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DATE:	REPORT DAY.
TABLED BY:	Hon. Owen Baya, CBS, MP Deputy Majority Leader
CLERK-AT THE-TABLE:	OF Christine Ndlovu

THE AUDITOR-GENERAL

ON

NATIONAL RESEARCH FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**



NATIONAL RESEARCH FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2021

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

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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 24 July 2015 followed by the inauguration, on 10th November 2015 and subsequent appointment of the interim Secretariat in December 2015. NRF falls under the Ministry of Education, State Department for University Education and Research. At the Ministry level, 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 national innovation systems from the Government, the private sector, venture capital, development partners and other sources;
- ii. Prudently manage and invest the funds so mobilized
- iii. Support the development of human resources through grants to persons or research institutions or universities pursuing postgraduate programs in prioritized areas of Science, Technology and Innovation with priority being given to marginalised indigent communities;
- iv. Support the development of research capacities in the national priority areas of Science, Technology and Innovation
- v. Allocate funds for research and promote multi-disciplinary collaboration among Universities and research institutions, 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 2021 and had direct fiduciary responsibility:

S/No.	Designation	Name
1.	Ag. CEO	Dr. Jemimah G. Onsare
2.	Technical Officer	Dr. Roselida Owuor
3.	Technical Officer	Dr Salome Guchu
4.	Technical Officer	Mr David Ngigi
5.	Technical Officer	Mr. Bernard Nzumbi Mulatya
5.	Head of Finance	Mr. Charles Omwega Kunyoria
6.	Head of Human Resource	Ms Agnes Munyambu
7.	Procurement Officer	Mr. Jairus Ndege Onkware

**: Some of these officers joined and others left mid-stream*

Fiduciary Oversight Arrangements

The key fiduciary committees at NRF for the year to 30 June 2021 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

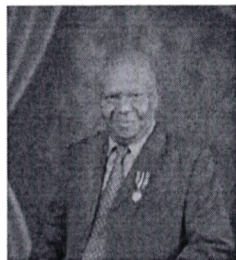
v. Principal Legal Adviser

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

KEY ENTITY INFORMATION AND MANAGEMENT (continued)

The Board of Trustees

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



Dr James Patrick Ochieng- Odero, HSC

Date of Birth 15/8/1957

Independent Member

Dr JPR Ochieng- Odero is a well-renowned Researcher actively involved in Scientific Research assessing the impact and performance of capacity strengthening programmes and socio-economic development. He holds a PhD in Entomology from Auckland University, New Zealand and a BSc (Hons) in Zoology from the University of Poona, India and is also a Holder of International Centre of Insect Physiology, (ICIPE) PDF in Biological Performance in insects. Dr. Odero is a member of the Independent External Expert Advisory Group (EEAG), a Member of the Governing Council of the Mater Misericordiae Hospital, Member 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, 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, PhD

Date of Birth: 24/11/1964

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

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

Prof. Walter O Oyawa, PhD



Prof. Walter O. Oyawa, is currently the Director General of the National Commission for Science, Technology & 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 Chief Investment Officer at the National Treasury. She has previously served as an Economist at the same Ministry and as an Assistant Register 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.

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 Odero
Technical Committee	Dr. Vincent Gaitho - Chair Prof Walter Oyawa Dr. JPR Ochieng Odero 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 the Board of Trustees. The daily operations are managed by a secretariat comprising of the acting Chief Executive Officer, three (3) Technical officers and four (4) support staff deployed by the Ministry of Education, State Department of University Education and Research. The Fund has made efforts to become fully operational and has developed several Policy instruments to guide its day-to-day operations. The 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 2021 and who had direct fiduciary responsibility were-

Management Team

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

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



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



Dr Salome Guchu
Technical Officer (Implementation
of Technical Programmes)
PhD Chemistry



Dr. Roselida Achieng Owuor
Technical Officer (Implementation
of Technical Programmes)
PhD in Cell and Molecular Biology



Mr David Mwangi Ngigi
Technical Officer (Implementation
of Technical Programmes)
Msc. Agricultural Entomology



Mr. Charles Omwega Kunyoria
Finance Division
MSc. Finance



Mr Bernard Nzumbi Mulatya
Technical Officer (Implementation
of Technical Programmes)
M.A (Planning)

*National Research Fund
Annual Reports and Financial Statements for the year ended 30 June 2021*



Jairus Ndege nkware
Procurement Officer



Agnes Munyambu
PHRMO 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 NRF is to mobilize research resources to support the development of research capacity through Human resource, institutional research infrastructure and innovations. In this regard, the Government has made significant efforts to increase investment in research and innovation to promote the productivity of new Knowledge and technologies in the National Innovation System. With this support, upon inauguration of the Board in November 2015, notable key achievements have been attained as follows:

- Mobilization of grants from Development partners to a tune of KES 380 Million;
- Funding of various research Programmes;
- Established partnerships and collaborations;
- Created awareness of the Fund by convening an interactive forum to sensitize stakeholders about National Research Fund; and
- Conducted a National Research and Development survey on Research and Development (R&D) for 2018/2019 FY;
- Developed a documentary of some 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. Research funding guidelines;
5. Alignment of the strategic plan to the 'Big Four' Agenda;
6. A finance and procedures manual.
7. A transport Manual
8. A procurement manual
9. Service Charter
10. Resource mobilization and Investment Strategy – Annex 17
11. A Draft Research and Development Loan Scheme Guidelines and Framework – Annex 19
12. Draft NRF regulations
- 13.

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 the period under review, include;

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

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



**Prof. Ratemo Michieka, CBS
Chairperson**

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

During the period under evaluation, out of the total of Ksh. 323 Million budgeted for NRF, Ksh 303,237,923 Million was received from Exchequer, over 80% was committed for research and infrastructure in support of the Government policy priority of 'Big Four' Agenda. The funded programmes included the ongoing programmes as well as the initiated and on-going counterpart funding programmes. During the year under review, NRF core mandate activities were as provided in the table below.

Research Grants Programmes	Kshs
Upscaling on-going grant portfolio	20,000,000
Bilateral/multilateral research	
Kenya/UK (Newton Utafiti grant)	45,000,000
Kenya/Germany (DAAD)	70,000,000
Kenya/South Africa	8,813,113
Kenya/France	5,000,000
NRF/Africa Science Granting Councils Initiative/Innovations	20,000,000
Leap-Gri	35,000,000
Collaborative Research Programmes	15,000,000
Support for conferences, seminars and symposia	5,000,000
Implementation of programmes, performance contract target & work plan	38,660,310
TOTAL	262,697,913
Programme	Projects cost (Kshs)
Multidisciplinary Research 1st and 2nd calls	890,477,000
PhD 1 st and 2 nd call	340,000,000
Innovation Grants	45,000,000
Support for conferences seminars and symposium	30,000,000
Multi-disciplinary Research	30,000,000

*National Research Fund
Annual Reports and Financial Statements for the year ended 30 June 2021*

BILATERAL PROGRAMS	
Kenya- UK	80,000,000
Kenya- Germany (DAAD)	42,387,000
NRF-Africa Science Granting Council	15,000,000
Kenya - South Africa	10,000,000
Kenya – European Commission	8,000,000
SUB- TOTAL	1,491,074,000
Other programs	
Exchange and Internship programs and Performance Contract	12,500,000
TOTAL FOR THE PROGRAMS	1,503,574,000

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

The amounts mobilized under bilateral partnerships since inception are summarized below;

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

*: On-going programmes

In addition to the above, the other achievements include:

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

Challenges / Mitigation measures

1. The reduced budget posed a challenge in facilitation of the ongoing programmes hence a delay in the implementation. There is therefore the need to have consistent funding.
2. Internal capacity was quite low and therefore the need to fast track the underlying matters to enable recruitment of the key staff.

Jemimah G. Onsare, PhD
Ag. CEO, National Research Fund

CORPORATE GOVERNANCE STATEMENT

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

Role and functions of the Board

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

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

Meetings	Regular	Special
Full Board	4	9
Finance and Administration Committee	3	6
Technical Committee	3	1
Audit Committee	2	5
Total	12	21

MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

Due to budget scale down in the last financial year, the Fund could not clear all the pending bills that were carried forward. The Fund was also affected in the implementation of the National strategic research calls on COVID-19, Cancer and Desert locusts. Moreover, the onset of the COVID-19 global pandemic affected the implementation of the programs as some of the activities such as Monitoring and Evaluation that would inform decision-making were put on hold and this affected the timely disbursements of grants

Part of the Planning at the beginning of the financial year was based on the pending bills amounting to Kshs. 201,091,393. The budget scale down greatly affected the implementation of these programmes as listed below.

Program	Amount in Kshs.
Multi-Disciplinary Grants	201,091,393
Total	201,091,393

REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2021, which shows the state of NRF's affairs.

