

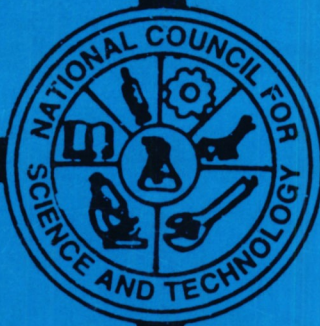


REPUBLIC OF KENYA

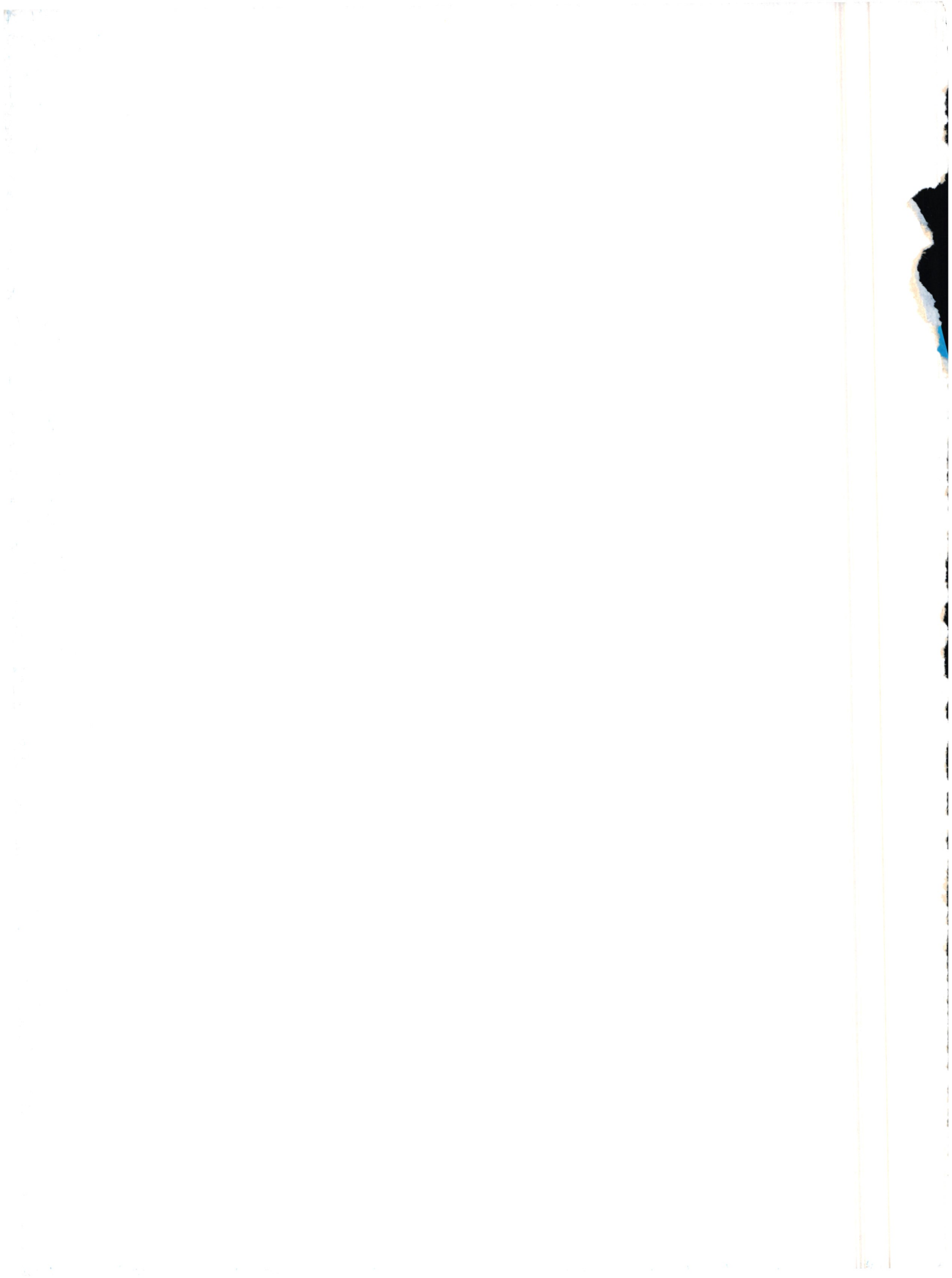
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NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE 2006



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL COUNCIL FOR SCIENCE
AND TECHNOLOGY FOR THE YEAR
ENDED 30 JUNE 2006**

**NATIONAL COUNCIL FOR
SCIENCE AND TECHNOLOGY**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

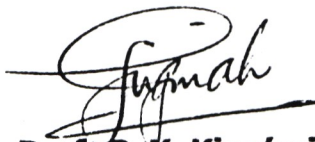
30TH JUNE 2006

THE CHIEF EXECUTIVE SECRETARY'S REPORT

It is my pleasure to present the annual report and Financial Statements of the National Council for Science and Technology for the year 2005/2006.

