance;
- v. Review systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics; and

Technical Committee

The committee is responsible;

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

i. National Research Fund Headquarters

NACOSTI House
Upper Kabete
Nairobi, Kenya

ii. National Research Fund Contacts

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

iii. National Research Fund bankers

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

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

iv. Independent Auditors

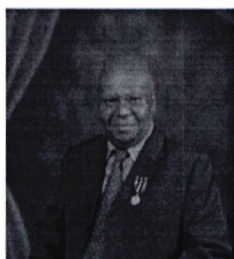
Office the Auditor- General,
Anniversary Towers,
University Way,
P.O. Box 30084-00100
Nairobi- Kenya

v. Principal Legal Adviser

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

THE BOARD OF TRUSTEES

The Board of Trustees members who held the office in the year ended 30th June 2022 were in the office up July 19th 2022. Their details are provided below:



Dr James Patrick Ochieng- Odero, HSC

Date of Birth 15/8/1957

Independent Member

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



Dr. Habil Olaka

Date of Birth: 14/11/1964

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

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



Mr Jared Osoro

Date of Birth: 24/8/1971

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

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



Dr. Vincent Gaitho, Ph.D.

Date of Birth: 24/11/1964

Independent Member and Chair of the Technical Committee of the Board

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



Prof. Walter O Oyawa, PhD

Date of Birth: 23/08/1965

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

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



Dr. Tonny Omwansa

Date of Birth: 01/09/1977

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

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



Vainadu T.Z. Ingana

Date of Birth: 27/9/1966

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

Ingana also consults in amongst others; leadership and management training, Human resource management and development, Porters Value chain analysis, Policy analysis, Innovation and Technology transfer, Strategic planning, Performance contracting, Occupational Health and Safety Audits (OHS), Business incubation, Research proposals etc. He has worked in Rwanda in the period 2015- 2017 on "Work Place Human Resource-based Value Chain Assessment"; A Skills Audit Programme for the Capacity Development and Employment Services Board (CESB) of the Republic of Rwanda, based on ISCO, 2012.

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



Ms. Edna Atisa

Date of Birth: 23/9/1977

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



Dr. Jemimah G. Onsare

Date of Birth: 12/6/1976

Ag. Chief Executive Officer NRF

Dr. Jemimah Onsare is the Ag. Chief Executive Office at NRF. Her wealth of experience in management of Research Grants, resource mobilisation, establishment of partnerships and collaborations has enabled her make significant contributions in various programmes within the ST&I sector both at National and as well as International level. She serves as a member in the Boards of National Commission for Science, Technology and Innovation (NACOSTI) and Kenya National Innovation Agency (KENIA). Dr. Onsare also has experience in Antimicrobials Research and has published a number of research articles in international journals of repute. She holds a Doctorate in applied Microbiology (Antimicrobials) under the Kenya-India Bilateral Agreement Scholarship, a Master of Science in Microbiology both from Guru Nanak Dev University, Amritsar-India, a Bachelor of Science (Biological) from the Rani Durgavati University, Jabalpur India. She has trained in various professional courses including putting ideas to work - strategies for innovations-led sustainable growth. (International Programme sponsored by SIDA), leadership and management programmes among others.

*National Research Fund Annual Report and Financial Statements
For the year ended 30 June, 2022.*

KEY ENTITY INFORMATION AND MANAGEMENT (continued)

NRF Board Committees

Finance and Administration Committee	Dr. Habil Olaka - Chair Ms. Edna Atisa Prof. Walter Oyawa Vainadu Titus Z. Ingana Dr. JPR Ochieng Odera
Technical Committee	Dr. Vincent Gaitho - Chair Prof Walter Oyawa Dr. JPR Ochieng Odera Dr. Tonny Omwansa Mr. Jared Osoro
Audit Committee	Mr. Jared Osoro – Chair Ms. Edna Atisa Vainadu Titus Z. Ingana Dr. Vincent Gaitho Dr. Tonny Omwansa

Key Management

NRF is governed by the Board of Trustees. The daily operations are managed by a secretariat comprising of the acting Chief Executive Officer, three (3) Technical officers and Seven (7) support staff deployed by the Ministry of Education, State Department of University Education and Research. The Fund has made efforts to become fully operational and has developed several Policy instruments to guide its day-to-day operations. The Fund's started by developing HR operations manual and the same has already been approved by salaries and remuneration commission (SCAC).