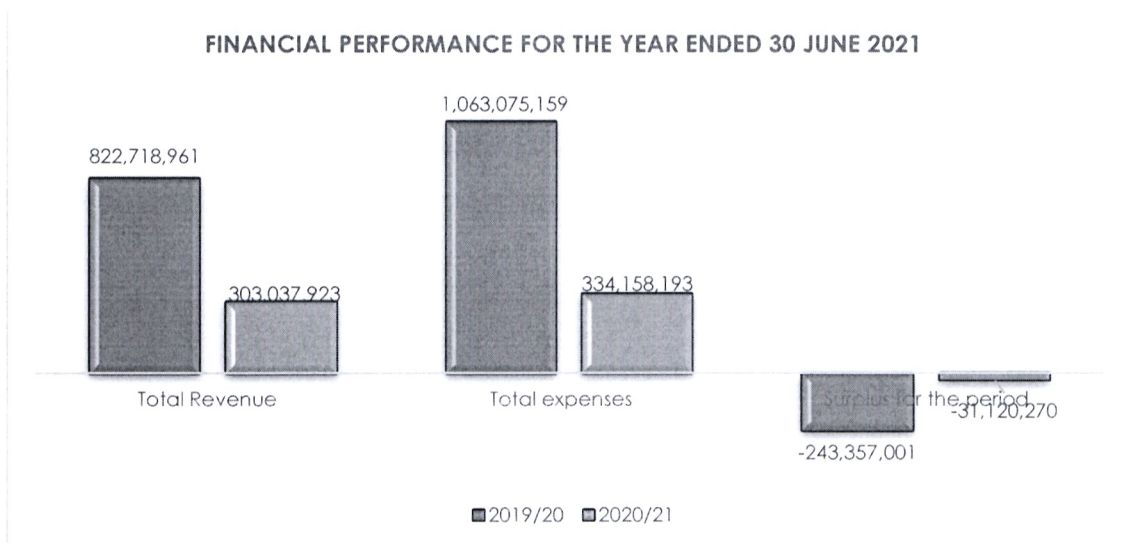
Principal activities

NRF's principal activities continue to be:

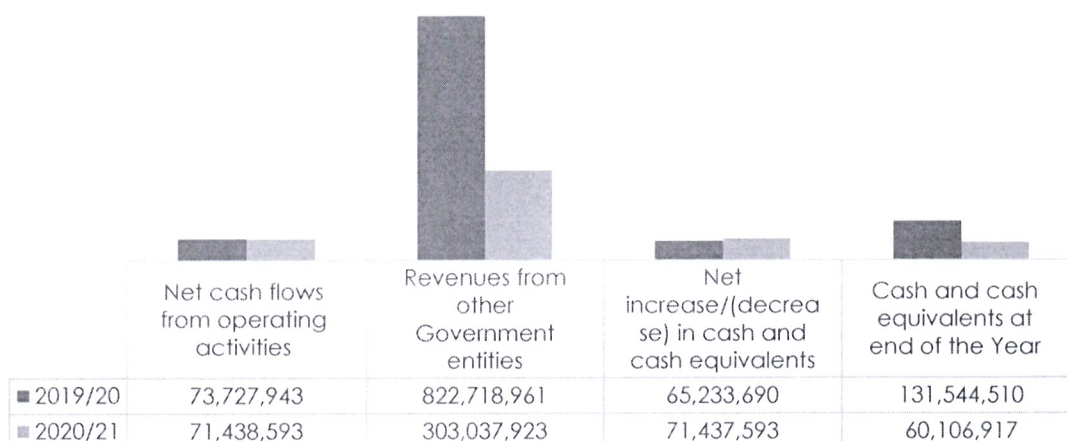
- i) Award of contracts, grants, scholarships or bursaries or any other award determined by the Commission to persons or institutions;
- ii) Provide financial support for the acquisition or establishment of research facilities;
- iii) To develop appropriate human resources and research capacity in the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

Results

The results of the NRF for the year ended 30 June 2021 are set out as from page 1 onwards.



CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021



The Trustees

The members of the Board of trustees who served during the year are shown on page vi to x. During period under review, the 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.

Auditors

The Auditor General is responsible for the statutory audit of the NRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. No firm of Certified Public Accountants was nominated by the Auditor General to carry out the audit of NRF for the year ended 30 June 2021 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

Jemimah G. Onsare, PhD
Ag. Chief Executive Officer
Secretary to the Board

Date 22/8/2022

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/period and the operating results of the entity for that year/period. The Trustees are also required to ensure that the entity keeps proper accounting records, which disclose with reasonable accuracy the financial position of the entity. The Trustees are also responsible for safeguarding the assets of the entity.