During the year under review, the Council reported a remarkable and improved financial Performance by posting a surplus of income over expenditure of Kshs.5,008,572.85 compared to deficit of Kshs.4,178,724.60 reported in 2004/2005 largely as a result of management's resolve to check on excess expenditure.

The Council continued to pursue its mission of research co-ordination and advisory responsibilities. On behalf of the Council and the Secretariat, I would like to express my gratitude to the government and in particular the Parent Ministry of Science and Technology for releasing our grants in time and all the cooperation received. I would like to record my sincere thanks to the entire National Council for Science and Technology Staff who have worked tirelessly to ensure smooth operation of this Organization.



Prof. G. K. King'oriah MBS, Ph.D.

Executive Secretary

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Science and Technology Act, Cap. 250 requires the National Council for Science and Technology to prepare a Report and Financial Statements for each financial year, which give a true and a fair view of the state of affairs of NCST and its surplus or deficit for that year. It also requires the Council to ensure that proper accounting records are kept, which disclose with reasonable accuracy the financial position of the Council.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and International Accounting Standards and the requirements of the Science and Technology Act, Cap. 250.

The Council is of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the National Council for Science and Technology as at 30th June 2006 and its surplus for the year then ended. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the Financial Statements, as well as adequate systems of Internal Controls.

Nothing has come to the attention of the Council to indicate that the National Council for Science and Technology will not remain a going concern for at least the next twelve months from the date of this statement.

Prof. G. K. King'oriah MBS Ph. D.
Executive Secretary

Signature:.....


Date:.....22/11/2006.....

Chairman:.....

Signature:.....

Date:.....

PROFILE OF THE NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

The National Council for Science and Technology (NCST) was established in 1977 through an Act of Parliament, the Science and Technology Act, Cap 250 Law of Kenya and operates under the Ministry of Science and Technology.

The NCST was set up with the objective of advising the Government on all matters relating to the Scientific and Technological Activities and Research and experimental Development.

NCST has Eight (8) Specialist Committees namely:

- Agriculture
- Biological
- Health
- Information
- Industrial
- Physical and Nuclear
- Environment and Earth Sciences and Social Sciences.

NCST is governed by Council consisting of:-

- The Permanent Secretaries of the Scheduled Ministries.
- Twelve members appointed by the minister each of whom shall be a Scientist of eminence in a scheduled Science. In making such appointments, the minister shall ensure that each scheduled Science is represented by at least one member who is suitably qualified.

The chief Executive of the NCST is the Executive Secretary who oversees the day to day running of the organization.

NCST does not generate its own revenue and therefore depends entirely on the government (Treasury) for both revenue (operational) and development grants.

NCST carries out researches on various fields. The Researches are conducted by the several Research Scientists in its employment.

At the conclusion of each research which takes several months sometimes transcending a single financial year recommendations are made to the Government for implementation through its various agencies like National Environment Management Authority, Local Authorities, Ministries and Departments. Some of the recently concluded research reports include:

- Technology Needs Assessment.
- Motor Vehicles Air Pollution monitoring in Nairobi.
- Baseline Survey of information Needs and Available ICT Services in Ruiru and Rahuonyo District, Nyanza Province of Kenya.
- Maternal Accessibility and Utilization of Obstetric Health Care Facilities in Kenya.
- Inventory of Social Sciences Research in Kenya.
- The Biosafety Bill currently in parliament for discussion.



Prof. G. K. King'oriah MBS, Ph.D.