The key management personnel who held office during the year ended 30th June 2022 and who had direct fiduciary responsibility were-

MANAGEMENT TEAM

Currently the Fund is governed by the Board of Trustees and the daily operations by a secretariat comprising of the acting Chief Executive Officer, three (3) 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.

Management as provided below conducts the daily operations for the Fund:



Dr. Jemimah G. Onsare, PhD
Acting Chief Executive Officer



Mr. Jacob Kamwaria Njagih
Technical Officer in Charge of Resource
Mobilization
MSc. in Geo-Information Sciences and
Earth Observation



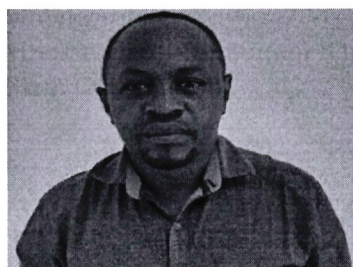
Dr. Kioko Nzuki Mwanja
Technical Officer in Charge of Planning
and Strategy
PhD in Intellectual Property



CPA Charles Omwega Kunyoria
Principal Accountant in Charge of Finance
and Accounts
MSc. Finance



CHRP Agnes Nzula Munyambu
Principal Human Resource Management
Officer in Charge of Human Resource
Masters in Public Policy and
Administration



Mr Bernard Nzumbi Mulatya
Technical Officer in charge of Grant
Management.
M.A (Planning)



Jairus Ndege Onkware
Procurement Officer

CHAIRMAN'S STATEMENT

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

- Mobilization of grants from Development Partners to a tune of KES 27,308,159.00
- Funding of various research programmes;
- Established partnerships and collaborations;
- Created awareness of NRF by convening an interactive forum to sensitize stakeholders;
- Conducted a National Research and Development survey on Research and Development (R&D)
- Conducted documentaries of some of the funded Research projects.
- Development of an online research grant management system

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

1. Human Resource instruments;
2. The Board Manual
3. The Board Charter
4. Service Charter
5. Resource mobilization and Investment Strategy

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

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

Among the challenges faced by NRF in operations and delivery of its mandate during 2021-2022 Financial Year (FY) include;

1. The lengthy processes involved in initiation of collaborative programmes with development partners have affected the resource mobilization. This poses a threat of losing out potential partners.
2. The global pandemic COVID- 19 outbreak affected the operations of the Fund to some extent.
3. Scaling down of annual budget affected implementation of the on-going programmes.

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



Prof Ratemo Michieka EBS
Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

During the year under evaluation, NRF received a total Kshs 323,037,923 budgeted by the Government. In the year, over 78% has been committed to research programmes in support of the Government policy priority of 'Big Four' Agenda. The funded programmes included the ongoing programmes (the initiated and on-going counterpart funding). All the bilateral programs are based on co-financing model where each partner funds its component and they both share the knowledge emanating from such programme. During the year under review, NRF's core mandate activities were as tabulated below.

Research grants program costs	2021/2022
	Kshs
Covid -19 & Locust program	74,111,479
Kenya Germany	133,583,753
Multidisciplinary Collaborative Research	3,946,700
Support for conferences	11,391,000
Kenya-France (HEPWEK Research Project)	27,308,159
On – going research projects (Payable)	2,652,860
Total	252,993,951

Challenges / Mitigation measures

1. The reduced budget posed a challenge in facilitation of the initiated and ongoing programmes hence a delay in the implementation.
2. Inadequate Internal human resource capacity.
3. The breakout of COVID-19 slowed down implementation of the research programmes and operations.

To mitigate the aforementioned challenges, the resource mobilization strategy was developed to enhance resource mobilization towards the 'Big Four' agenda. In case of strengthening of Human Capital, the process of recruiting the Board was initiated. Conversely, management made efforts to automate the Fund's processes to increase the efficiency.



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

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FINANCIAL YEAR 2021-2022

The National Research Fund strategic objectives drawn from the Organization's Strategic Plan for the FY 2021- FY 2022 were to:

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

The annual business plans for National Research Fund were based on the above 4 Specific objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The National Research Fund achieved its performance targets set for the FY 2021-2022 as shown below:

National Research Fund Annual Report and Financial Statements
For the year ended 30 June, 2022.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Big Four Initiative	Promotion of research and facilitation of innovations under Big Four	Funding researchers to facilitate innovations under the Big Four agenda at global level.	Provided research grants in priority areas	Research and Innovations in strategic areas enhanced
Covid-19 Recovery Strategy Research Funding	Provide research grants for the Covid-19 Recovery theme	Process grant applications addressing post Covid-19 recovery in clinical trials, Biotechnology, Psychological, Preventive and Drug Development and award grants.	Provided research grants of KES 74,111,479 for the Covid-19 to four research institutions	13 projects supported under the Covid-19 consortium grant
Resource Mobilization and Investment Strategy	To mobilise resources and undertake investments through a well-articulated strategy to achieve the Fund objectives	Enhance corporate visibility and branding for resource mobilization by publishing of institutional newsletter, improve NRF website outlook to make it interactive Develop and air research documentaries online	All indicators set to enhance resource mobilisation including publishing of institutional newsletter, improvement of NRF website outlook, and Development and airing of research documentaries online achieved	Mobilised through Kenya- France programme HEPWEK KES 27,308,159 through the NRF Resource Mobilization and Investment Strategy
Monitoring and evaluation of funded projects	Monitor and evaluate funded projects	Desktop review of projects due for M&E Request for beneficiaries briefs from NRF beneficiaries.	A Desktop review of funded projects due for M&E undertaken; Requests made to beneficiaries for research report briefs from NRF beneficiaries	Summary Monitoring and evaluation report of funded projects

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.

The role and functions of the Board include:

- 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, compile and maintain a national database of research and innovation funded by NRF as well as those funded by other agencies.

The Board conducted its meetings as shown in the table below. There was one regular board meeting and four special board meetings during the year under evaluation because the board's tenure ended on 19th July 2021.

*National Research Fund Annual Report and Financial Statements
For the year ended 30 June, 2022.*

Meetings	Regular	Special
Full Board	1	1
Finance and Administration Committee		1
Technical Committee		1
Audit Committee		1
Total	1	4

MANAGEMENT DISCUSSION AND ANALYSIS

NRF's principal activities

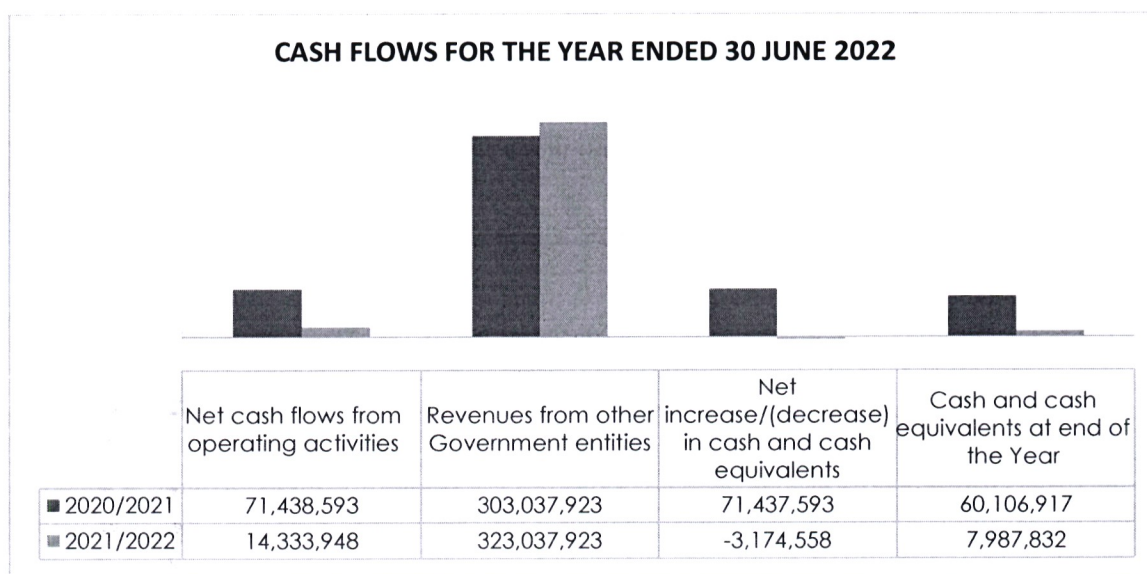
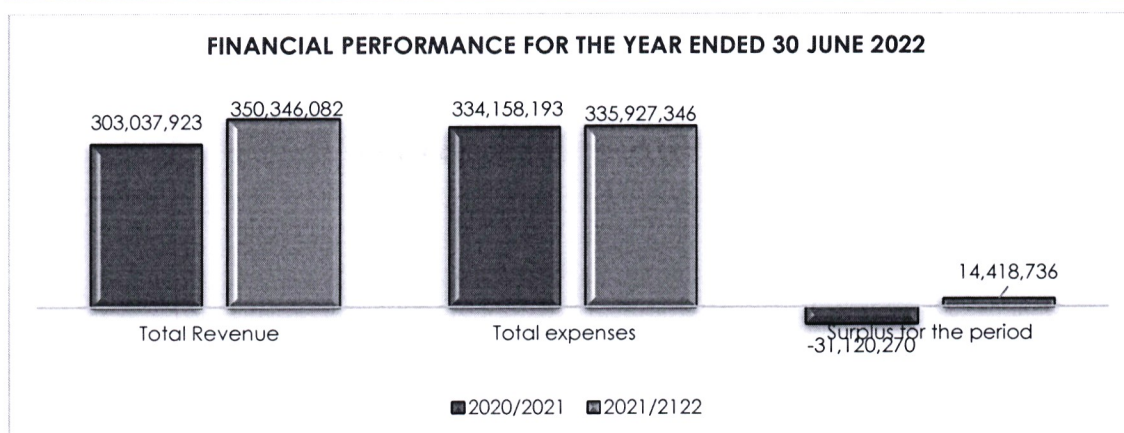
As provided in the ST&I Act of 2013 Section 33, the object of the Fund shall be to facilitate research for the advancement of science, technology and innovation. Therefore NRF is obliged to;