The Trustees are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. 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 2021, 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 19 July 2021 and signed on its behalf by:



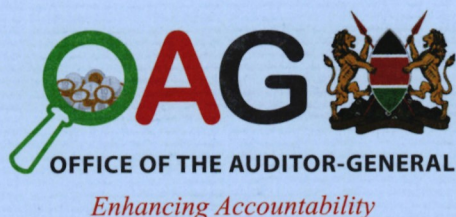
.....
Prof. Ratemo Michieka, CBS
Chairman



.....
Jemimah G. Onsare, PhD
Ag. Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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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, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Research Fund set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Research Fund as at 30 June, 2021, 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 Qualified Opinion

1. Unconfirmed Research Programs Grants

The statement of financial performance reflects research programs grants expenditure amount of Kshs.254,369,475 as disclosed in Note 10 to the financial statements. Included in the total grant expenditure are grants totalling to Kshs.248,990,475 which were confirmed and acknowledged by the respective recipients leaving an un-acknowledged and un-confirmed amount of Kshs.5,379,000.

In the circumstances, the accuracy of the un-acknowledged grants of Kshs.5,379,000 could not be confirmed.

2. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents amount of Kshs.60,106,917, as disclosed in Note 11 to the financial statements, which includes a balance of Kshs.11,162,390 referred to as returned payment of grants. However, no supporting documents were provided for the returned payment of grants.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.11,162,390 could not be confirmed.

3. Unexplained Adjustment Included in the Payables Balance

The statement of financial position reflects payables amount of Kshs.15,464,549 which as previously reported is net of an unexplained adjustment of Kshs.Kshs.39,759,660 which was passed in the financial year 2018/2019.

In the circumstances, the accuracy of payables balance of Kshs.15,464,549 could not be confirmed.

4. Irregular Payments to Board Members

The statement of financial performance and as disclosed in Note 8 to the financial statements, reflects Board expenses totalling Kshs.8,445,244. The Board expenses include a balance of Kshs.182,000 paid for a full Board meeting held on 17 July, 2020 where three Board Members were paid at a rate higher than the approved rate contrary to Office of the President Circular on Guidelines on Terms and Conditions of Service for

State Corporations 'Chief Executive Officers, Chairmen and Board members dated 23 November, 2004 which provides a taxable sitting allowance of up to a maximum of Kshs.20,000 per sitting to Chairmen and Directors.

In the circumstances, the accuracy and validity of the Board expense amount of Kshs.182,000 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Financial Performance

The statement of financial performance reflects a deficit of Kshs.31,120,383 for the year resulting to depletion of accumulated surplus from Kshs.91,047,493 reported as at 30 June, 2020 to Kshs.59,927,110 as at 30 June, 2021.

In the circumstances, the Fund is likely to face financial challenges in the near future if strategies are not put in place to reverse the trend.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.345,437,923 against actual receipts of Kshs.303,037,923 resulting to a revenue shortfall of Kshs.42,400,000 or 12% of the budget. Similarly, the statement reflects an approved expenditure budget of Kshs.345,437,923 against actual spending of Kshs.334,158,306 resulting to an under-expenditure of Kshs.11,279,617 or 3% of the budget. The receipts deficit was attributed to a reduction in Government grants and subsidies during the year.

The under-funding and under-expenditure affected the planned activities of the Fund and impacted negatively on service delivery to the public.

3. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues as required or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of a Substantive Board Chairperson

During the year under review, the Fund operated without a Board Chairperson contrary to Section 32(4) of the Science, Technology and Innovation Act, 2013 which states that the Fund shall be managed by a Board of Trustees which shall consist of nine members to be appointed by the Cabinet Secretary. The Chairperson, being a person with knowledge and experience in matters related to finance, investment and fundraising. The Board was therefore not properly constituted due to delay in appointing a substantive Chairperson which may have affected the deliberations and decisions by the Board.

In the circumstances, the Fund operated in breach of the law.

2. Unapproved Extra Board and Committee Meetings

Review of records revealed that the Fund paid for ten (10) full Board meetings and eight (8) Finance and Administration Committees' meetings which exceeded the stipulated maximum number of six (6) meetings in a financial year as provided in OP circular reference OP/CAB.9/IA dated 11 March, 2020. No approval from the parent Ministry Cabinet Secretary was provided contrary to Paragraph A (3) of the circular which states that approval for any extra board meetings (including special board meetings) above the maximum number specified shall require a justification by the Board as to the source of funds, and implications thereof, and reasons why the same cannot be adjudicated in regular meetings, which request shall be submitted for approval by the relevant Cabinet Secretary, in consultation with SCAC.

In the circumstances, Management was in breach of the guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Substantive Office Holders

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

In the circumstances, good governance for efficient operations of the Fund was not achieved.

