

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

Ref: OAG/MOE/NACOSTI/2021-2022(18)

11 April 2023

Prof. Walter O. Oyawa, PhD.
Chief Executive Officer,
National Commission for Science, Technology and Innovation,
P. O. Box 30623-00100,
NAIROBI.

Dear Sir,

**REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY AND INNOVATION FOR THE YEAR ENDED 30 JUNE, 2022**

Your responses dated 12 April, 2023 in respect of the draft audit report for the financial year ended 30 June, 2022 refers.

The additional information and evidence provided in the responses have been examined and issues that have not been satisfactorily explained and (or) supported are now included in the audit report.

Enclosed herewith please find one set of the report of the Auditor-General on National Commission for Science, Technology and Innovation for the year ended 30 June, 2022 duly certified and with the seal affixed thereon for your use and retention.

The Invoice No.12372 amounting to Kshs 1,000,000 for audit services for the financial year ended 30 June 2022 payable within 30 days from the date of this letter is enclosed.

Yours Sincerely,

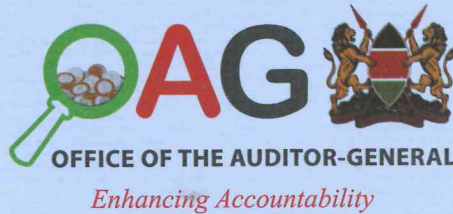

Samuel N. Waweru
FOR: AUDITOR-GENERAL

Copy to: The Principal Secretary,
State Department for Higher Education & Research,
P. O. Box 9583-00200,
NAIROBI.

Chief Executive Officer /Secretary,
State Corporation Advisory Committee (SCAC),
P. O. Box 42145-00100,
NAIROBI.

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Invoice

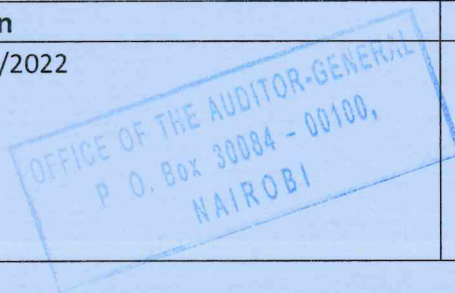
Date	Invoice #
10/5/2023	12372

Bill To
National Commission For Science, Technology & Innovation (NACOSTI) P.O Box 30623-00100 Nairobi

E-mail	Web Site
finance@oagkenya.go.ke	www.oagkenya.go.ke

Phone #	Fax #	PIN
+254-20-341904, 342330	+254-20-311482	P051098570M

Description	Amount
Audit of Financial Statements for Year 2021/2022	862,069.00
VAT General Rate	137,931.00



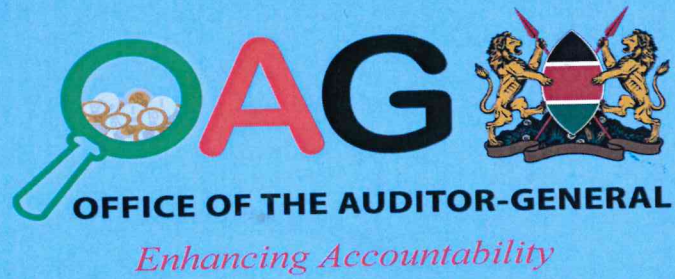
ETR receipt will be issued upon receipt of payment.	Total 1,000,000.00
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Due Date
10/6/2023

Cheques should be made payable to:
Auditor General

RTGS to:	Auditor General
	Central Bank of Kenya
	Haile Selassie Avenue Branch
	Bank Code: 09000
	Account Number: 1000181327
	Account Name: Auditor General

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

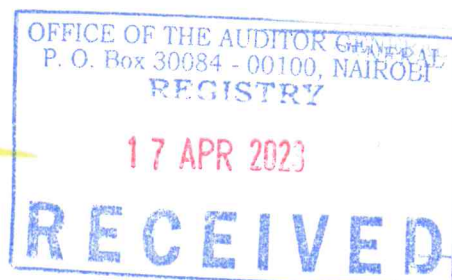
ON

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

**FOR THE YEAR ENDED
30 JUNE, 2022**



Science for prosperity



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2022**

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1. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

The National Commission for Science, Technology and Innovation (NACOSTI) was established under the Science, Technology and Innovation Act, 2013 on 24th June 2013. It is the successor to the National Council for Science and Technology (NCST) which was established by the Science and Technology Act, CAP 250 of 1979. The Commission's headquarters is in Nairobi County. The establishment of the Commission has been sectioned under three directorates namely: Directorate of Scheduled Sciences (DSS), Directorate of Research, Accreditation and Quality Assurance (DRAQA) and Directorate of Corporate Services (DCS).

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

Principal Activities

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

According to Section 6(1) of the Act, the Commission has the following functions:-

- (a) Develop, in consultation with stakeholders, the priorities in scientific, technological and innovation activities in Kenya in relation to the economic and social policies of the Government, and the country's international commitments;
- (b) Lead inter-agency efforts to implement sound policies and budgets, working in collaboration with the county governments, and organizations involved in science, technology and innovation within and outside Kenya;
- (c) Advise the national and county governments on the science, technology and innovation policy, including general planning and assessment of the necessary financial resources;
- (d) Liaise with the National Innovation Agency and the National Research Fund to ensure funding and implementation of prioritized research programmes;
- (e) Ensure co-ordination and co-operation between the various agencies involved in science, technology and innovation;
- (f) Accredite research institutes and approve all scientific research in Kenya;
- (g) Assure relevance and quality of science, technology and innovation programmes in research institutes;
- (h) Advise on science education and innovation at both basic and advanced levels;
- (i) In consultation with the National Research Fund Trustees, sponsor national scientific and academic conferences it considers appropriate
- (j) Advise the Government on policies and any issue relating to scientific research systems;
- (k) Promote increased awareness, knowledge and information of research system;
- (l) Co-ordinate, monitor and evaluate, as appropriate, activities relating to scientific research and technology development;

- (m) Promote and encourage private sector involvement in scientific research and innovation and development;
- (n) Annually, review the progress in scientific research systems and submit a report of findings and recommendations to the Cabinet Secretary;
- (o) Promote the adoption and application of scientific and technological knowledge and information necessary in attaining national development goals;
- (p) Develop and enforce codes, guidelines and regulations in accordance with the policy determined under this Act for the governance, management and maintenance of standards and quality in research systems; and
- (q) Undertake, or cause to be undertaken, regular inspections, monitoring and evaluation of research institutions to ensure compliance with set standards and guidelines.

(b) Key Management

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

- Board of Directors
- Accounting officer
- Management

(c) Fiduciary Management

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

No.	Designation	Name
1.	Director General/CEO	Prof. Walter O. Oyawa
2.	Deputy Director, Finance	CPA Gideon K. Kirui
3.	Deputy Director, Scheduled Services	Dr. David Njubi
4.	Deputy Director, Research Accreditation and Quality Assurance	Mr. Boniface Wanyama
5.	Deputy Director, Supply Chain Management	Ms. Yasmin Hussein

(d) Fiduciary Oversight Arrangements

Finance and General-Purpose Committee of the Board

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

Audit and Risk Management Committee

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

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION
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For the year ended 30 June 2022.

(e) The Commission Headquarters

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

(f) The Commission's Contacts

Tel.: +254 20 2241349
+254 20 3310571
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

(g) The Commission's Bankers

1. Kenya Commercial Bank Ltd.

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

2. NCBA Bank Ltd.

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

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

Members of the Board



Amb. Simon Nabukwesi - Member

Amb. Simon Nabukwesi is the Principal Secretary, State Department for University Education and Research in the Ministry of Education. He is a member of the Board of the Commission by virtue of being the Principal Secretary as provided in the Science, Technology and Innovation Act, 2013.

Amb. Nabukwesi has a B.Ed, M. Ed. in Education Planning and Management and MA in International Project Management. He is a PhD Candidate in International Project Management. In addition to this, he has a Diploma Level training in Institutional Management at Hiroshima University, Japan and a Pre-university Training at the National Youth Service (1986).

Amb. Nabukwesi has had a successful career as a High School Teacher, as a Deputy Principal and Principal in a span of twenty years (1989-2009). He has eleven (11) years of service as a diplomat including being the Director of Foreign Service Institute which he worked to transform into the Foreign Service Academy for training Junior Diplomats, Middle level Diplomats, Senior Diplomats and eight (8) Cohorts of Ambassadors whom he took through induction courses. The Foreign Service Academy served as a soft power tool for the government by training diplomats and ambassadors from the Eastern, Central and Southern Africa in addition to coordination of scholarships from friendly nations. Amb. Nabukwesi was appointed to the position of Principal Secretary, State Department of University Education and Research with effect from 28th February 2020.



Dr. Julius Muia – Member

Dr. Julius Muia is the Principal Secretary of The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning – The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing, and upper middle-income economy by 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.

Dr Julius Muia graduated with a First-Class Honours Degree in Accounting from the University of Nairobi and has a Masters Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK.



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

Prof. Raphael Munavu is a Professor of Chemistry at the University of Nairobi where he has served since 1976. He is current Chairman of the Kenya National Academy of Sciences (KNAS) as well as Chairman of the Council of South-Eastern University College (SEUCO).

Prof. Munavu attended Kalamazoo College (B.A, 1967-1970); Wayne State University (M.Sc., 1970- 1972) and the University of Detroit (Ph.D, 1972-1975). He is a specialist in Organic, Environmental and Industrial chemistry. Publishing over sixty refereed and commissioned papers, he has written extensively on the role of Higher Education, Chemistry, Science, Technology and Innovation in socio-economic development. He has also undertaken consultancies on the environmental impacts of utilizing various natural resources. His research interest is in discovering and developing appropriate and innovative chemical processes for the conversion of locally available resources into useful products.

Prof. Munavu chairs the Finance and General Purpose Committee of the Board.



Ms. Rachel Shibalira, MSc, LLB (Hons), Dip (Law) – Independent Member

Ms. Rachel Shibalira was first appointed a member of the Board on 6th December 2017 and reappointed on 8th October 2021 vide Gazette notice Number 208. Ms. Shibalira holds Msc in Environmental Planning and Management from Kenyatta University, Bachelor of Law from Babasaheb Ambedkar University and Diploma in Law from Kenya School of Law.

Ms. Shibalira is a member of Law Society of Kenya and also International Commission of Jurists. She has represented the Government of Kenya in negotiating international conventions and protocols in the area of environment. She has also worked with several countries in the African region helping them define policies and laws on issues of Science and Technology. She has served nationally as a Chairperson of the Biosafety Appeals Board.

Ms. Shibalira chairs the Technical Committee of the Board.



Prof. Francis Wamakima Muregi, PhD – Independent Member

Prof. Francis Wamakima Muregi was first appointed a member of the Board on 6th December 2017 and reappointed on 8th October 2021 vide Gazette notice Number 208. He is a PhD holder in medical sciences from Hamamatsu University School of Medicine, a Master of Science, Biochemistry (Biotechnology Option) and BSc. Biochemistry/Chemistry from Kenyatta University.