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

Due to the budget, scale down and COVID-19 outbreak NRF could not implement some of its core mandate programmes as planned.

Results

The results of the NRF for the year ended 30 June, 2022 are set out as from page 1 to 37. The Board of Trustees submit their report together with the audited financial statements for the year ended June 30, 2022, which shows the state of NRF's affairs as shown below:




Board of trustees

The members of the Board of Trustees who served during the year are shown on page v to Viii. During year under review, the Board operated without a substantive chairman and therefore the Board always appointed an interim Chair among the members every time the Board conducted its business.

Auditor

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



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

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 National Research Fund (NRF), which give a true and fair view of the state of affairs of their entity at the end of the financial year and the operating results of the entity for that year. 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 ended on 30 June, 2022. 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, 2022, 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 28 September 2022 and signed on its behalf by:

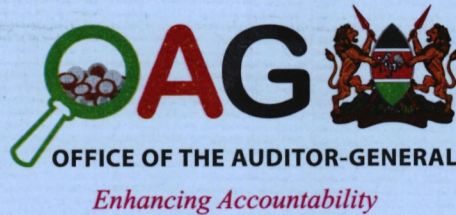


Prof. Ratemo Michieka, EBS
Chairman



Prof. Dickson M. Andala
Chief Executive Officer

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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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, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Research Fund set out on pages 1 to 36, which comprise of the statement of financial performance, statement of

Report of the Auditor-General on National Research Fund For the year ended 30 June, 2022

financial position, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, and a summary of significant accounting policies, notes to the financial statements and other important disclosures in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Research Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

Basis for Opinion

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

Emphasis of Matter

1.0 Long Outstanding Receivables

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.1,642,928 as disclosed in Note 12 to the financial statements. The balance includes an amount of Kshs.1,500,000 that has been outstanding for more than one year. The amount was borrowed by the State Department of University Education as per REF MOE/11/1(246) and was to be refunded. However, the amount continues to remain outstanding despite Management's follow-up for refund that is yet to be acted upon by the State Department.

2.0 Failure to Optimize Operations

The Fund is established under Section 32 of the Science Technology and Innovation (ST&I) Act of 2013 which became operational on 9 November, 2015. The objective of the Fund is to facilitate research for the advancement of Science, Technology and Innovation. The Act stipulates that the Fund should consist of a sum of money amounting to 2% of the country's Gross Domestic Product, provided by The National Treasury every financial year and such other monies designated for the Fund by Parliament, donations, endowment or grants or gifts designated for the Fund.

Review of the budget and operations of the Fund over a period of four (4) years revealed that transfers from other government entities have continued to decline from an amount

of Kshs.1,838,909,671 in the financial year 2018/2019 to Kshs.323,037,923 in the financial year 2021/2022. Further, the Fund has been operating with skeleton staff rendering service delivery difficult. Reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.