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

Responsibilities of Management and 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 how 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 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from 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

20 September, 2022


STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/21	2019/20
Revenue From Non Exchange Transactions		Kshs	Kshs
Transfers from other governments entities	6	303,037,923	822,718,961
Total Revenue		303,037,923	822,718,961
Expenses			
Administration & Operating cost	7	65,681,542	24,578,406
Depreciation and amortization expenses	9	5,662,045	3,963,547
Board Expenses	8	8,445,244	5,056,850
Research programs grants	10	254,369,475	1,032,477,159
Total expenses		334,158,306	1,066,075,962
Surplus/deficit for the period		(31,120,383)	(243,357,001)

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


.....
Jemimah G. Onsare, PhD
Ag. Chief Executive Officer

Date 22/8/2022


.....
Charles O. Kunyoria
Finance Division

ICPAK No. 11758
Date 22/8/2022


.....
Prof. Ratemo Michieka, ^{EBS}
Chairman


Date 22/08/2022

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2020/21	2019/20
Assets		Kshs	Kshs
Current Assets			
Cash and cash equivalents	11	60,106,917	131,544,510
Receivables	12	1,609,252	11,200,000
Total Current Assets		61,716,169	142,744,510
Non-Current Assets			
Property, plant and Equipment	15	13,675,490	19,337,536
Total Non - Current assets		13,675,490	19,337,536
Total Assets		75,391,659	162,082,046
Current Liabilities			
Payables	13	15,464,549	71,034,553
Total Current Liabilities		15,464,549	71,034,553
Accumulated surplus		59,927,110	91,047,493
Total Net assets and liabilities		75,391,659	162,082,046

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


.....
Jemimah G. Onsare, PhD
Ag. Chief Executive Officer


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


.....
Prof. Ratemo Michieka, ^{ES}
Chairman

Date... 22/8/2022

Date... 22/8/2022

Date... 22/08/2022

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

Particulars	Accumulated Surplus
	KSHS
Balance b/f at 1st July 2019	334,404,494
Surplus for the Period FY 2019/20	(243,357,001)
Balance c/d at 30 June 2020	91,047,493
Balance b/f at 1st July 2020	91,047,493
Surplus for the Period FY 2020/21	(31,120,383)
Balance c/d at 30 June 2021	59,927,110


**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2020/21 Kshs.	2019/20 Kshs.
Cash flows from Operating Activities			
Surplus for the year	6	(31,120,383)	(243,357,001)
Adjustments			
Depreciation & Ammortization expense	14	5,662,045	3,963,547
Operating cashflow before working capital changes		(25,458,338)	(239,393,454)
Working capital changes			
Decrease in receivables	12	9,590,748	461,645,894
Increase in payments			
Decrease in payables	13	(55,570,004)	(148,524,497)
Cashflow from operating activities		(71,437,593)	73,727,943
Cashflows from investing activities			
Purchase of property, plant, equipment	13		(8,494,253)
Net cash flows used in investing activities			65,233,690
Cash flows from financing activities			-
Net cash flows used in financing activities			-
Net increase/ (decrease) in cash and cash equivalents		(71,437,593)	65,233,690
Cash and cash equivalents at start of the year	11	131,544,510	64,955,141
Cash and cash equivalents at end of the year		60,106,917	131,544,510*

* Prior year adjustment

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


.....
Jemimah G. Onsare, PhD
Ag. Chief Executive Officer


.....
Charles O. Kunyoria
Finance Division


.....
Prof. Ratemo Michieka, ^{ES}
Chairman

Date: 22/8/2022

ICPAK No. 11758
Date: 22/8/2022

Date: 22/08/2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Adjustments	Final Budget	Actual	Variance	% Utilization	** Remarks
	Kes	Kes	Kes	Kes	Kes		
Revenue							
Government grants and subsidies	323,037,923	22,400,000	345,437,923	303,037,923	42,000,000	87.73	We did not receive the entire exchequer
Total income	323,037,923	22,400,000	345,437,923	303,037,923	42,000,000		
Expenses							
Personnel Emoluments (Staff allowances)	21,360,000	(13,460,000)	7,900,000		7,900,000	-	Delay in obtaining approvals to pay staff
Administration & Operating cost	27,019,500	38,860,000	65,879,500	65,681,542	197,958	99.70	Some activities were carried forward to the current FY
Depreciation and amortization expenses	-	-	-	5,662,045	-	100	* Depreciation charge for the year
Board Expenses	12,185,000	-	12,185,000	8,445,244	3,739,756	69.31	Fewer Board activities due to absence of the chairperson
Research programs grants	262,473,423	(3,000,000)	259,473,423	254,369,475	5,103,948	98.03	
Total expenditure	323,037,923	22,400,000	345,437,923	334,158,306	11,279,617		
Balance				(31,120,383)			

**Explanations to the statement of comparison of budget and actual amounts is given in the remarks column

* An amount of depreciation charge for the year is not a budget item.