Executive Secretary

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

LISTS OF SENIOR MANAGEMENT STAFF

- | | | |
|----------------------------------|---|---------------------------------|
| 1. Prof. G. K. King'oriah | - | Executive Secretary |
| 2. Dr. Joseph Ngatia | - | Chief Science Secretary |
| 3. Dr. John Onyatta | - | Chief Science Secretary |
| 4. Dr. R. N. Oduwo | - | Chief Science Secretary |
| 5. Mr. Owate N. Wambayi | - | Chief Science Secretary |
| 6. Mr. V. O. Awour | - | Chief Science Secretary |
| 7. Mr. H. K. Macharia | - | Chief Science Secretary |
| 8. Mr. Peter Nyakundi | - | Administrative Secretary |
| 9. Mr. James Akello | - | Chief Accountant |
| 10. Mr. Samuel Mugane | - | Internal Auditor |



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of National Council for Science and Technology for the year ended 30 June 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Council and the Controller and Auditor General

The Council is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Council and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Council, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Appointment of the Council

The National Council for Science and Technology has operated without a Council, its top governing body during the year under review. Available information indicates that Council members were appointed through the Kenya Gazette of 28 October 2005. It was, however, observed that the appointments did not conform with the requirements of the Science and Technology Act, Cap 250. Although the Chief Executive Officer brought this anomaly to the attention of the appointing authority on 26 June 2006, the Council has not so far been appointed. It is not also clear why a Council which did not conform with the Act was appointed in the first place. As a result, the operations and activities of the National Council for Science and Technology which require the

approval of the Council have been hampered. I understand fresh proposals which conform with the Act have been submitted to the parent Ministry.

2. Current Assets

Included in the current assets figure of Kshs.9,338,498 as at 30 June 2006 is an amount of Kshs 5,746,188 worth of salvaged partitions removed from the former Council premises at Emperor Plaza in March 2000 when the Council relocated to its current office premises. These materials were said to have been stored at the Ministry of Public Works yard in Industrial area but were found to be missing during a physical audit verification. Although the Council has explained that the matter is under investigation, the amount reflected in the balance sheet is overstated to the extent of the missing partitions. Consequently, it is not possible to confirm that the carrying value of the stocks figure of Kshs 5,746,188 as reflected in the financial statements reflects the fair value of the stocks as at the balance sheet date.

3. Accounts Payable

Included in the Accounts Payable balance of Kshs.8,407,722 as at 30 June 2006 is an amount of Kshs.5,460,282 (about 65% of total accounts payable) owed to an engineering consultancy firm which arose in 1990 and which was a subject of an audit query in the accounts of the Council for the year ended 30 June 1992. An inter-ministerial committee was constituted to investigate the matter and make appropriate recommendations. This committee concluded that the contractor had been overpaid by Kshs.5,477,912. The Public Investments Committee in 1997 in its 7th report, which was adopted by the House, recommended that the Council should recover this amount from the contractor. However, no evidence has been seen to show that the Council made any efforts towards recovery of the overpayment. Instead the Council continues to reflect the amount under creditors instead of under debtors. No explanation has been given for not implementing the recommendations of the Public Investments Committee.

Opinion

Except for the foregoing reservations and any adjustments that might be necessary arising from the matters discussed above, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the affairs of the National Council for Science and Technology as at 30 June 2006 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Science and Technology Act (Cap 250).



P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

22 January 2007

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

BALANCE SHEET AS AT 30TH JUNE 2006

	NOTE S	2005/06 KSHS	2004/05 KSHS
<u>NON CURRENT ASSETS</u>			
Property Plant & Equipment	2	5,950,229.00	4,338,869.00
<u>CURRENT ASSETS</u>			
Stock (Partitions)	3	5,746,188.00	5,746,188.00
Accounts Receivable	4	0.00	181,464.00
Cash and Cash Equivalents	5	3,592,310.00	49,341.00
		9,338,498.00	
<u>TOTAL ASSETS</u>		15,288,727.00	10,315,462.00
<u>ACCUMULATED FUNDS</u>			
Government Grants in Aid		7,480,590.00	7,480,590.00
Capital Reserves		886,293.00	886,293.00
Revenue Reserves		-1,485,878.00	-6,494,451.00
		6,881,005.00	1,872,432.00
<u>CURRENT LIABILITIES</u>			
Accounts Payable	6	8,407,722.00	8,407,722.00
Deposits - Research fund	7	0.00	35,308.00
		8,407,722.00	8,443,030.00
<u>TOTAL ACCUMULATED FUND AND LIABILITIES</u>		15,288,727.00	10,315,462.00

The Financial Statements were approved by NCST ON:

PROF. G. K. KING'ORIAH
EXECUTIVE SECRETARY

SIGNATURE: _____

DATE: _____

JAMES O. AKELLO
CHIEF ACCOUNTANT

SIGNATURE: _____

DATE: _____

**NATIONAL COUNCIL FOR SCIENCE AND
TECHNOLOGY**

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE - 2005/6

	NOTES	2005/06 KSHS	2004/05 KSHS
<u>INCOME</u>	8	94,834,192.00	67,244,636.00
<u>EXPENDITURE</u>			
Staff Costs	9	4,189,427.20	4,390,647.05
Travelling and Accommodation costs	10	6,576,517.65	5,124,677.90
Administration/Operation Costs	11	15,942,041.10	8,439,369.65
Research and Projects Costs	12	63,083,633.20	53,468,666.60
TOTAL EXPENDITURE		89,825,619.15	71,423,360.60
SURPLUS (DEFICIT)		5,008,572.85	-4,178,724.60

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

	GOK CAPITAL GRANT	REVALUATION RESERVES	REVENUE RESERVES	TOTAL KSHS
At 1st July 2003	7,480,590.00	886,293.00	-2,822,308.50	5,544,574.50
Prior Year Adjustment			(2,000,499.80)	(2,000,499.80)
Surplus for the year			2,451,453.95	2,451,453.95
At 30th June 2004	7,480,590.00	886,293.00	-2,371,354.35	5,995,528.65
At 1st July 2004	7,480,590.00	886,293.00	-2,371,354.35	5,995,528.65
Prior Year Adjustment			55,628.30	55,628.30
Deficit for the year			-4,178,724.60	-4,178,724.60
At 30th June 2005	7,480,590.00	886,293.00	-6,494,450.65	1,872,432.35
At 1st July 2005	7,480,590.00	886,293.00	-6,494,450.65	1,872,432.35
Surplus for the year			5,008,572.85	4,872,432.35
At 30th June 2006	7,480,590.00	886,293.00	-1,485,877.55	6,744,864.70

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE - 2006

	2005/06	2004/05
	KSHS	KSHS
Cash Flow from Operating Activities	5,008,572.85	-4,178,724.60
Adjustment for items not involving cash movement		
Provision for Dep. Charge	553,996.00	637,589.00
Surplus before Working Capital Changes	5,562,568.85	-3,541,135.60
<u>Working Capital Changes</u>		
Accounts Receivable - Decrease	181,463.70	-91,496.20
Accounts Payable	0.00	777,348.95
Net Cash Flow from Operating Activities	5,744,032.55	-2,855,282.85
<u>Cash Flow from Investing Activities</u>		
Purchase of Computers and Furniture	-2,165,756.00	0.00
<u>Cash Flow from Financing Activities</u>		
Deposits - Research Fund	- 35,307.75	35,017.00
Net Increasing in Cash and Cash Equivalents	3,542,968.80	-2,820,265.85
Beginning Cash and Cash Equivalents	49,341.25	2,869,607.10
Ending Cash and Cash Equivalents	3,592,310.05	49,341.25

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENT FOR YEAR ENDED 30TH JUNE 2006

NOTE :1

SIGNIFICANT ACCOUNTING POLICIES

(a). Basis of Accounting

The financial statements have been prepared under the historical cost basis of accounting and International Financial Reporting Standards (IFRS)

(b). Depreciation

Property Plant and Equipment are stated at their historical cost. Depreciation is calculated on a reducing balance for the following items at the indicated annual rates.

The Council's policy is that the provision for depreciation on assets purchased is not provided in the year of purchase.

Assets	Rate
i) Motor Vehicle	25%
ii) Furniture & Fittings	12.50%
iii) Plant, Machinery & Equipment	12.50%
iv) Computers	12.50%

NOTE : 2 (a)

NON - CURRENT ASSETS MOVEMENT SCHEDULE PROPERTY PLANT AND EQUIPMENT

	Fittings KSHS	Equip. Computers KSHS	Motor vehicle KSHS	KSHS
	12.5%	12.5%	25.0%	
Cost - 1st July 2005	29,669,835.00	2,123,204.00	1,660,160.00	33,453,199.00
Additions (Computers)	459.00	1,708,756.00	-	2,165,796.00
	20,128,836.00	3,829,960.00	1,660,160.00	35,618,956.00
DEPRECIATION				
Acc.-Dep. 1st July 2005	26,137,646.00	1,410,414.00	1,566,670.00	29,114,730.00
Dep. Charge	441,524.00	89,099.00	23,373.00	553,996.00
	26,579,170.00	1,499,513.00	1,590,043.00	29,668,726.00
NET BOOK VALUE(NBV)				
30th June 2006	3,549,665.00	2,789,447.00	70,117.00	5,950,229.00
30th June 2005	3,532,189.00	712,790.00	93,490.00	4,338,469.00

(b).Purchase of Computers costing Ksh 1,416,256.00. Hence the total cost for equipment and computers is Ksh.3,539,256.00

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

NOTE: 3

(a). Stock (Partitions) 5,746,188.00

Relates to the value of partitioning materials pulled down from NCST's former office space. The materials were taken to the Ministry of Works godown in Industrial Area for safe custody

(b).