Prof. Muregi has worked at Kenya Medical Research Institute for more than 10 years. He is currently the Director for Research and Development

at Mount Kenya University. He is also serving as a member of the Social and Human Sciences Programme and Expert Committee of Kenya National Commission for UNESCO (KNATCOM).
Prof. Muregi is the chair of the Audit Committee of the Board.



Dr. Jemimah Onsare, PhD – Member

Dr. Jemimah Onsare is a member of the Board by virtue of being the Ag. Chief Executive Officer of National Research Fund (NRF). She has experience in resource mobilization and management of Research Grants and has participated in various programmes within the STI sector both at National as well as international level.

Dr. Onsare is experienced in Microbiological Research (Antimicrobials) and has published research articles in international Journals of repute. She holds a PhD (Applied Microbiology – Antimicrobials) and has undertaken an international training Programme Sponsored by SIDA on putting ideas to work, strategies for innovation and led sustainable growth.



Dr. Tonny K. Omwansa, PhD - Member

Dr. Tonny K. Omwansa is a member of the Board by virtue of being the Chief Executive Officer of Kenya National Innovation Agency (KENIA). He is the co-author of “Money, Real Quick: Kenya’s disruptive mobile money innovation”. He holds a PhD in Information Systems in which he researched on the adoption of mobile financial services at the base of the pyramid in Kenya.

Besides consultancy in technology issues, he has conducted extensive research in mobile transactions in Africa and published various reports including use of airtime transfers, mobile banking, virtual currencies as well as regulation of mobile transactions. His research interests are in the design, adoption and impact of low-cost technologies in developing countries.

His various research assignments have been commissioned by organizations like the GSMA, Bill and Melinda Gates foundation, Rockefeller Foundation and Economic Commission of Africa. He is a recipient of the prestigious Bellagio Fellowship from the Rockefeller Foundation where he worked on the book on mobile money, published in 2012.






Prof. Walter O. Oyawa, PhD - Director General/Chief Executive Officer

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.

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In addition to his current position as Director General of NACOSTI, Prof. Oyawa has served in various senior leadership/management positions including having been the Principal/CEO of Multimedia University College, Deputy Commission Secretary at the Commission for University Education (CUE), pioneering Ag. Principal of the College of Engineering & 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.

3. MANAGEMENT TEAM

Management	Details
	<p>Prof. Walter O Oyawa, PhD Director General/Chief Executive Officer 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.</p>
	<p>CPA Gideon K. Kirui – Deputy Director, Finance CPA Kirui is the head of the Finance Department. He holds a Masters of Business Administration degree, a Bachelor of Commerce Degree (Accounting) and is a member of the Institute Certified Public Accountant of Kenya (ICPAK) and the Institute of Certified Secretaries.</p>
	<p>Mr. Boniface Wanyama – Deputy Director, Research Accreditation and Quality Assurance Mr. Wanyama heads the Research Accreditation and Quality Assurance Department of the Commission. He holds Bachelors and Masters degrees in Education</p>
	<p>Dr. David Njubi, PhD – Deputy Director, Scheduled Services Dr. Njubi leads the Directorate of Scheduled Sciences at the Commission. He holds a PhD in Animal Genetics, MSc in Animal Production, MSc in Information Systems, and a BSc in Agriculture.</p>
	<p>Ms. Yasmin Hussein - Deputy Director, Supply Chain Management Ms. Hussein is the head is Supply Chain Department at the Commission. She holds a MSc in Procurement and Logistics and a Bachelor of Commerce Degree with specialization in Operations Management. She is a member of the Kenya Institute of Supplies Management (KISMO) and a Professional Member of the Chartered Institute of Purchasing and Supplies (CIPS)</p>

4. CHAIRMAN'S STATEMENT

The current members of the Board of NACOSTI were appointed in October 2021 and has continued with implementation of its second Strategic Plan covering the period 2018 – 2022. In this Strategic Plan Period, the Commission's mission is "To facilitate quality in the research, science, technology and innovation sector through regulation, promotion and provision of advisory services" and its vision is "A knowledge based economy". To support the realization of the mission, four Key Result Areas (KRAs) were identified as Regulation of Research; Knowledge Sharing and Utilization; Advisory Services and Planning for Research, Science and Technology; and Institutional Capacity.

Science, Technology and Innovation are key drivers of economic and social development and are hence a critical means of implementation for national Agenda. Science, Technology and Innovation (STI) also serves as a catalysts and accelerator in the achievement of the 2030 Sustainable Development Goals. In view of this, the Ministry of Education, through the State Department for University Education and Research, has identified NACOSTI as a critical player in the development of the Medium-Term Plan IV (MTP IV) for the period 2023-2027. The Commission has therefore actively participated in the review of the achievements in MTP III and development of STI programs linked to MTP IV.

During the same period, the Commission also oversaw the implementation of the National Research Priorities which will guide the County's research focus over the next five years. These priorities are linked to the Government's Big 4 programs of Food and Nutrition Security; Affordable Housing; Manufacturing; and Universal Health Coverage.

During the last two Financial Years, the Commission, like the rest of the Country, faced the challenge presented by the Covid-19 pandemic. The pandemic affected the operations of the Commission as some programs were slowed down and others which involved collaboration with other partners having their implementation delayed. The Commission has, however, put in place ICT supported platforms that ensure continuity of service delivery without necessarily having physical interactions with the clients. The Research Information Management System (RIMS) for example has enabled the researcher to apply for research permits online and the Commission to review the application and issue the permits which the researcher can download through the system. The Commission has also mitigated the effects of the COVID-19 pandemic by changing the mode of delivery of some of its programs and adopting more online interaction with its stakeholders.

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

The Commission acknowledges the immense support it receives from the Parent Ministry and the Government as a whole in the execution of its mandate.

Signed for Chairman

By: Prof. Raphael Munavu

Sign R. Munavu

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

NACOSTI is mandated to regulate and assure quality in the research, science, and technology innovation sector and advise the Government in matters related thereto. The programs undertaken the Year ended 30 June 2022 were geared towards enabling the Commission to regulate, coordinate, provide advice and promote Science, Technology, Innovation and Research activities in the country.

The Science, Technology and Innovation (STI) Act 2013 obligates the Commission to approve all Scientific research in Kenya. As per STI (Research Licensing) Regulations, 2014, all scientific research activities shall be coordinated by the Commission to ensure that no harm occurs to the natural, social and cultural environments of Kenya and human life. During the year under review, about 7,000 research projects were reviewed and licensed by the Commission. The Commission was also able to monitor and evaluate the implementation of several multi-disciplinary research programs.

In May 2021, NACOSTI's recommendation of the re-introduction of the STI Mainstreaming Indicator under the broader, and more comprehensive perspective of STI as provided for in the STI Act 2013 as part of Performance Contract Indicators was approved. Consequently, the Ministry of Public Service and Gender, in FY 2021/2022 PC Guidelines, included the STI Mainstreaming indicator and tasked NACOSTI to coordinate this indicator in the 18th PC Cycle. The Commission has therefore been providing guidance of Government Ministries, Departments and Agencies (MDAs) in mainstreaming of Science Technology and Innovation (STI) in their activities as part of their Performance Contracting target for the Financial Year. Towards this end, the Commission held several capacity building sessions with the MDAs individually and in groups.

The role of STI in the attainment of Kenya Vision 2030 cannot be over-emphasized. As we strive towards knowledge-based economy, research is needed to inform the policymaking process, facilitate better understanding and furthering of best practices for all those working in various research fields. In the year under review, the Commission organized various conferences, workshops and symposia to bring together scholars and practitioners in the STI sector to engage in topical matters. The Commission also continued building linkages amongst the scientific community locally and internationally through implementation of collaborative projects. These included the University Research Chairs Programme, the EU/Africa Permed project and the Comprehensive Test Ban Treaty Organization (CTBTO) Project. Further, the Commission is the National Focal Point for AFRA of the International Atomic Energy Agency, the International Centre for Genetic Engineering and Biotechnology and the Biological Toxins Weapons Convention. A major achievement in these collaborations is the partnership with the International Centre for Genetic Engineering and Biotechnology (ICGEB) to set up a Regional Research Centre in Kenya.

I thank the Ministry of Education, in particular the State Department for University Education and Research, and the Board of NACOSTI for the continued support for the implementation of NACOSTI Programmes. I am also indebted to the NACOSTI staff for their dedication and commitment to duty throughout the Financial Year.



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

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6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

During the FY 2021/2022, the Commission continued with the programs as set out in its Strategic Plan which covers the period from 2018 to 2022. The Strategic Plan gave focus to four (4) Key Results Areas (KRA) each backed by specific strategic objectives. These Key result Areas and strategic objectives are as follows:

KRA 1: Regulation of Research

KRA 2: Advisory Services for Research, Science and Technology

KRA 3: Knowledge Management

KRA 4: Institutional Capacity

The Commission develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for the FY 2021-2022 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
Regulation of Research	To ensure relevance and quality of research	No. of standards & Guidelines	Develop Standards and Guidelines	5 Guidelines Developed: - Guidelines for Material Transfer Agreement (MTA) - Guidelines for Ethical Conduct of Biomedical Research involving Human Subject in Kenya - National Guidelines for the Care and Use of Animals in Research and Education in Kenya - Guidelines for Accreditation of Institutional Ethics Review Committees (IERCs) - Ethical Guidelines for Health Research in Response to COVID-19 Pandemic in Kenya
		Number of public events participated in	Sensitize the public	Trainings, conferences, meetings with MDAs implementing STI Mainstreaming indicators, (both locally and internationally)
		No. of programmes	Media outreach programmes	- Multisectoral conference - Informercial on licensing - National Research Priorities
		No. of licensed projects	License research projects	6,983 licenses were granted in the year up from 5,843 in 2020/2021

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		Report: No. of institutions registered	Register research institutions	Cumulative to date, forty-nine (49) institutions applications have been reviewed, 21 registered and 6 recommended for registration
		No. of Research institutions monitored	Carry out inspection, Monitoring and Evaluation of Research Institutions	Six (6) institutions inspected, monitored, and evaluated in the year
		No. of accredited institutions	Accredit institutional ethics review committees	There are 34 accredited ISERCs. 2 were accredited in the year and 11 are under review.
		No. of Committees	National Scientific Review Committees (NSERC)	A new Committee of 14 members established in the year
To enhance co-ordination and co-operation of research and development		No. of Policy briefs	Advise on establishment of collaborations in RST	3 Policy briefs: i) Mobilizing STI in response to COVID19 pandemic: Opportunities and Prospects for STI driven COVID-19 Response Strategies (2020) ii) Opportunities to Advance Personalized Medicine in Africa (2022) iii) Harnessing Blue Economy in the Lake Region for Sustainable Socio-Economic Development in Kenya (2021).
		No. of collaborations established	Establish new collaborations and partnerships	i) Mobilizing STI in response to COVID19 pandemic: Opportunities and Prospects for STI driven COVID-19 Response Strategies (2020) ii) Opportunities to Advance Personalized Medicine in Africa (2022) iii) Harnessing Blue Economy in the Lake Region for Sustainable Socio-Economic Development in Kenya (2021).
		No. of commitments reviewed	Review existing international commitments	i) BWC ii) ICGEB iii) AFRA/IAEA iv) CTBTO v) PerMed vi) STReK vii) Pfizer

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				viii) EASTECO
		No. of programmes	Coordinate international programmes	i) BWC ii) ICGEB iii) AFRA/IAEA iv) CTBTO v) PerMed vi) STReK vii) Pfizer viii) EASTECO
Advisory Services for Research, Science and Technology	To advise on research, science and technology programmes	No. of advisories	Commission studies on specific areas	i) Status of the progress of scientific research systems in Kenya (2021) ii) Study on IP and research status in Kenya (2021) iii) Building links between Europe and Africa in personalized medicine (2020-2024) iv) Evaluation and recommendations on the content of STEM subjects in the Competency Based Curriculum in senior schools (2021) v) Identification of linkages between universities courses in STEM and industry/labour market needs (2021)
		No. of advisories	Disseminate advisories on RST	i) Development and publication of National Research Priorities (2018-2022) ii) Draft Priorities in Scientific, Technological and Innovation Activities
		No. of advisories	Advise county governments on RST	i) Harnessing blue economy in the lake region for sustainable socio-economic development in Kenya (2021) ii) Proposed High Priority Impact Areas for Collaboration between NACOSTI and the County Government of Kisumu (2021) iii) The Role and Impact of NACOSTI on inclusive sustainable County Development – side event during Africities Conference (2022).