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 judgement or complexity, or where assumptions and estimates are significant to the financial statements, this is disclosed in Note 5.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1 January 2020 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

3 Adoption of new and revised standards

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none">• 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

Standard	Effective date and impact:
	accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1 January 2022 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: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

NRF did not early – adopt any new or amended standards in year 2020-2021.

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

c) Taxes

Current income tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which

applicable tax regulations are subject to interpretation and establishes provisions where applicable

c) Taxes

Deferred tax

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

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

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

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

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

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

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

Sales tax

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

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

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

d) Investment property

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

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

Investment properties are derecognized 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 charges depreciation on its assets on straight-line basis. The rates of depreciation on NRF's assets is as follows:-

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

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

Summaries of significant accounting policies (Continued)

the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity.

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

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

g) Research and development costs

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

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

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

- Finished goods and work in progress: cost of direct materials and 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.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at

the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

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

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to

insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions, which were not surrendered or accounted for at the end of the financial year.

Comparative figures

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

s) Subsequent events

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

4 Significant Judgements and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make 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:

5 Estimates and assumptions

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

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

Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions

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

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

6) Transfers from other Government Entities

	2020/21	2019/20
Unconditional grants	Kshs	Kshs
Grants from State Department for University Educ.	303,037,923	822,718,961
Total	303,037,923	822,718,961

7) Administration & Operating Cost

	2020/21	2019/20
	Kshs	Kshs
Audit fees	1,000,000	1,000,000
Bank service commission and charges	101,059	89,800
Catering services,	383,748	412,224

Communication supplies and services	743,630	492,838
Contracted Professional Services	4,686,500	1,997,520
Contracted technical Services	115,000	2,613,650
Domestic travel, subsistence and other travel costs	1,228,655	8,831,612
Foreign Travel and subsistence	-	198,008
Fuel, oil and lubricants	1,999,905	1,518,780
Fumigation Services	-	85,000
Insurance expenses	1,012,083	1,512,574
Office and general supplies and services	31,534	1,472,348
Printing , advertising, supplies and services	321,850	2,875,901
Routine Maintenance-mtce	248,428	
Routine Maintenance-other assets	36,400	446,950
Training Expenses	1,112,970	669,600
Utilities, supplies and services	1,304,830	361,600
Performance Contracting	44,417,204	
Office Rent	5,676,750	
Partitioning	759,600	
Computer and other related accessories	17,500	
Transport Costs and Charges	483,895	
Total general expenses	65,681,542	24,578,405

8) Board expenses

Board expenses

	2020/21	2019/20
	Kshs	Kshs
Transport cost	463,044	95,160
Subsistence Allowances	1,474,200	1,211,000
Sitting Allowances	6,140,000	3,144,000
Other Expenses (foreign travel)	350,000	462,690
Lunches	18,000	144,000
Total Board expenses	8,445,244	5,056,850

9). Depreciation and Amortization expenses (See Note 15)

	2020/21	2019/20
	Kshs	Kshs
Property Plant & Equipment	5,662,045	3,963,547
	5,662,045	3,963,547

10) Research grants program costs

Research grants program costs	2020/21	2019/20
	Kshs	Kshs
Covid 19 & Locust program		435,000
Internship and Exchange program		57,500
Kenya France		-
Kenya Germany	88,776,486	68,657,916
Kenya South Africa		11,844,285
MMC	95,511,638	525,617,471
LEAP-AGRI		36,472,788
Newton Utafiti fund		170,546

Next Einstein Forum		177,835,783
Performance Contracting		10,120,392
PhD	51,248,351	126,855,118
Innovations	14,650,000	142,000
Science Grant council	3,500,000	1,617,144
Support for conferences	683,000	11,654,955
Innovation Grants		7,436,239
PhD(26 projects) (Ongoing 1st call)		24,790,022
innovation grants		28,770,000
Total Grants payables		60,996,261
Total Research Program Grants	254,369,475	1,032,477,159

11) Cash and cash equivalents

		2020/21	2019/20
Financial institution	Account number	Kshs	Kshs
a) Current account			
National bank of Kenya	01060208597200	48,913,074	4,310,078
Sub- total		48,913,074	4,310,078
Cash in Transit			88,000,000
b) Deposits			
Kenya Commercial bank	1236065395	31,452	444,033
RETURNED PAYMENT OF GRANTS		11,162,390	
Sub- total		11,193,842	444,033
Grand total		60,106,917	131,544,510