The comparative figures for note No 9 to No 12 for 2004/05 have not been given because the items have been reduced from 31 to 17 and renamed. However, the comparative figures for the same period in the Income and Expenditure A/C are given according to classification of items as shown.

NOTE:4

ACCOUNTS RECEIVABLE

	2005/06	2004/05
	0.00	181,463.70
Total Imprest	<u>0.00</u>	<u>181,463.70</u>

NOTE :5

CASH AND CASH EQUIVALENTS

	2005/06	2004/05
CASH ON HAND	9,359.70	12,160.90
CASH AT BANK	3,582,950.60	37,180.35
	<u>3,592,310.30</u>	<u>49,341.25</u>

NOTE : 6

ACCOUNT PAYABLES

	2005/06	2004/05
Kenya Post & Telecommunication	477,160.95	477,160.95
Kenya Power & lighting Corporation	23,748.00	23,748.00
Ongata Works	624,863.00	624,863.00
Womi Associates	5,460,282.00	5,460,282.00
K.P. & Lighting Company Ltd	1,050.00	1,050.00
NCST Social Welfare	6,898.60	6,898.60
Stale Cheques	941,835.15	941,835.15
Items awaiting Clearance	1,886.05	1,886.05
KENAO	870,000.00	870,000.00
	<u>8,407,722.35</u>	<u>8,407,722.35</u>

**NATIONAL COUNCIL FOR SCIENCE AND
TECHNOLOGY**

NOTE : 7

RESEARCH FUNDS (DEPOSIT)

	2005/06	2004/05
IAEA Project - F P Oloo Walong	0.00	0.75
IAEA Project - P A Olet	0.00	35,017.00
Basic project Education	0.00	290.00
	0.00	35,307.75

NOTE : 8

INCOME

	2005/06	2004/05
Reccurent Grant	94,833,192.00	67,244,636.00
Appropriation in Aid	1000.00	0.00
	94,834,192.00	67,244,636.00

NOTE : 9

STAFF COSTS

	2005/06	2004/05
Training Expenses	777,158.00	
Insurance Costs	10,906.00	
Hospitality Supplies and Services	3,401,363.20	
	4,189,427.20	

NOTE : 10

**TRAVELLING AND ACCOMMODATION
COSTS**

	2005/06	2004/05
Domestic Travel and Subsistence	3,481,481.05	
foreign Travel and Subsistence	3,095,036.60	
	6,576,517.65	

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

NOTE : 11

ADMINISTRATION/ OPERATION COSTS

	<u>2005/06</u>	<u>2004/05</u>
Routine maintenance - Other Assets	1,576,995.00	
Fuel Oil and Lubricants	1,873,593.00	
Routine Maintenance - Vehicles, Equipment	1,876,284.10	
Communication Supplies and Services	3,352,782.55	
Utilities Supplies and Services	230,622.10	
Printing Advertising Information Supplies	927,904.10	
Speicalised Materials and Services	1,473,804.60	
Office and General Supplies & Services	2,449,424.00	
Other Operating Expenses	1,576,629.70	
Depreciation Expenses	553,996.00	
Provision of Audit Fee - KENAO	50,000.00	
	<u>15,962,041.10</u>	

NOTE : 12

RESEARCH AND PROJECTS COSTS

	<u>2005/06</u>	<u>2004/05</u>
Current Grant to Government Agencies	8,238,024.00	
Research, Project and Supervision	15,636,263.10	
Membership Fees & Subscription	39,209,246.10	
	<u>63,083,633.20</u>	

NOTE: 13

CURRENCY

The Currency used is Kenya Shillings

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

NOTE: 14

GENERAL INFORMATION

(a) National Council for Science and Technology is a body corporate established under the provision of the Science and Technology Act, Cap 250 (1977) of the law of Kenya and is domiciled in Kenya.

(b) Principal Activity

The Principal Activity of National Council for Science and Technology (NCST) is to advise the Government on all matters relating to Scientific and Technological Activities and Research necessary for the coordination of and Experimental Development.

(c): Registered Office

UTALII HOUSE
Uhuru High Way 9th Floor (Utalii Lane)
P O Box 30623
NAIROBI

(d): Banker

Kenya Commercial Bank
Kenyatta Avenue