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				iv) Advise to LREB County Governments on Research Priorities (2020)
		Reports	Engage stakeholders for research priority setting	The Committee consisted of individuals from different institutions and stakeholders from the four different research areas proposed were later invited for validation.
		National research priorities	Share and disseminate research priorities	The priorities were signed by the Cabinet Secretary in 2019. The booklet for research priorities was disseminated to the stakeholders and uploaded in NACOSTI's website.
	To mainstream research, science and technology into planning processes	Report	Linking research, science and technology to development agenda	Data from the STI mainstreaming indicators for 2021/2022 FY will be analysed and a report prepared for the status of STI in the country (This will form the baseline) in 2022/2023FY
		Strategy	Develop a strategy for implementation	The STI Strategy under the STI Mainstreaming indicator prepared in 2022.
		Report	Monitor implementation	Monitoring is undertaken through Quarterly reports submitted by the MDAs to show progress in implementation of the STI Mainstreaming indicators which was initiated in the 2021/2022 FY.
		Engagement Framework	Develop a county engagement framework	The Commission has developed draft County engagement framework. Roadmap on operationalization of the framework to be developed in FY 2022/2023
Knowledge Management	To facilitate acquisition and sharing of knowledge on research, science and technology	No. of fora	Share information on the existing research, equipment and expertise	The Commission co- organized and participated in 5 Fora in the year: IREC meetings, Daystar University, Coast National polytechnic, KU Senior Staff workshop and Tharaka Nithi University
		No. of fora	Organize fora to disseminate research and technology outputs	The Commission Organized 4 fora in the year: - Daystar University Conference - ICGEB – Advances in Biotechnology

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				<ul style="list-style-type: none"> - STRek Project East Africa Region Conference and - Symposium on STI response to Covid -19 Pandemic and infusion into post-COVID recovery Strategy
To facilitate utilization of knowledge on research, science and technology	Policy document, Report	Develop and Implement Knowledge Management Policy	The Commission has developed a draft Knowledge management Policy	
	Framework	Develop institutional framework for management of IP	NACOSTI Developed model IP policy for academic and research institutions in Kenya.	
	Policy Brief	Advice on Intellectual Property	<ul style="list-style-type: none"> - The Commission Shared the model IP policy with STI Institutions - Inclusion of IP in STI Mainstreaming 	

7. CORPORATE GOVERNANCE STATEMENT

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

Commission Structure and Composition

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

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

Board Trainings/Induction

Board trainings and induction were conducted in the FY 2021/2022. Five (5) trainings were conducted as follows:

- i) Audit and Risk Committee Training /Induction - All board members
- ii) Corporate Governance and Risk Management Training – Ms. Rachel Shibalira
- iii) Financial Statements Audit and Review Training – Dr. Gideon Kivengea
- iv) Leadership and Managing Change – Dr. Jemimah Onsare
- v) CHRM Training – Prof. Francis Muregi and Mr. Wanyama Indeje

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

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

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

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

Board remuneration

The Board and its committees meet regularly in accordance with quarterly schedules. Board members are paid sitting allowance as prescribed in payment regulations to board members. Each member is paid sitting allowance for meetings attended on behalf of the Commission.

The Board established the following three (3) Committees:

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

The functions of these committees are as follows:

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

Membership of Board Committees

No.	Finance and General-Purpose Committee	Technical Committee	Audit, Risk Management & Compliance Committee
1.	Prof. Raphael Munavu - Chair	Ms. Rachel Shibalira - Chair	Prof. Francis Muregi - Chair
2.	Dr. Gideon Kivengea	Dr. Gideon Kivengea	Mr. Wanyama Indeje
3.	Mr. Wanyama Indeje	Dr. Tonny Omwansa	Dr. Jemimah Onsare
4.	Prof. Walter O. Oyawa, PhD	Prof. Walter O. Oyawa, PhD	

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

Nature of Meeting	Full Board	Finance and General-Purpose Committee	Technical Committee	Audit, Risk Management & Compliance Committee
Scheduled Meetings	5	2	2	2
Special Meetings	1	0	0	0
Total	6	2	2	2

During the year, the Commission held a total of twelve (12) meetings comprising of six (6) Full board, two (2) Finance and General Purpose, Two (2) Technical Committee and two (2) Audit, Risk Management & Compliance.

Below table indicates the number and type of meeting attended by each board member for the year ended 2021/22.

S/NO	Name	Full Board	Finance and General-Purpose Committee	Technical Committee	Audit, Risk Management & Compliance Committee	Special meetings of the board
1.	Prof. Raphael Munavu	5	2	0	0	1
2.	Dr. Gideon Kivengea	5	2	2	0	1
3.	Mr. Wanyama Indeje	5	2	0	2	0
4.	Ms. Rachel Shibalira	5	0	2	0	1
5.	Dr. Tonny Omwansa	3	0	2	0	0
6.	Prof. Francis Muregi	5	0	0	2	1
7.	Dr. Jemimah Onsare	5	0	0	2	1
8.	Mr. Victor Momanyi	2	0	0	0	0
9.	Prof. Walter Oyawa (DG/CEO)	5	2	2	0	0

Statement of Compliance and conflict of interest

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

Code of Conduct

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

Risk Management

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

Risk management structure and roles

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

i) Budget Performance

The main source of funding for the Commission's activities is GoK budgetary allocation. The Commission also generates funds internally and has collaborative research projects for which it works with collaborative research partners. The Commission had an approved budget of Ksh. 315,923,742 vis-a-vis Ksh. 274,765,414 in the previous financial year. The approved budget comprised of Kshs. 202,841,804.00 from GoK grants, Kshs. 74,132,000.00 from A-i- A and Ksh. 38,923,938.00 from collaborative research grants.

Analysis of Budget against Actual performance Comparison

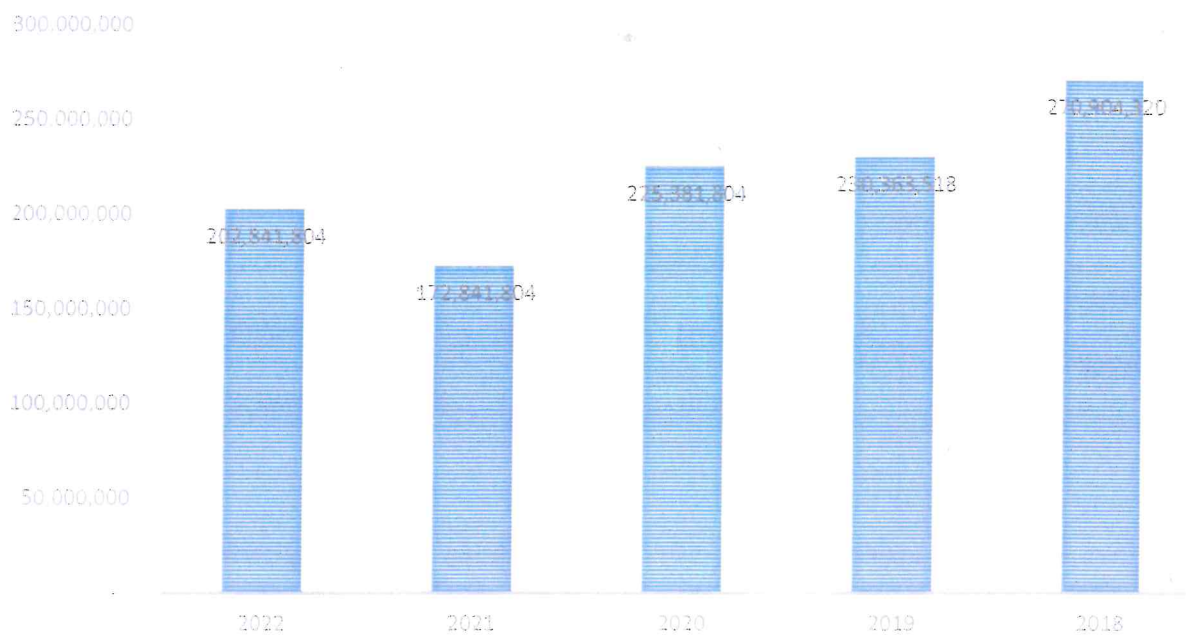
Item	Budget Estimate (Kshs.)	Actual Realised (Kshs.)	Variance (Kshs.)	% variance
Government grants and subsidies	202,841,804	202,841,804	-	0%
Internally Generated Income	74,132,000	82,049,672	7,917,672	10.7%
Collaborative Project Grants	38,949,938	38,949,938	-	0%
Total income	315,923,742	323,841,415	7,917,672	2.5%

ii) Revenue

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

Period	2021/2022 Ksh.	2020/2021 Ksh.	2019/2020 Kshs	2018/2019 Ksh.	2017/2018 Ksh.
Quarter 1	50,710,451.00	50,710,451.00	56,345,451.00	57,590,879.50	67,726,080.00
Quarter 2	50,710,451.00	50,710,451.00	56,345,451.00	57,590,879.50	67,726,080.00
Quarter 3	50,710,451.00	50,710,451.00	56,345,451.00	57,590,879.50	67,726,080.00
Quarter 4	50,710,451.00	20,710,451.00	56,345,451.00	57,590,879.50	67,726,080.00
Total	202,841,804.00	172,841,804.00	225,381,804.00	230,363,518.00	270,904,320.00

COMPARISON OF EXCHEQUER RECEIPTS FOR THE PREVIOUS FINANCIAL YEARS



COMPOSITION OF REVENUE OVER TIME



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

Item/Year	2021/2022 Ksh.	2020/2021 Ksh.	2019/2020 Kshs	2018/2019 Ksh.	2017/2018 Ksh.
Licenses and permits	40,905,876	26,189,106	23,376,099	31,950,790	24,031,296
Rental Income	30,132,155	19,376,250	-	-	-
Collaborative Project Grants	38,949,938	30,809,070	18,400,201	51,821,176	40,631,068
Other income	11,011,641	2,244,723	4,168,487	10,850,816	4,886,580
Total	120,999,610	78,619,149	45,944,787	94,622,782	69,548,944

**COMPARISON OF INTERNALLY GENERATED
AND COLLABORATIVE PROJECT GRANTS
DURING THE LAST 5 FYS**



Expenditure

The Commission incurred a total of Ksh. 303,643,210 in expenditure and provisions in the year under review vis-a-vis Ksh. 259,736,989 in the previous FY 2020/2021. Out of the total expenditure, Ksh. 177,054,250 was used towards compensation to employees, Ksh. 9,756,624 was used towards the Board of the Commission expenses with the rest being used towards payments of goods and services. Collaborative research projects are utilized depending on approval by the project financier. The revenues exceeded the estimated budget and so are the expenditures due to new project agreements

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and activities of the collaborative research projects undertaken in the year. Each project agreement has a schedule of expenditures approved by the financier to be undertaken in a given period.