12. Receivables from Non-exchange programs

Description	2020/21	2019/20
	Kshs	Kshs
Receipts from SDUE	1,500,000	11,200,000
Prepaid Insurance	109,252	
Total current receivables	1,609,252	11,200,000

13 Payables

	2020/21	2019/20
	Kshs	Kshs
Audit fee- provision	3,000,000	2,000,000
Grant Payable		
Innovation Grants	1,302,159	7,436,239
PhD(26 projects) (Ongoing- 1st Call)		24,790,022
Innovation grants	11,162,390	28,770,000
Other payables- admin and operating		8,038,292
Total Grant Payables	15,464,549	71,034,553

15 Property, Plant and Equipment

	Motor vehicles	Furniture & Equipment	Computers	Total
Cost	KShs	KShs	KShs	KShs
Rate	20%	12.50%	33.33%	
1 July 2018	14,936,000	0	0	14,936,000
Additions	0	1,448,500	2,385,876	3,834,376
Disposals	0	0	0	0
Transfer/adjustments	0	0	0	0
30 June 2019	14,936,000	1,448,500	2,385,876	18,770,376
1 July 2019	14,936,000	1,448,500	2,385,876	18,770,376
Additions	7,797,233	447,400	249,620	8,494,253
Disposals	0	0		0
Transfer/adjustments				0
30 June 2020	22,733,233	1,895,900	2,635,496	27,264,629
1-Jul-20	22,733,233	1,895,900	2,635,496	27,264,629

Additions				
30-Jun-21	22,733,233	1,895,900	2,635,496	27,264,629
Depreciation and impairment				
1 July 2018	2,987,200	181,063	795,284	3,963,547
Depreciation	0	0	0	0
30 June 2019	2,987,200	181,063	795,284	3,963,547
1 July 2019	2,987,200	181,063	795,284	3,963,547
Depreciation	2,987,200	181,063	795,284	3,963,547
30-Jun-20	5,974,400	362,126	1,590,568	7,927,094
1 July 2020	5,974,400	362,126	1,590,568	7,927,094
depreciation	4,546,647	236,988	878,411	5,662,045
30-Jun-21	10,521,047	599,114	2,468,979	13,589,139
Net book values				
30-Jun-21	12,212,186	1,296,787	166,517	13,675,490
30 June 2020	16,758,833	1,533,775	1,044,928	19,337,536

16. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

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

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

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

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

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

FINANCIAL RISK MANAGEMENT (Continued)

(ii) Market risk (Continued)

(a) Foreign currency risk (Continued)

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

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-

Total financial assets	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Total financial liabilities	-	-	-
Net foreign currency asset/(liability)	-	-	-

FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis

FINANCIAL RISK MANAGEMENT (Continued)

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

(iii) Market risk (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
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:

- 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 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
At 30 June 2021				
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.

Fair value of financial assets and liabilities (Continued)

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

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

iv) Capital Risk Management

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

	2020-2021 Kshs	2019-2020 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 BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
Grants from National Government	303,037,923	822,718,961
Total	303,037,923	822,718,961
a) Key management compensation		
Directors' emoluments	-	-
Total	-	-

Currency

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

APPENDICES

I. Progress on follow up of Auditor recommendations

The audit of the activities of NRF for the FY 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)

Guidance Notes:

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



 Jemimah G. Onsare, PhD
Ag. Chief Executive Officer



 Prof. Ratemo Michieka, CBS
Chairman

Date 22/8/2022

Date 22/8/2022

II. Projects Implemented By NRF

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

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

Status of Projects completion

Currently there are no projects implemented by National Research Fund.

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

III: Inter-Entity Transfers

ENTITY NAME:				
Break down of Transfers from the State Department for University Education & Research				
FY 2020/2021				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
1		19-Aug-2020	80,759,480	2020/2021
2		06-Jan-2021	80,759,481	2020/2021
3		04-Feb-2021	80,759,481	2020/2021
4		10-May-2021	60,759,481	2020/2021
		Total	303,037,923	

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

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 Charles Omwega Kunyoria
 Finance Division-NRF
 ICPAK Number 11758