However, during the year under review, the Fund was able to recruit key personnel in both technical and administrative functions.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management, and overall governance

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

Responsibilities of Management and the Board of Trustees

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 March, 2023

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2022

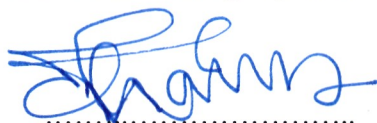
	Note	2021/2022 Kshs	2020/2021 Kshs
Revenue From Non Exchange Transactions			
Transfers from other governments entities	6	323,037,923	303,037,923
Revenue From Non Exchange Transactions			
Other receipts from Donations	17	27,308,159	-
Total Revenue		350,346,082	303,037,923
Expenses			
Personnel Emoluments	15	2,588,838	-
Administration & Operating cost	7	63,770,680	65,681,542
Depreciation and amortization expenses	9	5,262,688	5,662,045
Board Expenses	8	10,148,272	8,445,244
Research programs grants	10	301,938,477	254,369,475
Total expenses		383,708,935	334,158,306
Surplus/(Deficit) for the year		(33,362,853)	(31,120,383)

The notes set out on page 6 to 37 form an integral part of the Annual financial statements.



Prof. Dickson M. Andala
Chief Executive Officer

Date: 28/02/2023



CPA. Charles Omwega Kunyoria
Head of Finance
ICPAK No. 11758

Date: 28/02/2023



Prof. Ratemo Michieka, EBS
Chairman

Date: 28/02/2023

*National Research Fund Annual Report and Financial Statements
For the year ended 30 June, 2022.*

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

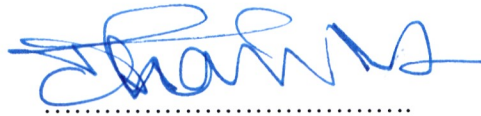
Assets	Note	2021/2022	2020/2021
Current Assets			
Cash and cash equivalents	11	7,987,832	60,106,916
Receivables	12	1,642,928	1,609,252
Total Current Assets		9,630,760	61,716,168
Non-Current Assets			
Property, plant and Equipment	14	10,859,623	13,675,490
Total Non - Current assets		10,859,623	13,675,490
Work In Progress	14	15,061,706	
Total assets		35,552,089	75,391,658
Current Liabilities			
Payables	13	8,987,832	15,464,549
Total Current Liabilities		8,987,832	15,464,549
Accumulated surplus		26,564,257	59,927,109
Total Net Assets		35,552,089	75,391,658

The Financial Statements set out on pages 1 to 37 were signed on behalf of the Board of Trustees by:



Prof. Dickson M. Andala
Chief Executive Officer

Date 28/02/2023



CPA. Charles Omwega Kunyoria
Head of Finance

ICPAK No. 11758
Date 28/02/2023



Prof. Ratemo Michieka, EBS
Chairman

Date 28/02/2023

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE
2022**


Particulars		Accumulated Surplus
		Kshs
Balance c/d at 1st July 2020		91,047,493
Deficit for 2020/2021		(31,120,383)
Balance c/d at 30 June 2021		59,927,110
Surplus for the year as at 30 June, 2022		(33,362,853)
Balance c/d at 30 June 2022		26,564,257

*National Research Fund Annual Report and Financial Statements
For the year ended 30 June, 2022.*

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2021/2022	2020/2021
		Kshs.	Kshs.
Cash flows from Operating Activities			
Surplus/(deficit) for the year		(33,362,853)	(31,120,383)
Adjustments			
Depreciation & Amortization expense	14	5,262,668	5,662,045
Operating cash flow before working capital changes		(28,100,185)	(25,458,338)
Working capital changes			
(Increase) / decrease in receivables	12	(33,676)	9,590,748
Decrease in payables	13	(6,476,717)	(55,570,004)
Cash flow from operating activities		(34,610,578)	(71,437,594)
Cash flow from investing activities			
Purchase of property, plant, equipment	14	(17,508,506)	-
Net cash flows used in investing activities		(17,508,506)	-
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/ (decrease) in cash and cash equivalents		(52,119,084)	(71,437,594)
Cash and cash equivalents at 1 July	11	60,106,916	131,544,510
Cash and cash equivalents at 30 June		7,987,832	60,106,916

The Financial Statements set out on pages 1 to 37 were signed on behalf of the Board of Trustees by:



Prof. Dickson M. Andala
Chief Executive Officer



CPA. Charles Omwega Kunyoria
Head of Finance



Prof. Ratemo Michieka, EBS
Chairman

Date: 28/02/2023

ICPAK No. 11758
Date: 28/02/2023

Date: 28/02/2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Original Budget	Adjustments	Final Budget	Actual on comparable Basis	performance difference	% of Utilization	
							Kshs	Kshs
Transfers from other governments entities	6	323,037,923	-	323,037,923	323,037,923	-	-	100%
Other receipts from donor agencies	17			-	27,308,159	(27,308,159)		
Total Income		323,037,923		323,037,923	350,346,082	(27,308,159)		108%*
Expenses								
Personnel Emoluments	15	17,180,000	(14,591,162)	2,588,838	2,588,838	-	-	100%
Administration & Operating cost	7	82,635,020	(16,372,676)	66,262,344	63,770,680	2,491,664		96%
Depreciation and amortization expenses	9	-	-	-	5,262,668	-		100%
Board Expenses	8	7,759,000	2,389,272	10,148,272	10,148,272			100%
Research programs grants	10	197,111,423	28,574,369	225,685,792	301,938,477			134%**
Total expenditure (Recurrent)		304,685,443	-	304,685,246	383,708,935			
Recurrent expenditure								-
Office partitioning	16	18,352,480	197	18,352,677	18,352,677	-		100%
Balance		323,037,923		323,037,923	402,061,612			
					-51,715,530			

*The percentage of total income went to 108% due to an amount of Kshs 27,308,159.00 that was received as a donation for HEPWEK project and had not been budgeted for in the final budget. Funds were received after the supplementary estimates were already passed.

** The percentage of research program grants went to 134% due to an amount of Grants Kshs. 48,9844,526 plus Kshs 27,308,159.00 that was received as a donation for HEPWEK project was spent on grants and had not been budgeted for in the final budget.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at 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 judgment or complexity, or where assumptions and estimates are significant to the financial statements these disclosed in Note 5.

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

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

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

IPSASB deferred the application dates of standards from 1st January 2022 owing to the Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1 January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1 January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <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.
Amendments to Other IPSAS resulting from	<p>Applicable: 1st January 2023:</p>

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Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs, which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<i>Applicable 1st January 2025</i>

Standard	Effective date and impact:
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

i. Early adoption of standards

NRF did not early – adopt any new or amended standards in year 2021/2022.

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

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.

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

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b. Budget information

The budget for FY 2021-2022 was approved by the National Assembly on June 2021. 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.

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

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

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.

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

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.

Sales tax

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

- i. When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii. When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized when either 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 Annual Report and Financial Statements
For the year ended June 30, 2022.***

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

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

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

f. Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are 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.

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:

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

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

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

i. Financial instruments

a) Financial assets

Initial recognition and measurement

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

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

Impairment of financial assets

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

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

b) 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.

j. 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:

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

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

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

k. 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.

l. 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.

m. 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.

n. Nature and purpose of reserves

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

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

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

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

t. 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.

u. 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.

v. Comparative figures

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

w. Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 20, 2022.

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

5. Significant Judgements 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:

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6) Transfers from other Government Entities

EXCHEQUER RECEIPTS	
EXCHEQUER RECEIPTS 2021-2022	
DATE	AMOUNT (KSHS)
18/08/2021	80,759,480
05/11/2021	80,759,481
17/02/2022	80,759,481
28/04/2022	80,759,481
TOTAL	323,037,923

We received the entire budget allocation for the year

7) Administration & Operating Cost

	Expenditure
	Kshs
Insurance expenses	654,607
utilities , supplies and Services	276,511
communication supplies and services	1,133,455
Domestic travel	3,957,300
Foreign travel	1,330,913
Printing, advertising	1,204,508
Training Expenses	1,603,205
catering services	562,545
Office general supplies	33,360
Fuels, oils and lubricants	2,123,740
Contracted technical	2,660,000
Contracted Professional	3,510,000
Transport costs and charges	139,480
Bank charges	239,427
Uniform	109,450
Routine maintenance vehicles	1,236,849
Routine maintenance vehicles and other assets	270,200
Performance contracting	28,233,440

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office rent	7,569,000
cleaning services	878,400
Conferences	3,044,290
Audit fees - Provision	1,000,000
Audit fees	2,000,000
TOTAL	63,770,680

8) Board expenses

	2021/2022	2020/2021
	Kshs	Kshs
Transport cost		463,044
Subsistence Allowances		1,474,200
Sitting Allowances	900,000	6,140,000
Other Expenses (Foreign Travel)		350,000
Other Expenses (Selection Panel)	9,248,272	
Total Board expenses	10,148,272	8,445,244

The board's expenses were Ksh.10, 148, 272 although the board was not available throughout the year. This cost was for allowances to the selection panel for the board of trustees during the year.