Expenditure incurred and comparison with the previous financial years

Expenses	2021/2022 Ksh.	2020/2021 Ksh.	2019/2020 Kshs	2018/2019 Ksh.
Employee Costs	177,054,250	164,140,039	183,231,582	164,897,631
Depreciation and Amortization Expense	6,823,283	8,474,027	9,802,390	9,113,764
Repairs and Maintenance	8,438,560	4,911,980	3,329,917	5,657,139
Contracted Professional Services	6,074,299	5,849,257	5,525,970	9,078,484
Collaborative Projects Cost	46,554,610	27,385,768	27,643,785	49,423,310
Administrative Expenses	47,731,233	42,975,972	56,565,272	82,934,949
Board Expenses	9,756,624	4,434,889	9,849,738	8,212,245
Bank Charges	763,347	565,058	537,956	634,571
Audit Fees	1,000,000	1,000,000	1,000,000	1,000,000
Total Expenses	304,196,205	259,736,989	297,486,611	330,952,092

Key Projects and investments decisions being implemented/planned

During the Financial Year, the Commission continued to implement the installation of Enterprise Resource Planning (ERP) System and Research Management Information System (RIMS). The two projects are already in use and in the final stages of implementation. Additionally, the Commission is proposing to instal lifts in the office block, the project is expected to be completed in the next financial year 2022/2023.

Major Risks facing the Commission

The Commission in its strategic plan 2018-2022 identified and analysed various risks. The Commission further adopted various mitigation measures against the identified risks. In the FY 2021/2022 the Commission continued to implement mitigation measures against the identified and emerging risks. However, Human Capital remains a major challenge as the staff level of the Commission continues to diminish with more staff members proceeding for retirement in the year under review. By the close of the FY 2021/2022, the Commission was awaiting approval for new recruitments and replacement of retirees.

The major risks identified are as follows:

S/No	Nature of Risk	Risk Description	Risk Rating	Mitigation Measure
1	Human Capital	Inadequate human resource to undertake the Commission's function	Medium	Recruit more staff to meet the demand for services
2	Technological Risks	Low level of automation leading to delays in service provision	Medium	Acquire and upgrade technology. The commission acquired two systems: ERP and RIMs which are now in use.
		Inadequate resources to handle modern information communication platforms	Medium	Purchase of equipment and training of personnel. The Commission has trained staff in the two implemented systems and has done refresher trainings for the same during the year
3	Legal and Policy Risks	Change of government policies and priorities	Medium	Adapt to the new policies
				Lobby for favourable policies
4	Financial Risk	Inadequate funding to support Commission's programs. This includes Inadequate GoK Grants	Medium	Resource mobilization. The Commission has developed resource mobilization policy and sensitized selected staff on resource mobilization. There has also been continuous engagement with National Treasury for optimal funding of the Commissions activities
		Late disbursements	Low	Diversify sources of funds

Emerging Risks

Covid 19 pandemic affected the operations of the Commission and a number of programs had to be rescheduled. This posed a risk to the delivery of the Commission's mandate and affected its revenue generation targets for the year 2020/2021.

To mitigate the risks posed by COVID-19 pandemic;

- i. NACOSTI has been utilizing its online research permit and research license processing system to continue offering services to researchers. The system has enabled researchers and research institutions to apply for permits and licenses online and NACOSTI staff to review and grant them without necessarily being in the office. In appreciation of the urgency of research related to COVID-19, NACOSTI has been giving priority attention to applications for research permits in this area of research. Where possible email and other online platforms are being utilized in communication with clients and other parties to reduce movement of physical documents which may transmit the Corona Virus.
- ii. The Commission has also mitigated the effects of the COVID-19 pandemic by changing the mode of delivery of some of its programs. An example of this is the STEM Mentoring program in which in the past few years, the Commission has supported a Science, Technology, Engineering and Mathematics (STEM) Camp which brings together Secondary School girls in an effort to encourage them to pursue STEM oriented courses.

The measures above have impacted positively on the revenue generated with respect to research and licensing fees for the FY 2021/2022. The Commission will continue to undertake measures to mitigate against future similar risks.

Material Arrears in Statutory/financial Obligations

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

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

During the FY 2021/2022. the Commission conducted its activities in relation to its core mandate functions, the following functions were among the activities undertaken in the year.

- i. Research licenses and Licensing of Research Studies;
- ii. Monitoring of Licensed Research Studies;
- iii. Registration of Research Institutes;
- iv. Inspection of Research Institutes;
- v. Mainstreaming of Science, Technology and Innovation (STI);
- vi. Dissemination of research guidelines;
- vii. Monitoring and Evaluation of institutional Ethics Review Committees
- viii. Establishment of international collaborations and linkages.

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Research licenses and Licensing of Research Studies: The STI Act, 2013 under 6(1)(f) obligates the Commission to approve all Scientific research in Kenya. As per STI (Research Licensing) Regulations, 2014, all scientific research activities shall be coordinated by the Commission to ensure that no harm occurs to the natural, social and cultural environments of Kenya and human life. The other reasons for licensing of research include: national security; protection of lives of Kenyans; public safety; protection of intellectual Property rights; national development and assurance of research quality. A total of 6,983 research licenses were granted during the year ended 30th June 2022 as follows:

Nationally	Licenses granted		
	2019/2020	2020/2021	2021/2022
Kenyan/EAC Citizens	6155	4895	6532
African Non-EAC Citizens	53	75	97
Non-African Nationals	273	183	354
TOTAL	6481	5153	6983

Monitoring of Licensed Research Studies: Section 23 of the STI Act, 2013 on monitoring and evaluation at least once in every three years, conduct an evaluation of each research institute established under the STI Act for purposes of assessing and evaluating the quality of activities and products of such an institution. In FY 2021/22, the commission monitoring and evaluation of 139 licensed research studies were done.

Registration of Research Institutes: The objective of registration and accreditation of research institutions is to uphold the standard of research in the country and secure public confidence in the National Research System. In FY 2021/2022, six (6) research institutes were recommended for grant of certificate of registration.

Inspection, monitoring and evaluation of Research Institutes

The STI Act 2013, under Section 6(1) (n), requires the Commission to annually review the progress in scientific research systems and submit a report of its findings and recommendations to the Cabinet Secretary responsible for matters of science, technology and innovation. Further, section 23 of the STI Act on monitoring and evaluation states that: The Commission shall at least once in every three years, conduct an evaluation of each research institute established under the STI Act for purposes of assessing and evaluating the quality of activities and products of such an institution. The criteria used in identifying the institution for inspection was based on the category, type of institution, having been registered as research institutes at least three years ago as per the STI Act and the institutes alignment to Big Four Agenda. During the period under review, the following eight (8) Research Institutions were inspected:

- a) Kenya Industrial Research Development Institute (KIRDI)
- b) Institute Of Energy Studies and Research (IESR)

- c) World Agroforestry (ICRAF)
- d) Nairobi Hospital
- e) Kenya Marine and Fisheries Research Institute (KMFRI)
- f) Kenya Medical Research institute (KEMRI)
- g) Mpala Research Centre
- h) International Livestock Research Institute (ILRI)

From the inspections, it was generally observed that: The research undertaken by the institutions is in line with the national development agenda and contributed to the Kenya Vision 2030 aspirations and the Big four agenda; The institutions were negatively affected by the Covid 19 pandemic but had put in place mechanisms to ensure continuity of most of their activities; The institutions have well equipped research facilities and laboratories; Dissemination of the outputs from the research activities was mainly through publications in international peer reviewed journals; There was limited evidence on protection of Intellectual Property and/or commercialization of research findings; and most institutions had partnerships and collaborations with non-Kenyan institutions.

As a result, recommendations were made on: The need to establish a framework to promote partnerships and linkages among local research institutions; The need to enhance linkages between research institutions and industry to promote commercialization of research output; The need to optimize utilization of highly specialized equipment through development and implement of policies on sharing of research infrastructure.

Mainstreaming of Science, Technology and Innovation (STI)

In an effort to embed Science, Technology and Innovation (STI) in the public service, the Commission spearheaded the introduction of an Indicator on STI Mainstreaming as part of the 18th Performance Contract Cycle in FY 2021/22. The overall objective was to collect STI data from 400 MDAs of which 218 MDAs complied and were evaluated and feedback provided to the relevant institutions. The data has also been analysed and a National STI status report prepared.

Dissemination of research guidelines: During the period under review, research guidelines were disseminated for County Development - side event during Africities Conference done in FY2021/2022.

Monitoring and Evaluation of institutional Ethics Review Committees: To ensure that research conducted in the country observes high standards of research ethics, the task of reviewing research proposals for ethical clearance is delegated to accredited Institutional Scientific and Ethics Review Committee (ISERCs). Currently, there are thirty-four (34) accredited ISERCs in the country. During the period under review, The commission conducted monitoring and evaluation of 5 institutional ethics review committees.

Strategic international collaborations and linkages: Strategic Memorandum of understanding (MoUs) in Science, Technology and Innovation in the key national priority areas have been initiated

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and signed and are in different stages of implementation. In FY 2019/20, two (2) MoUs were initiated and signed.