.....
 Johnson Waithaka Njuguna
 Head of Accounting Unit-SDUE
 ICPAK Number 7626

LIST OF ASSETS

CLASS	QTY	Name	Model	Description	Serial Number	Cost	Date of Purchase	Current User/office	Location of the Asset
Motor Vehicle	1	KCK 756U		Staff Bus		4,500,000		NRF	NRF
Motor Vehicle	1	KCK785U	Toyota	Prado Land Cruiser		10,436,000		NRF STAFF	NRF STAFF
Total						14,936,000			
ICT Equipment	2	Laser Jet Printer				330,000			
ICT Equipment	2	Smart phones				304,000		SECRETARY	SECRETARY
ICT Equipment	4	Laptops				679,336		CEO,DEP DIR,ASSIST DIR,1 AT STOR	CEO,DEP DIR,ASSIST DIR,1 AT STORE
ICT Equipment	4	Desktop				558,540		1 SECRETARY,2 AT RECEPTION	1 SECRETARY,2 AT RECEPTION
ICT Equipment	2	Scanner				260,000		1 AT ACCOUNTS,1 AT STORE	1 AT ACCOUNTS,1 AT STORE
ICT Equipment	1	projector				254,000		AT STORE	AT STORE
Total						2,385,876			
Office Equipment	5	Steel and chrome filling				498,500		ACCOUNTS	ACCOUNTS
Furniture	10					950,000		AT BOARD ROOM,ACCOUNTS,STOR	AT BOARD ROOM,ACCOUNTS,STORES
Safe office fire resist	2				B116075270		27-May-17	1 AT ACCOUNTS, 1 AT CEOs OFFICE	1 AT ACCOUNTS, 1 AT CEOs OFFICE
Safe office fire resist	1				B116075460		27-May-17		
Shredder Machine	2				Cc 184016040006		25-May-17	1 AT RECEPTION,1 AT CEOs OFFICE	1 AT RECEPTION,1 AT CEOs OFFICE
water dispenser	3				04658/10/106		25-May-17	CEOs OFFICE,DEP DIR, ASSIST DIR	CEOs OFFICE,DEP DIR, ASSIST DIR
Television	2				02R53Kdh80005,		27-May-17	AT STORES	AT STORES
					03 CE3KJ40004		27-May-17	AT STORES	AT STORES
Microwave	2				04479/10611		27-May-17	CEOs OFFICE	CEOs OFFICE
					04126/10155		27-May-17	AT RECEPTION	AT RECEPTION
Computer desk top	6				3CQ6402BGF		25-May-17	CEOs OFFICE	CEOs OFFICE
					3CG64115QT		25-May-17	DEPUTY DIRECTOR'S	DEPUTY DIRECTOR'S
					3CQ6480L2		25-May-17	ASSISTANT DIRECTOR'S	ASSISTANT DIRECTOR'S
Printer desktop	4				PHBV/K4BOCF		31-Mar-17	ACCOUNTS	ACCOUNTS
					PHV/K4BOC2		27-May-17	SECRETARY	SECRETARY
LCD projector	1				PHCHQ02105		27-May-17	CEOs OFFICE,DEP DIRECTOR'S	CEOs OFFICE,DEP DIRECTOR'S
Laptops	3				CND70101ZK		25-May-17	AT STORES	AT STORES
					CND70101ZM		25-May-17	CEO,ASSIST DIRECTOR	CEO,ASSIST DIRECTOR
Kyocera photocopyin	2						25-May-17	DEP DIRECTOR	DEP DIRECTOR
Office Cabinets	4						12-May-17	CEO OFFICE	CEO OFFICE
Fridge	2						27-May-17	RECEPTION	RECEPTION
Coffee tables	2						27-May-17	ACCOUNTS, AT STORES	ACCOUNTS, AT STORES
Visitors chairs	6						7-Jun-17	CEOs OFFICE	CEOs OFFICE
Conference chairs	20						25-May-17	SECRETARY,CEOs OFFICE	SECRETARY,CEOs OFFICE
Conference table	2						25-Mar-17	SECRETARY,CEOs OFFICE,RECEPTION	SECRETARY,CEOs OFFICE,RECEPTION
Executive table (big)	2						25-May-17	BOARD ROOM,AT STORES	BOARD ROOM,AT STORES
Executive table (sma	2						25-May-17	BOARD ROOM,AT STORES	BOARD ROOM,AT STORES
Executive book shelv	3						25-May-17	CEO OFFICE,SECRETARY	CEO OFFICE,SECRETARY
Executive book shelv	4						25-May-17	AT STORES	AT STORES
High back hp executiv	4						25-May-17	AT STORES	AT STORES
Secretarial seats	2						29-Mar-17	AT STORES	AT STORES
Work stations	12						27-May-17	AT ICT OFFICE	AT ICT OFFICE
Work station chairs	12						27-May-17	AT ICT OFFICE	AT ICT OFFICE
Coat hangers	2						27-May-17	CEOs OFFICE, DEP DIRECTOR	CEOs OFFICE, DEP DIRECTOR