9) DEPRECIATION AND AMORTIZATION EXPENSES (SEE NOTE 14)

	2021/2022	2020/21
	Kshs	Kshs
Property Plant & Equipment	5,262,668	5,662,045
	5,262,668	5,662,045

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

Notes to the Financial Statements (Continued)

10) RESEARCH GRANTS PROGRAM COSTS

Research grants program costs	2021/2022	2020/21
	Kshs	Kshs
Covid 19 & Locust program	74,111,479	
Kenya Germany	133,583,753	88,776,487
MMC	3,946,700	95,511,638
PhD	48,944,526	51,248,351
On - going projects		14,650,000
Science Grant council		3,500,000
Support for conferences	11,391,000	683,000
HEPWEK Research Project	27,308,159	
MMC (Payable)	2,410,350	
PhD (Payable)	242,510	
Total	301,938,477	254,369,476

11) Cash and cash equivalents

Financial institution	Account number	2021/2022	2020/2021
		Kshs	Kshs
a) Current account			
National bank of Kenya	01060208597200	7,732,144	48,913,074
Sub- total		7,732,144	48,913,074
b) Deposits			
Kenya Commercial bank	1236065395	255,688	31,452
RETURNED PAYMENT OF GRANTS			11,162,390
Sub- total			11,193,842
Grand total		7,987,832	60,106,916

*National Research Fund Annual Report and Financial Statements
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Notes to the Financial Statements (Continued)

12. Receivables from Non-exchange programs

RECEIVABLES	2021/2022	2020/2021
	Kshs	Kshs
Receivables	1,500,000	1,609,252
Prepaid insurance	142,928	-
	1,642,928	1,609,252

The prepaid insurance is for the motor vehicles.

13. Payables

	2021/2022	2020/2021
	KShs	Kshs
Audit fee- provision	2,000,000	3,000,000
Consultancy		1,302,159
Research grants	2,652,860	11,162,390
Board Expenses	1,044,000	-
Partitioning of offices	3,290,972	-
Total Grant Payables	8,987,832	15,464,549

Notes to the Financial Statements (Continued)

14. Property, Plant and Equipment

	Motor vehicles	Furniture & Equipment	Computers	Work in Progress	Total
Cost	KShs	KShs	KShs		Kshs
Rate	20%	0.13	33.33%	12.50%	
1-Jul-2020	22,733,233	1,895,900	2,635,496		27,264,629
Additions					
30-Jun-2021	22,733,233	1,895,900	2,635,496		27,264,629
1-Jul-2021	22,733,233	1,895,900	2,635,496		27,264,629
Additions		2,014,800	432,000	15,061,706	17,508,506
30-Jun-2022	22,733,233	3,910,700	3,067,496	15,061,706	44,773,135
Depreciation and impairment					
1 July 2020	5,974,400	362,126	1,673,695		8,010,221
Depreciation	4,546,647	236,988	878,411		5,662,046
30-Jun-2021	10,521,047	599,114	2,552,106		13,672,267
1-July-2021	10,521,047	599,114	2,552,106		13,672,267
Depreciation	4,546,647	488,837	227,184		5,262,668
30-Jun-2022	15,067,694	1,087,951	2,779,290		18,934,935
Net book values					
30-Jun-2022	7,665,539	2,822,749	288,206	15,061,706	25,838,200
30-Jun-2021	12,212,186	1,296,787	166,517	-	13,675,490

Note: The Kshs. 15,061,706 was for office partitioning and has not been amortised since it is work in progress hence included in the additions of the property plant and equipment totalling to Kshs. 17,508,506.

***National Research Fund Annual Report and Financial Statements
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Notes to the Financial Statements (Continued)

15. PERSONAL EMOLUMENTS

DATE	PAYEE	PV NO.	AMOUNT
03/09/2021	AUG 2021 TOP UP	0094	429,468
27/09/2021	SEPT 2021 TOP UP	0157	105,417
02/11/2021	OCT 2021 TOP UP	0221	102,768
25/11/2021	NOV 2021 TOP UP	0253	101,618
28/12/2021	DEC 2021 TOP UP	0325	123,958
21/01/2022	JAN 2022 TOP UP	0380	164,974
28/02/2022	FEB 2022 TOP UP	0437	133,354
23/03/2022	MARCH 2022 TOP UP	0478	133,413
22/04/2022	APRIL 2022 TOP UP	0534	137,922
30/05/2022	MAY 2022 TOP UP	0612	137,893
20/06/2022	JUNE 2022 TOP UP	0672	1,018,053
	TOTAL		2,588,838

The payment of Kshs.2,588,838 is for the top up salary, the National research Fund is yet to employ their own staff and it is in the process of recruitment.