Challenges affecting performance

i. Understaffing

NACOSTI in consultation with State Corporations Advisory Committee (SCAC), developed an organization structure to address its expanded mandate. The approved staff establishment is 98 but currently the Commission has only 49 are in post staff after 8 recently left through retirements and resignations. The Commission will however seek to gradually fill some of the positions in the coming Financial Year to curb the shortages.

ii. Budget Constraints

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

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

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

Additionally, a risk management policy established by the Commission is one of the important steps in ensuring that the management identifies and manages all risks, and further that the members of the Board provide an oversight, as well as policy direction in managing risks that may affect sustainability of the Commission. The management has implemented the installation of Enterprise Resource Planning (ERP) System and Research Management Information System (RIMS) as a mitigation to technological risks. The Commission has also established resource mobilization policy, established, and operationalized resource mobilization committee to mitigate towards financial risks facing the Commission. Risk management committee of the board as well as the internal audit department of the Commission are fundamental component of the Commissions sustainability strategy. The implementation of business continuity programmes are continuous and will continue to be enhanced in FY 2022/2023 to ensure the Commissions sustainability

ii) Environmental performance

The Commission is guided by the National Environment Policy 2013, which aims to provide a framework for an integrated approach to sustainable management of Kenya's environment and natural resources. The Commission has undertaken and continues to undertake programmes to ensure that its environmental activities remain sustainable in the long run. This is demonstrated by the policies and practices relating to disposal of electronic waste, pooling of water dispenser units, sharing of printer services, preference to soft copies of documents over hard copy documents where applicable, just in time replenishment of stores and printing on both sides of the paper. The Commission has also participated in tree planting exercises to contribute to the Government's efforts to increase the national tree coverage.

iii. Employee welfare

The Commission has a clear HR policy, which subscribes to the tenets of public service values and principles in the recruitment of staff, as provided in article 232 of the constitution. The staff are subjected to a fair performance appraisal system whose output, amongst other aspects, is the identification of areas of improvement and training. In the year under review, the Commission delegated and furnished a room for nursing mothers, this serves both the Commission's staff and staffs of the sister SAGAs housed in NACOSTI Building. In support of the Universal Health initiatives, the Commission organized several health clinics during the year under review where screening for Non-Communicable Diseases and HIV were conducted. These events were open to staff from the other agencies as well, and they thankfully took full advantage of it. The Commissions

offices are a registered place of work with the ministry of labour and thus is in compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv. Market place practices

a) Responsible Supply chain and supplier relations

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

b) Product stewardship

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

v. Corporate Social Responsibility / Community Engagements

The Commission has continued to support the Government initiated Internship program to enable new graduates gain work experience through engagement of recent graduates as interns and those still in college in work attachments. During the Financial Year 2021/2022, the Commission availed internship opportunities to seventeen (17) recent graduates in various fields of training and three (3) students who required work-place attachment as part of their university training programs.

The Commission appreciates that global warming is a big environmental threat and seeks to join the concerted efforts towards its alleviation. Towards this end the Commission observed a tree planting day on the 21st of Nov 2021 at its headquarter, where upwards of three hundred tree seedlings, being medicinal, indigenous and fruits, were planted, and steps undertaken to nurse these seedlings to ensure a high rate of survival. The Commission hopes to expand this exercise to other public areas in the coming seasons.

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

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022, which show the state of the Commission's affairs.

i) Principal activities

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

ii) Results

The results of the Commission for the year ended 30 June 2022, are set out on page 1

iii) Directors

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

iv) Surplus

The Commission recorded a surplus of Ksh. 19,645,210 during the year ended 30 June 2022.

v) Auditors

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

By Order of the Board



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

11. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Commission; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2022, and of the Commission's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

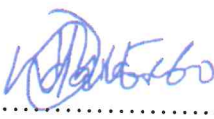
Nothing has come to the attention of the Directors to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The Commission's financial statements were approved by the Board on 26th September 2022 and signed on its behalf by:

Sign:

Name: Prof. Raphael Munavu
for Chairperson of the Board


.....

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

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION FOR THE YEAR ENDED 30 JUNE, 2022

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 the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Commission for Science, Technology and Innovation set out on pages 1 to 39, which comprise of the

Report of the Auditor-General on National Commission for Science, Technology and Innovation for the year ended 30 June, 2022

statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of cash flows, statement of changes in net assets, 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 Commission for Science, Technology and Innovation as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Commission for Science, Technology and Innovation's Act, 2013.

Basis for Qualified Opinion

1.0 Loss of Inventory

As previously reported, the statement of financial position reflects an inventories balance of Kshs.11,876,617 as disclosed in Note 22 to the financial statements. This includes stock of partitioning materials worth Kshs.5,746,188 removed from the Commission's offices at Emperor Plaza Building in 1997 and transferred to the Ministry of Public Works which have not been accounted for as at the date of this report. The materials subsequently went missing from the Ministry's godown at Industrial Area where they were being kept under safe custody. The matter has been under investigation by the Directorate of Criminal Investigations (DCI) over the last eighteen (18) years with the indication being that no records were found to enable the investigations to determine what happened as the police files could not be traced after five (5) years.

In September, 2015, the Public Investment Committee deliberated on the issue and observed that the DCI had taken an inordinately long time to conclude investigations. The Committee recommended that the then Chief Executive Officer, the Corporation's officers assigned to supervise the exercise of relocating the stocks and the Ministry of Public Works Officers then in charge of the godown at the Industrial Area be held accountable and be surcharged for the loss of the materials. However, as at the time of this report no surcharge or recovery of the amount had been instituted.

In the circumstances, inventories balance of Kshs.11,876,617 as at 30 June, 2022 is overstated by Kshs.5,746,188.

2.0 Unsupported Accounts Receivables and Prepayments

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.152,279,229 as disclosed in Note 21 to the financial statements. Included in this balance is an amount of Kshs.136,642,133 relating to grants expected from the Government in the financial year 2014/2015 which were not received. The amount represents budgeted Exchequer appropriations which ought to have lapsed at

the close of that accounting year. Further, rent receivable increased from Kshs.3,672,000 to Kshs.9,925,830 indicating laxity in the collection efforts.

In the circumstances, the accuracy, recoverability and fair statement of accounts receivables and prepayments' balance of Kshs.152,279,229 as at 30 June, 2022 could not be confirmed.

3.0 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables from exchange transactions amounting to Kshs.185,660,530 as disclosed in Note 24 to the financial statements. This balance includes research grants payable of Kshs.1,184,223 which has been outstanding from the prior period and whose details of the activities and beneficiaries were not provided for audit review. Information provided by Management indicated that the amounts related to second tranche payable to Japan Society for Promotion of Science (JSPS) project implementers but being held by the Commission as the implementors are yet to account for the first tranche. Further, included in other payables balance of Kshs.7,436,129 is long outstanding and unsupported amount of Kshs.1,759,800 with Kshs.282,640 being due to the Kenya Power and Lighting Company, Kshs.477,150 due to the Postal Corporation of Kenya and Kshs.1,000,000 due to the Ministry of Public Works.

In the circumstances, the accuracy and fair statement of trade and other payables from exchange transactions balance of Kshs.185,660,530 as at 30 June, 2022 could not be confirmed.

4.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,490,864,975 as disclosed in Note 29 to the financial statements. Included in this balance is work in progress amounting to Kshs.1,341,252,770 relating to certified works on the building which has not been capitalized. The project supervisor, the State Department for Public Works issued the Council with certificate of substantial completion allowing it to move into the building in May, 2017 and partially release 50% of the retention money. Management explained the delay in capitalization was due to disputed claims by the contractor relating to additional claims in on account of penalties and interest on delayed payments. However, no depreciation is being charged despite the building being put into use.

In addition, review of the project status financial appraisal in the final account report of 19 January, 2020, indicated that total certified work amounted to Kshs.1,297,971,643 therefore, exceeding the contract sum by Kshs.306,980,653 or 31%. Management has attributed the excess amounts to variations due to cost fluctuations above the Bills of Quantity provisions, interest on delayed payment and contractual claims already provided in clause 23.3 of conditions of contract and penalties due to contractual breaches on the part of the Commission. A review of the position in the current year indicates that the main contractor has made disputed claims relating to penalties, interest and contractual sums. The amount claimed by the contractors is however at variance with the workings

of the Project Supervisors, State Department for Public Works and is hence in dispute and not quantifiable. Further, a Pending Bills Committee appointed by the Principal Secretary, State Department for University Education and Research has not finalized negotiations with the contractors as regards having the contractors agree to waive their claims for interest on delayed payments. The main contractor has declared a dispute on these claims and the Commission is waiting for the outcome of the legal process.

Further, the work-in-progress balance also includes the cost of the Enterprise Resource Planning (ERP) system procured at a cost of Kshs.30,796,241 which has wrongly been classified as property, plant and equipment, and not an intangible asset.

In the circumstances, the validity, accuracy and fair statement of the property, plant and equipment balance of Kshs.1,490,864,975 as at 30 June, 2022 could not be confirmed. In addition, value for money may not have been realised on the payments made on the office block.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Public Investments Committee on Governance and Education has not made its recommendations.

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

1.0 Trade and Other Payable from Exchange and Transactions

The statement of financial position reflects trade and other payables balance of Kshs.185,660,530 as disclosed in Note 24 to the financial statements. Information provided indicates that the amount constitutes certified works which had not been paid for as indicated below: -

Certificate Number	Certificate Date	Certified Amount (Kshs.)	Revised Amount (Kshs.)
Certificate No. 23 Balance	06 July, 2017	82,541,230	56,074,970
Certificate No. 25	30 October, 2018	113,239,107	92,223,075
Certificate No. 26 Retention Money Balance	-	24,774,775	24,774,775
Total		220,555,112	173,072,820

However, the Commission with support from the Parent Ministry made part payments for actual works done thus reducing the amounts in the certificates issued by the Project Supervisors, State Department for Public Works, as indicated in the revised amounts column in the table above.

The main contractor, however, did not agree with the certificates issued by the project supervisors and declared a dispute. As per the provisions of the contract, the dispute was filed before an arbitrator with the Commission being represented by the Office of the Attorney General. Upon issuing of a ruling by the arbitrator, the main contractor was not satisfied and escalated the matter to the High Court. The Commission has therefore not made any payments in the year and will get the way forward once the legal process is completed.

Review of the outstanding payment certificates revealed that interest amounting to Kshs.147,659,596 arising from delay in payment of certified work has accrued as at 30 June, 2022. The expenditure could have been avoided had the parent Ministry settled the bills on time.

In these circumstances, value for money may not have been realised on the payments by the parent Ministry. In addition, public funds may be charged improperly if penalties end up being paid.

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 a Substantive Chairman in the Board of Directors

During the year under review, the Commission did not have a substantive Chairperson to the Board of Directors.

In the circumstances, the Commission could not effectively carry out its mandate as required.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Commission's financial reporting process, reviewing the effectiveness of how 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Commission's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

28 April, 2023

National Commission for Science, Technology and Innovation
Annual Report and Financial Statements
For the year ended 30 June 2022.

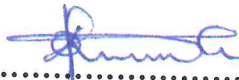
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		Kshs.	Kshs.
Revenue from Non-Exchange Transactions			
Government Recurrent Grants	6	202,841,804	172,841,804
Licenses and permits	7	40,905,876	26,189,106
Collaborative Research Projects	8	38,949,938	30,809,070
Revenue from Exchange Transactions			
Rental Income	9	30,132,155	19,376,250
Other Income	10	11,011,641	2,244,723
Total Revenue		323,841,415	251,460,953
Expenses			
Employee Costs	11	177,054,250	164,140,039
Depreciation and Amortization Expense	12	6,823,283	8,474,027
Repairs and Maintenance	13	8,438,560	4,911,980
Contracted Professional Services	14	6,074,299	5,849,257
Collaborative Projects Cost	15	46,554,610	27,385,768
Administrative Expenses	16	47,731,233	42,975,972
Board Expenses	17	9,756,624	4,434,889
Bank Charges	18	763,347	565,058
Audit Fees	19	1,000,000	1,000,000
Total Expenses		304,196,205	259,736,989
Surplus/(Deficit) before tax		19,645,210	(8,276,036)
Surplus/(Deficit) for the period		19,645,210	(8,276,036)


.....
Prof. Walter O. Oyawa

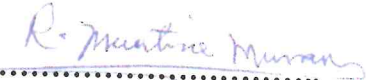
Director General/CEO

Date 11/04/2023


.....
CPA Gideon K. Kirui

Deputy Director, Finance
ICPAK Member No: 4005

Date 11/04/2023


.....
Prof. Raphael Munnah
for Chairman of the Board


Date 11/04/2023

National Commission for Science, Technology and Innovation
Annual Report and Financial Statements
For the year ended 30 June 2022.

14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022


	Note	2022 Kshs.	2021 Kshs.
Assets			
Current Assets			
Cash and cash equivalents	20	67,488,873	47,358,862
Accounts Receivables and Pre - Payments	21	152,279,229	145,537,183
Inventories	22	11,876,617	12,778,845
Total Current Assets		231,644,719	205,674,890
Non Current Assets			
Property, Plant and Equipment	29	1,490,864,975	1,492,176,249
Total Assets		1,722,509,694	1,697,851,139
Current Liabilities			
Trade and other payables from exchange transactions	24	185,660,530	180,647,184
Total Current Liabilities		185,660,530	180,647,184
Net Assets			
Revaluation Reserves	25	86886293	86886293
Revenue Reserves	26	311,874,645	292,229,436
Capital Grants	27	1,138,088,226	1,138,088,226
		1,536,849,164	1,517,203,955
Total Net Assets and Liabilities		1,722,509,694	1,697,851,139

The notes set out on pages 8 to 45 form an integral part of these Financial Statements.
The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....
Prof. Walter O. Oyawa

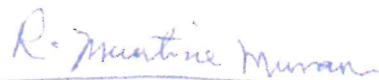
Director General/CEO

Date 11/04/2023


.....
CPA Gideon K. Kirui

Deputy Director, Finance
ICPAK Member No: 4005

Date 11/04/2023


.....
Prof. Raphael Munari
for Chairman of the Board

Date 11/04/2023

National Commission for Science, Technology and Innovation
Annual Report and Financial Statements
For the year ended 30 June 2022.

15 STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Capital Grants Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	TOTAL Kshs
1st July 2020	1,138,088,226	86,886,292	300,505,472	1,525,479,990
Additional Capital	-	-	-	-
Surplus/(Deficit) for the period	-	-	(8,276,036)	(8,276,036)
30th June 2021	1,138,088,226	86,886,292	292,229,436	1,517,203,954
1st July 2021	1,138,088,226	86,886,292	292,229,436	1,517,203,954
Additional Capital	-	-	-	-
Surplus/(Deficit) for the period	-	-	19,645,210	19,645,210
30th June 2022	1,138,088,226	86,886,292	311,874,645	1,536,849,163

Walter O. Oyawa

Prof. Walter O. Oyawa
 Director General/CEO

Date 11/04/2023

R. Raphael Mwaruri

CPA Gideon K. Kirui
 Deputy Director, Finance
 ICPAK Member No: 4005

Date 11/04/2023

R. Raphael Mwaruri


Prof. Raphael Mwaruri
 for Chairman of the Board

Date 11/04/2023

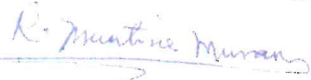
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022	2021
		Kshs.	Kshs.
Cash and Cash equivalents at the beginning of the Year	20	47,358,862	116,323,965
Cash flows from Operating Activities			
Receipts			
Public Contributions and donations	6	202,841,804	172,841,804
Licences and Permits	7	40,905,876	26,189,106
Rental Income Received	39	23,878,325	15,704,250
Collaborative Research Projects	9	38,949,938	30,809,070
Other Income	10	11,011,641	2,244,723
Total Receipts		317,587,584	247,788,953
Payments			
Employee Costs	40	175,774,061	176,179,316
Administrative Expenses	41	43,095,848	48,891,292
Board Expenses	17	9,756,624	4,434,889
Repairs and Maintenance	42	8,926,776	4,966,187
Contracted Services	14	6,074,299	5,849,257
Collaborative Projects Expenses	15	46,554,610	27,385,768
Bank Charges	18	763,347	565,058
Audit Fees	19	1,000,000	1,000,000
Payment to contractor	43	-	47,482,292
Total Payments		291,945,565	316,754,059
Net Cash flows from Operating Activities		25,642,019	(68,965,106)
Cash flows from Investing Activities			
Purchase of Property, Plant and Intangible Assets	28	(5,512,008)	-
Cashflows from Financing Activities			
Net cash flows from Financing Activities			
Net Increase/(Decrease) in cash and cash equivalents		20,130,011	(68,965,106)
Cash and Cash Equivalents at the end of the Year	20	67,488,873	47,358,862


Prof. Walter O. Oyawa


CPA Gideon K. Kirui


Prof. Raphael Mwangi
for Chairman of the Board

Director General/CEO

Deputy Director, Finance
ICPAK Member No: 4005

Date 11/04/2023

Date 11/04/2023

Date 11/04/2023

National Commission for Science, Technology and Innovation
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For the year ended 30 June 2022.

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

	Original	Adjustments	Final Budget	Actual on	Performance	Percentage
	Budget			Comparable	Difference	of Utilization
	Kshs			Kshs		Kshs
Revenue						
Recurrent Grants	202,841,804		202,841,804	202,841,804	-	100%
Internally generated revenue	32,000,000	42,132,000	74,132,000	75,795,843	1,663,843	102%
Collaborative Research Projects	38,949,938		38,949,938	38,949,938	-	100%
Total Income	287,397,414	42,132,000	315,923,742	317,587,585	1,663,843	101%
Expenses						
Employee Costs	177,249,000		177,249,000	175,774,061	1,474,939	99%
Repairs and Maintenance	16,760,000	(4,000,000)	12,760,000	8,926,776	3,833,224	70%
Contracted Professional Services	8,550,000		8,550,000	6,074,299	2,475,701	71%
Administrative Expenses	49,820,804		49,820,804	43,095,848	6,724,956	87%
Board Expenses	6,544,000	4,000,000	10,544,000	9,756,624	787,376	93%
Bank Charges	800,000		800,000	763,347	36,653	95%
Audit Fee	1,000,000		1,000,000	1,000,000	-	100%
Collaborative Projects Cost	21,423,610	28,526,328	49,949,938	46,554,610	3,395,328	93%
Intangible Asset Instalment paym	5,250,000		5,250,000	5,512,008	(262,008)	105%
Total Expenses	287,397,414	28,526,328	315,923,742	297,457,573	18,466,169	94%
Surplus/(Deficit)	-	-	-	20,130,012		

[Signature]

Prof. Walter O. Oyawa
 Director General/CEO

Date 11/04/2023

[Signature]

CPA Gideon K. Kirui
 Deputy Director, Finance
 ICPAK Member No: 4005

Date 11/04/2023

[Signature]

Prof. Raphael Mwanu
 for Chairman of the Board

Date 11/04/2023

Notes to the Statement of Comparison of Budget to Actual Amounts

Explanation of material variances (10 percent over/under)

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

i) Revenue from Licences and Permits: The revenue surpassed the budget as increase in revenue from foreign researchers were recorded. This could be attributed to recovery from Covid-19 pandemic which had adversely affected revenue from foreign researchers in the previous year.

ii) Revenue from Collaborative research projects: New project agreements and activities were undertaken in the year. Each project agreement has a schedule of expenditures approved by the financier to be undertaken in a given period.

iii) Internally Generated Revenue: The revenue exceeded that budget due to an introduction of the STI mainstreaming PC indicator where Ksh. 3,630,139 .00 was realized. Foreign exchange adjustment of Ksh. 3,858,086 was also made.

iv) Repairs and Maintenance: The repairs to buildings and equipment was lower than anticipated as the Commission adopted preventive maintenance of its equipment.

v) Contracted Professional Services: Included in the budget for Contracted professional services was a provision for legal services. The Commission got support from the office of the Attorney General in handling its legal matters and hence realized savings on this budget.

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

i) Repairs and Maintenance: The repairs to buildings and equipment was lower than anticipated as the Commission adopted preventive maintenance of its equipment. As a result the budget for this expense item was scaled down.

ii) Board Expenses: The Commission had a new board appointed in the year under review. The Commission had to meet expenses toward board induction and trainings as required in Mwongozo Code of Governance for State Corporations. This necessitated adjustment in board expenses budget.

iii) Collaborative research project Costs

New project agreements and activities were undertaken in the year. Each project agreement has a schedule of expenditures approved by the financier to be undertaken in a given period.

3. Reconciliation of Statement of Financial Performance to Statement of Budget and Actual Amounts: The total actual on comparable amounts in this statement and the statement of financial performance amounts for all the expenditure items do not tie due to differences in accounting basis. The budget is prepared and implemented on cash basis, which the financial statements are prepared on the accrual basis. The differences are majorly

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caused by the accrued income, accrued expenses, provisions and prepayments. The differences are reconciled below:

Internally generated revenue

Balance as per Statement of Financial Performance		82,049,673
Less accrued rent in the year	(6,253,830)	(6,253,830)
Add accrued expenses in the year		
Balance as per Statement of Comparison of Budget and Actual Amounts		75,795,843

Employees Cost

Balance as per Statement of Financial Performance		177,054,250
Less Provision for Gratuity	(1,280,189)	(1,280,189)
Balance as per Statement of Comparison of Budget and Actual Amounts		175,774,061

Administrative Expenses

Balance as per Statement of Financial Performance		47,731,233
Increase in Inventory adjustment	(902,228)	
Less Accrued Expenses	(3,733,157)	(4,635,385)
Balance as per Statement of Comparison of Budget and Actual Amounts		43,095,848

Repairs and Maintenance

Balance as per Statement of Financial Performance		8,438,560
Add Prepayment for software licenses (2022)	3,215,988	
Less Expensed Prepayment for software licences (2021)	(2,727,772)	488,216
Balance as per Statement of Comparison of Budget and Actual Amounts		8,926,776

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Commission's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • 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 Commission's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The Commission has no financial instruments hence the standard will not have impact on the financial statements of the Commission in a foreseeable future.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Commission provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Commission. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Commission's financial performance, financial position and cash flows. <p>The standard is relevant to the Commission and relevant information will be provided on social benefits in the financial statements from time to time</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Commission has no financial instruments hence the standard will not have impact of the financial statements of the Commission in a foreseeable future.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

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Standard	Effective date and impact:
	<p>• IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The standard is not relevant to the Commission</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the Commission.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard is relevant to the Commission. Relevant information pertaining to the Lessor will be provided from time to time. The Commission has lease agreements with tenants regarding renting out office space to other SAGAs.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard is not relevant to the Commission</p>

iii. **Early adoption of standards**

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

4. **Summary of Significant Accounting Policies**

a) **Revenue recognition**

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

Fees, taxes and fines

The Commission 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 Commission and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) **Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Commission upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Commission recorded additional appropriations of xxxx on the 2021-2022 budget following the governing body's approval.