16. OFFICE PARTITIONING

DATE	PAYEE	PV NO.	AMOUNT
18/10/2021	Miliki Development coy Ltd	0190	4,798,926
02/02/2022	Miliki Development coy Ltd	0404	3,327,463
06/04/2022	Miliki Development coy Ltd	0532	6,935,317
18/10/2021	Retention Money (Payable)	Cert No:1	533,214
02/02/2022	Retention Money (payable)	Cert No.2	369,718
06/04/2022	Retention Money (Payable)	Cert No. 3	770,591
	Miliki Development Coy Ltd (Payable)		1,617,448
	TOTAL		18,352,677

The actual amount that was paid for the office partitioning is Kshs. 15,061,706 excluding retention money of Kshs. 1,673,522.60 plus the payable amount of total Kshs. 1,617,448.40. An amount of Kshs. 15,061,706 was not amortised since the partitioning is work in progress.

Notes to the Financial Statements (Continued)

17. RESEARCH GRANTS PROGRAM COSTS

	2021/2022
	Kshs
HEPWEK Research Project	27,308,159
Total	27,308,159

The above amount of Kshs 27,308,159.00 was received as a donation for HEPWEK project and had not been budgeted in the final budget.

FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counter-party 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.

Financial Risk Management

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:

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

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	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
As at 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balance	-	-	-	-
Total	-	-	-	-

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

Financial Risk Management

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs

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As at 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
As at 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by 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. 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

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:

FY 2022

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

Foreign currency sensitivity analysis

FY 2022

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis – This is not applicable to NRF

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

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:

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Notes to the Financial Statements (Continued)

- 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 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
At 30 June 2022				
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. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2020-2021	2019-2020
	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	-	-

17. RELATED PARTY Disclosures

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 Trustees;

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
Grants from National Government	323,037,923	303,037,923
Total	323,037,923	303,037,923
a) Key management compensation		
Directors' emoluments	-	-
Total	-	-

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Currency

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

APPENDIX

I. Progress on follow up of Auditor recommendations

The audit of the activities of NRF for the FY 2019/2020 was conducted and the issues raised are at the final stages of conclusion. FY 2018/2019 was the Agency's first year of self-reporting and systems audit as well.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
01	Unacknowledged Research Program Grants amounting to Kshs. 872,989,151 for the year ended 30 th June 2020	The Technical Officer in charge of Research Program Grants	Mr. Bernard Nzumbi Mulatya –Assistant Director	The audit report for the financial year 2020-2021 has not yet been completed. However, unacknowledged amount of Kshs.872, 989,151 has been acknowledged and evidences submitted to Auditor general. The final report is awaited.	Projected date of completion will be the end of financial year 2022-2023.
02	Unexplained adjustments- The statement of financial position reflects cash and cash equivalents of Kshs. 131, 544,510 which was arrived at after an unexplained adjustment of 41, 224,066 in the F/Y 2018/2019. Further, the	The Principal Accountant in charge of accounts and finance	CPA Charles Omwega Kunyoria	The variation is due to errors in reconciliation which is attributed to the lean staff capacity during the year under evaluation. However, the matter has been reworked and awaits settlement within the	Projected date of completion will be the end of financial year 2022-2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	statement of Financial position reflects payables balance of Kshs 71, 034,553 which was also adjusted by an unexplained amount of Kshs. 39, 759,660 in the financial year 2018/2019.			current audit period 2021- 2022.	

Guidance Notes:

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

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- (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.



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Prof. Dickson M. Andala
Chief Executive Officer

Date.....**28/02/2023**.....

III: Inter-Entity Transfers

	ENTITY NAME:			
	Break down of Transfers from the State Department for University Education & Research			
	FY 2021/2022			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
1		18-Aug-2021	80,759,480	2021/2022
2		05-Nov-2021	80,759,481	2021/2022
3		17-Feb-2022	80,759,481	2021/2022
4		28-April-2022	80,759,481	2021/2022
		Total	323,037,923	

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



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Charles O. Kunyoria
Head of Finance
ICPAK No. 11758

Date 28/02/2023



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Margaret Wambui Kariuki
Head of Accounting Unit-SDUE
ICPAK No. 4291

Date 28/02/2023