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

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Commission and the same taxation authority.

Sales tax

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the useful life period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The various classes of assets and depreciation rate are indicated below: The method of depreciation used is reducing balance method.

Asset Class	Depreciation rate
Motor Vehicle	25%
Plant and Equipment	12.50%
Computers	30%
Furniture and Fittings	12.50%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Commission. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Commission also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are

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recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Commission will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

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The Commission assesses at each reporting date whether there is objective evidence that a financial asset or an Commission of financial assets is impaired. A financial asset or an Commission 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 Commission of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Commission determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

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

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

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

k) Provisions

Provisions are recognized when the Commission 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 Commission 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

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provision is presented in the statement of financial performance net of any reimbursement. The Commission maintains provisions for depreciation in prescribed rates of depreciation and provision for gratuity at 31% of the basic salary of an employee engaged on a contract basis.

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. The Commission maintains revenue reserves.

o) Changes in accounting policies and estimates

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

p) Foreign currency transactions

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

q) Borrowing costs

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

r) Related parties

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

Service concession arrangements

The Commission 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 Commission *recognizes* that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset

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has been recognized, the Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) 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.

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission 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 Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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 Commission.
- 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

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Notes to the Financial Statements (Continued)

Note

2021-2022

2020-2021

Kshs.

Kshs.

6 Exchequer Transfers

Recurrent Grants	202,841,804	172,841,804
Other Government Grants	-	-
Total	202,841,804	172,841,804

7 Licenses and permits

Research Permit Fees	40,905,876	26,189,106
Income from research permit applicants		

8 Collaborative Research Projects Income

EU Projects	15,410,414	12,278,348
CTBTO	15,409,671	17,979,100
Other Projects	8,129,853	551,622
Total	38,949,938	30,809,070

Income from collaborative research partners

9 Rental Income

Rent Income	24,105,600	15,631,500
Service Charge	6,026,555	3,744,750
Total	30,132,155	19,376,250

Rental Income from the Commissions tenants

10 Other Income From Exchange Transactions

STI Mainstreaming training fees	3,630,139	-
ISERC Cost Sharing Charges	1,625,000	1,505,000
Bank Interest Income	1,388,121	821,543
Foreign Exchange gain/(Loss)	3,858,086	(133,139)
Other Income	510,295	51,319
Total	11,011,641	2,244,723

11 Employee Costs

Salaries and Allowances	120,167,325	138,376,620
Wages - Contract Staff	4,947,336	129,618
Staff Insurance	13,579,338	9,482,368
Domestic Travel	27,887,126	13,845,210
Foreign Travel	8,906,204	945,469
Hospitality	1,566,921	1,360,754
Total	177,054,250	164,140,039

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Notes to the Financial Statements (Continued)

Note	2021-2022 Kshs.	2020-2021 Kshs.
12 Depreciation and Amortization Expense		
Property, Plant and Equipment	6,823,283	8,474,027
13 Repairs and Maintenance		
Computers and Softwares Maintenance	5,452,494	1,142,455
Building and Stations	393,720	1,396,501
Motor Vehicles	2,263,916	2,342,403
Furniture and Equipment	328,430	30,621
Total	8,438,560	4,911,980
14 Contracted Professional Services		
Security Services	2,094,264	2,203,745
Cleaning and Garbage Collection	2,594,549	2,866,287
Legal Services	1,306,697	724,367
Transport and Relocation Services	78,789	54,858
Total	6,074,299	5,849,257
15 Collaborative Research Projects Costs		
EU Projects	11,445,796	2,266,732
CTBTO	16,675,714	16,254,012
IDRC	14,422,000	7,550,480
Other Projects	4,011,100	1,314,544
Total	46,554,610	27,385,768
16 Administrative Expenses		
Utilities and Supplies	4,397,934	2,750,465
Communication Supplies and Services	5,714,079	8,301,867
Printing, Advertising, Information Supplies and S	3,941,282	3,115,858
Office and General Supplies	2,982,587	2,968,440
Fuel, Oil and Lubricants	2,655,350	1,524,000
Rent and Rates	405,488	2,634,895
Trade Shows and Exhibitions	61,445	932,000
Motor Vehicle Insurance	418,666	500,164
Other Operating Expenses	-	63,250
Committee and Conferences	16,873,634	12,159,318
Computer Supplies and Accessories	1,910,863	3,220,378
Training Expenses	8,369,906	4,805,338
Total	47,731,233	42,975,972

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Notes to the Financial Statements (Continued)

Note	2021-2022 Kshs.	2020-2021 Kshs.
17 Board Expenses		
Sitting Allowance	2,860,000	3,036,140
Lunch Allowance	88,000	158,000
Accommodation	3,206,325	746,200
Transport	1,361,099	42,710
Board Induction/Training expenses	2,241,200	-
Airtime	-	36,355
Honoraria	-	415,484
Total	9,756,624	4,434,889
18 Bank Charges	763,347	565,058
19 Audit Fees	1,000,000	1,000,000
This is NACOSTI's payment/provision to the Office of the Auditor General		
20 Cash and cash equivalents		
Kenya Commercial Bank	23,139,237	24,896,625
NCBA Bank	44,251,680	22,307,828
Cash on Hand	97,956	154,409
Total	67,488,873	47,358,862
21 Accounts Receivables and Prepayments		
Grants Receivable	136,642,133	136,642,133
Prepayments	5,711,266	5,223,050
Rent Receivable	9,925,830	3,672,000
Total	152,279,229	145,537,183
Grants receivable relates to grants that were to be received from Government in the FY 2014/2015 bud was not received by the end of the FY		
22 Inventories		
Partitioning materials	5,746,188	5,746,188
Consumable stores	6,130,429	7,032,657
Total	11,876,617	12,778,845
23 Property Plant and Equipment		
Fixed Assets Schedule as in Note 28		

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Notes to the Financial Statements (Continued)

Note	2021-2022 Kshs.	2020-2021 Kshs.
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24 Trade and other payables

Provision for Audit Fees	1,000,000	1,000,000
Milicons Ltd - WIP	173,072,820	173,072,820
Research Grants payable	1,184,223	1,184,223
Gratuity Payable	2,967,358	1,687,170
Other Trade Payables	7,436,129	3,702,972
Total	185,660,530	180,647,184

25 Revaluation Reserves

Land valued in February 2011	86,886,293	86,886,293
	86,886,293	86,886,293

26 Revenue Reserves

Opening Balance	292,229,436	300,505,472
Surplus/(Deficit) for the year	19,645,210	(8,276,036)
Total	311,874,645	292,229,436

27 Capital Grants

Opening Balance	1,138,088,226	1,138,088,226
Capital grants for the year	-	-
Total	1,138,088,226	1,138,088,226

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**Notes to the Financial Statements (Continued)
28 Property, Plant and Equipment**

Column 1	Land & Buildings	Furniture & Fittings	Plant & Equipment	Motor Vehicles	Computers	W-i-P (Building)	W-i-P (ERP System)	Total
Rate	0.00%	12.50%	12.50%	25.00%	30.00%	0.00%	0.00%	
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost 1 July 2021	86,000,000	70,030,466	12,835,394	48,600,122	34,015,521	1,341,252,770	25,659,223	1,618,393,496
Disposals	-	-	-	-	-	-	-	-
Additions	-	129,990	-	-	245,000	-	5,137,018	5,512,008
Cost 30 June 2022	86,000,000	70,160,456	12,835,394	48,600,122	34,260,521	1,341,252,770	30,796,241	1,623,905,504
Accum Depreciation 1 July 2021	-	47,812,840	8,647,027	40,106,232	29,651,147	-	-	126,217,246
Accum Depreciation on Disposals	-	-	-	-	-	-	-	-
Charge for the Year	-	2,793,452	523,546	2,123,473	1,382,812	-	-	6,823,283
Accum Depreciation 30 June 2022	-	50,606,292	9,170,573	42,229,704	31,033,959	-	-	133,040,529
Net Book Value 30 June 2022	86,000,000	19,554,163	3,664,821	6,370,418	3,226,562	1,341,252,770	30,796,241	1,490,864,975
Net Book Value 30 June 2021	86,000,000	22,217,625	4,188,367	8,493,890	4,364,374	1,341,252,770	25,659,223	1,492,176,249

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Work in Progress – Building

The WIP of Kshs 1,341,252,769.77 relates to NACOSTI building. There are claims by the contractor which are subject to an ongoing dispute resolution arbitration and court case. The Commission is awaiting the outcome of the dispute resolution process.

Work in Progress – Enterprise Resource Planning

The WIP of Kshs 30,796,241.40 relates to costs incurred to date for Installation and implementation of the Commission's ERP system. The system is already in use and in the final stages of implementation. Upon completion of the system implementation stage, the final payment of the retention money will be made, and the project signed off.

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Notes to the Financial Statements (Continued)

Valuation

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

28 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	86,000,000	-	86,000,000
Plant And Machinery	12,835,394	9,170,573	3,664,821
Motor Vehicles, Including Motorcycles	48,600,122	42,229,704	6,370,418
Computers And Related Equipment	34,260,521	31,033,959	3,226,562
Office Equipment, Furniture, And Fittings	82,995,850	59,776,865	23,218,984
Work in progress	1,372,049,011	-	1,372,049,011
Total	1,623,905,504	133,040,529	1,490,864,975

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Notes to the Financial Statements (Continued)

29 Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	1,687,170	-	1,687,170
Additional provisions	-	-	1,280,188	-	1,280,188
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions year end	-	-	2,967,358	-	2,967,358

30 Employee Benefit Obligations

The Commission contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Commission's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200.00 per employee per month. Other than NSSF the Commission also has a defined contribution scheme operated by Jubilee Pension Fund. Employees contribute 10% while employers contribute 20% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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Notes to the Financial Statements (Continued)

31 Cash Generated from Operations

	Note	2022	2021
		Kshs.	Kshs.
Cash flow from Operating Activities			
Surplus/(Deficit) for the year		19,645,210	(8,276,036)
Adjustments for items not involving cash movements			
Depreciation	12	6,823,283	8,474,027
Surplus before working capital changes		26,468,492	197,992
Working Capital Changes			
Decrease/Increase in Inventory	22	902,228	868,842
Increase in Accounts Receivables	21	(6,742,046)	(5,685,085)
Decrease/Increase in Accounts Payables	24	5,013,346	(64,346,853)
Net Cash flow from operating activities		25,642,019	(68,965,104)
Cash flow from Investing Activities			
Capital Grants	27	-	-
Changes in Fixed Assets	28	(5,512,008)	-
Increase/Decrease in Cash and Cash Equivalents		20,130,011	(68,965,104)
Cash and Cash Equivalents - Beginning		47,358,861	116,323,965
Cash and Cash Equivalents - Ending	20	67,488,872	47,358,861

32 Financial Risk Management

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

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

i) Credit risk

The Commission has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by

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

Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Receivables from exchange transactions	9,925,830	0	9,925,830	0
Receivables from non-exchange transactions	136,642,133	0	136,642,133	0
Bank balances	67,488,873	67,488,873	0	0
Total	214,056,836	67,488,873	146,567,963	0
As at 30 June 2021				
Receivables from exchange transactions	3,672,000	0	3,672,000	0
Receivables from non-exchange transactions	136,642,133	0	136,642,133	0
Bank balances	47,358,862	47,358,862	0	0
Total	187,672,995	47,358,862	140,314,133	0

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Commission has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Commission has significant concentration of credit risk on amounts due from Kenya National Qualifications Authority (KNQA) – Unpaid Rental Income and GoK – Unremitted recurrent grants for FY2014/2015. The board of directors sets the Commission'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 Commission's directors, who have built an appropriate liquidity risk management framework for the management of the Commission's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Commission under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts

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disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Trade payables	5,718,773	2,449,358	173,525,043	181,693,174
Current portion of borrowings	0	0	0	0
Provisions	1,000,000	0	0	1,000,000
Deferred income	0	0	0	0
Employee benefit obligation	2,967,358	0	0	2,967,358
Total	9,683,131	2,449,358	173,525,043	185,660,532
As at 30 June 2021				
Trade payables	0	0	78,653,634	178,653,634
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	1,687,170			1,687,170
Total	1,687,170	0	178,653,634	180,340,016

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Commission's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Commission's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Commission's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Commission has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Commission manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. Further, the commission holds a dollar bank account where all receipts for foreign research applicants are deposited/paid into. At the end of each financial year, the balance is converted from Dollar to Kenya shillings at the prevailing spot exchange rate. Due to forex rate fluctuations, there is a risk of the revenue loss. The commission plans to take advantage of favourable future rates.

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

FY 2022

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2022			
Financial Assets			
Investments	0	0	0
Cash	23,237,193	44,251,679.82	67,488,873
Debtors	152,279,229	0	152,279,229
Total Financial Assets	175,516,422	44,251,679.82	219,768,102
Financial Liabilities			
Trade And Other Payables	185,660,530	0	185,660,530
Borrowings	0	0	0
Total Financial Liabilities	185,660,530	0	185,660,530
Net Foreign Currency Asset/(Liability)	-10,144,108	44,251,680	34,107,572

FY 2021

	In Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial assets			
Investments	0	0	0
Cash	25,051,034	22,307,828	47,358,862
Debtors	145,537,183	0	145,537,183
Total financial assets	170,588,217	22,307,828	192,896,045
Financial Liabilities			
Trade and other payables	180,647,184	0	180,647,184
Borrowings	0	0	0
Total financial liabilities	180,647,184	0	180,647,184
Net foreign currency asset/(liability)	-10,058,967	22,307,828	12,248,861

b) Interest rate risk

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

to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Commission's deposits.

Notes to the Financial Statements (Continued)

Management of interest rate risk

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

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	86,886,293	86,886,293
Retained Earnings	312,427,640	292,229,436
Capital Reserve	1,138,088,226	1,138,088,226
Total Funds	1,537,402,159	1,517,203,955
Total Payables	185,660,532	180,647,184
Less: Cash And Bank Balances	(67,488,873)	(47,358,862)
Net Debt/(Excess Cash And Cash Equivalents)	118,171,659	133288322
Gearing	7.7%	8.8%

33 Related Party Disclosures

Nature of related party relationships

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

Other related parties include:

- i) The Parent Ministry- The Ministry of Education
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

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Notes to the Financial Statements (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to govt agencies	0	0
Rent income from govt. Agencies	30,132,155	19,376,250
Water sales to govt. Agencies	0	0
Others	0	0
Total	30,132,155	19,376,250
B) purchases from related parties		
Purchases of electricity from KPLC	4,343,057	2,684,257
Purchase of water from govt service providers	54,877	66,208
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. Agencies	2,014,152	1,203,350
Others (specify)	0	0
Total	6,412,086	3,953,815
b) Grants /transfers from the government		
Grants from national govt	202,841,804	172,841,804
Grants from county government	0	0
Donations in kind	0	0
Total	202,841,804	172,841,804
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
Total		
d) Key management compensation		
Directors' expenses	9,756,624	4,434,889
Compensation to key management	0	0
Total	9,756,624	4,434,889

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Notes to the Financial Statements (Continued)

34 Capital Commitments

Capital Commitments	2021-2022	2020-2021
	Kshs	Kshs
Authorised for	0	0
Authorised and Contracted for	0	0
Total	0	0

35 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Commission recorded a surplus of Ksh. 20,198,205 which includes Ksh. 3,858,086 non-cash adjustment due to foreign exchange difference. The Commission is proposing to acquire office lift at a budget of Ksh. 13,000,000 in the FY 2022/2023 out of the retained earnings. No remittance was made to the Consolidated Fund.

36 Events after the Reporting Period

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

37 Ultimate And Holding Commission

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

38 Currency

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

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Notes to the Financial Statements (Continued)

		2022	2021
39 Rental Income Received			
Rental Income earned in the year	NOTE 9	30,132,155	19,376,250
Add amount received from last year's rent receivables	NOTE 21	3,672,000	-
Less amount carried forward as receivables for the year	NOTE 21	<u>(9,925,830)</u>	<u>(3,672,000)</u>
		23,878,325	15,704,250
40 Employee Costs Paid			
Employee costs incurred in the year	NOTE 11	177,054,250	164,140,039
Add amount paid for accrued gratuity	NOTE 24	-	12,039,277
Less amount accrued for gratuity during the year	NOTE 24	<u>(1,280,188)</u>	<u>-</u>
		175,774,062	176,179,316
41 Administrative Expenses Paid			
Administrative Expenses incurred in the year	NOTE 16	47,731,233	42,975,972
Add amount paid for last year's expenses payable	NOTE 24	-	6,784,162
Less amount expensed from inventory of consumables during	NOTE 22	(902,228)	(868,842)
Less amount of expenses not paid for by end of year	NOTE 24	<u>(3,733,157)</u>	<u>-</u>
		43,095,848	48,891,292
42 Repairs and Maintenance Expenses Paid			
Repairs and Maintenance Expenses incurred in the year	NOTE 13	8,438,560	4,911,980
Add increase in prepaid software expense	NOTE 21	488,216	54,207
		<u>8,926,776</u>	<u>4,966,187</u>
43 Payment to Contractor			
Payment to reduce payables on NACOSTI Building Project		-	47,482,292

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19. APPENDIX

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Loss of inventories: Stock Partitioning which disappeared at the ministry of public works go-down in industrial area had not been accounted for</p>	<p>These were old partitioning materials removed from former accommodation space. The loss was reported and the latest response from the Directorate of Criminal Investigations indicates that the police files are untraceable after five years. The case will be difficult to re-open. PIC referred the matter to the Inspectorate of State Corporations, who have since written back to Parliament recommending that this matter should be closed due to challenges in tracing relevant documents. The Commission is waiting for feedback from the Inspectorate of State Corporations and/or Parliament.</p>	<p align="center">Not Resolved</p>	<p align="center">Next External Audit</p>
	<p>Unsupported Accounts Receivables: GoK Budgetary grants expected in FY</p>	<p>The grant receivable from GoK of Kshs. 136,642,133 was the balance of budget allocation for FY 2014/2015 which the Commission expected to receive and recognized as a receivable</p>	<p align="center">Not Resolved</p>	<p align="center">Next External Audit</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2014/2015 may not be received.	at the end of that FY but was not disbursed by GoK. The Commission will seek guidance from the National Treasury on whether this amount will still be disbursed to the Commission and if not then request for authority to write off this amount from the books.		
	<p>Unsupported trade and other payables: The Commission had trade and other payables which had remained outstanding for long</p>	<p>The Commission settles its invoices as they fall due. There are however a few cases where clarifications may be sought from the vendor and payment processing may take longer than anticipated. The Commission is seeking clarification and possible write backs of trade payables lacking sufficient support documents. As regards the payables due to the contractor of the NACCOSTI Headquarters construction project, the delay in settlement is because the matter is currently in dispute and a subject of a court process.</p>	<p align="center">Not Resolved</p>	<p align="center">Next External Audit</p>
	<p>Delay in completion of Commission Headquarters:</p>	<p>The Auditors observed that completion of NACCOSTI Headquarters Building had taken long and continued to attract interests and penalties.</p>	<p align="center">Not Resolved</p>	<p align="center">Next External Audit</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Completion of NACOSTI Headquarters Building has taken long and is attracting interests and penalties</p>	<p>The Commission had responded to the observation by pointing out that the Commission had always tried to minimize this by settling outstanding certificates immediately after it received development budget grants. It is however faced with challenges when budget allocations are limited and funds disbursement delays. The main contractor is claiming penalties for delayed payments and other contractual claims which the project supervisors are not in agreement with. The main contractor declared a dispute on these claims. The matter is now in court and the Commission is awaiting the outcome of this legal process.</p>		
	<p>Trade and other payables from exchange transactions: The contractor of the NACOSTI Headquarters Project has raised claims and</p>	<p>This relates to claims by the contractor of NACOSTI Headquarters Construction Project. The Commission has settled all amounts due for actual works done. The contractor is however still claiming penalties for delayed payments and other contractual claims which the project supervisors are not in</p>	<p>Not Resolved</p>	<p>Next External Audit</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	interest on payments for the project	agreement with. The main contractor declared a dispute on these claims. The matter is now in court and the Commission is awaiting the outcome of this legal process.		
	<p>Lack of substantive Board of Directors: The absence of a fully constituted Board could affect the Commissions ability to effectively carry out its mandate</p>	<p>The Audit had observed that the term of four (4) Board Members lapsed without reappointment leaving only five (5) members to constitute the Board of Directors. In FY 2021/2022 Three (3) independent board members were appointed. The Commission is however still waiting for appointment of the Chairperson of the Board and Management has brought this to the attention of its Parent Ministry.</p>	<p align="center">Partly Resolved</p>	<p align="center">Next external audit</p>

Walter O. Oyawa

Prof. Walter O. Oyawa
 Director General/C.E.O
 Date 11/04/2023

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Appendix III- Inter-Entity Confirmation Letter



National Commission for Science, Technology and Innovation
P.O Box 30632
NAIROBI

The State Department for University Education and Research (SDUER) wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by National Commission for Science, Technology and Innovation as at 30 June 2022

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30 June 2022			Total (D)=(A+B+C)	Amount Received by NACOSTI (KShs) as at 30 th June 2022		Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		(E)	(F)	
	09/08/21	50,710,451.00	0		50,710,451.00	50,710,451.00		
	02/11/21	50,710,451.00	0		50,710,451.00	50,710,451.00		
	17/02/22	50,710,451.00	0		50,710,451.00	50,710,451.00		
	28/04/22	50,710,451.00	0		50,710,451.00	50,710,451.00		
Total		202,841,804.00	0		202,841,804.00	202,841,804.00		

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

Head of Accountants department of beneficiary Entity:

Name *CDA Gideon K. Kirini* Sign *[Signature]* Date *11/04/2023*