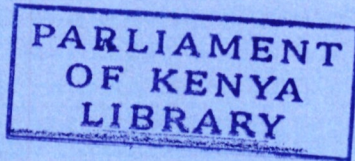


REPUBLIC OF KENYA



*Presented by the
Hon Jomo Wachuki
14/6/2018*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE MINISTRY OF EDUCATION, SCIENCE AND
TECHNOLOGY - STATE DEPARTMENT OF
UNIVERSITY EDUCATION VOTE 1065**

**FOR THE YEAR
ENDED 30 JUNE 2017**



**MINISTRY OF EDUCATION
STATE DEPARTMENT FOR UNIVERSITY EDUCATION**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

ISSUED ON: SEPTEMBER 30, 2017

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

MINISTRY OF EDUCATION,
STATE DEPARTMENT FOR UNIVERSITY EDUCATION
Reports and Financial Statements
For the year ended June 30, 2017
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

The State Department for University Education derives its mandate from the Presidential Circular No. 1 of May 2016. Its responsibilities include: Policy development on university education, University education management, Management of continuing education (excluding TVETs) and Management of public universities and tertiary institutions.

The Department for University Education Vision is *“a globally competitive education, training, research and innovation system for sustainable development”* while the mission is *“To provide, promote and coordinate the delivery of quality education, training and research and enhance integration of Science, Technology and Innovation into national production systems for sustainable development.”*

The State Department comprises of:

- 1) Administration and Planning ;
- 2) Directorate of Higher Education; and
- 3) Directorate of Research Management and Development.
- 4) Semi-Autonomous Government Agencies (SAGAs) that contribute to the attainment of the sub sector mandate. These are: National Commission for Science, Technology and Innovation (NACOSTI); Kenya National Innovation Agency (KENIA); National Research Fund (NRF); Biosafety Appeals Board; Commission for University Education (CUE); Higher Education Loans Board (HELB); Universities Funding Board (UFB), Kenya Universities and Colleges Central Placement Service (KUCCPS) Board. In addition, there are seventy universities and university constituent colleges out of which 23 are public chartered universities, 10 public constituent colleges and 37 private universities.

1.1 Vision

The Vision is: *“a globally competitive education, training, research and innovation system for sustainable development”*

1.2 Mission

The Mission is: *“to provide, promote and coordinate quality education and training for sustainable development”*

(b) Key Management

The State Department’s day –to-day management is under the following key organs:

State Department University Education

- Directorate of University Education
- Directorate of Research Management
- Department of Administration and Planning

KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

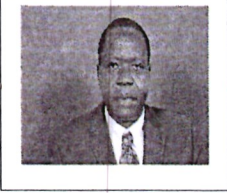

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Education	Dr. Fred Matiang'i, MBS
2.	Principal Secretary, State Department For University Education	Prof. Collette A. Suda, PhD, FKNAS, CBS
3.	Director, Directorate of Research Management	Dr. George Ombakho
4.	A.g Director, Directorate University Education	James Kiburi
5.	Deputy Secretary, Administration	Anne Mworia
6.	Chief Accountant, Head of Accounting Unit	Laban Kimemia
7.	Senior Principal Finance Officer,	Ben Kihia

KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

Senior Management – State Department of University Education

 <p>Dr. Fred Matiang'i, MBS, Cabinet Secretary, Ministry of Education</p>	<p>Dr. Fred Okeng'o Matiang'i is the Cabinet Secretary, ministry of Education, Science and Technology. Before his appointment, Dr. Matiangi was the Centre for International Development, Rockefeller College of Public Affairs and Policy, the State University of New York SUNY/CID Liaison in East Africa. He formerly served as Chief of Party for Kenya's Parliamentary Strengthening Program.</p> <p>Dr. Matiangi held research and program implementation positions in various civil society organizations in Kenya and conducted research and training for the Commonwealth Parliamentary Association, the parliaments of Ethiopia, Uganda, and the East African Legislative Assembly. He has also been a columnist for the Daily Nation, Kenya's leading newspaper, and has consulted extensively with USAID, the Canadian Development Agency (CIDA), the World Bank, and Transparency International.</p> <p>He taught at Egerton University and the University of Nairobi.</p> <p>Dr. Matiangi's education includes a Ph.D. in communication and comparative literature from the University of Nairobi, an M.A. in English from the University of Nairobi, and a B.A. in education from Kenyatta University.</p>
 <p>Prof. Collette A. Suda, PhD, FKNAS, CBS Principal Secretary, State Department of University Education.</p>	<p>Prof. Collette A. Suda, PhD, FKNAS, CBS, is the Principal Secretary, State Department for University Education, Ministry of Education, Republic of Kenya. She is the former Secretary for Gender and Social Development, Ministry of Gender, Children and social Development. Previously, she was the Director, Institute of African Studies and Director, Board of Common Undergraduate Courses, University of Nairobi. She also served as a member of the National Commission on Gender and Development and a member of the Advisory Board of the Women Enterprise Fund, among others.</p> <p>Prof. Suda is a full Professor of Sociology at the Institute of African Studies. She is a Fellow of the Kenya National Academy of Sciences (FKNAS). She has served as an external examiner at Moi University, Maseno University and the University of Dar-es-Salaam in Tanzania.</p>

KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(d) Fiduciary Oversight Arrangements

Composition of the Committee Members

The various committee members within the State Department are drawn from various sectors of the economy and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

All committee members and required to re-submit themselves for re-appointment after expiry of their term.

Audit and Finance Committee Activities

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge.

The committee was responsible and instrumental in:

- Improving the quality of financial reporting by ensuring the accounts are prepared in a timely and accurate manner to facilitate prompt submission of annual financial statements to the Auditor General with a copy to the National Treasury and the Controller of Budget not later than 30th September of each subsequent year as well as submission of quarterly financial statements accounts to the Cabinet Secretary with a copy to the National Treasury and the Controller of Budget not later than fifteen (15) after the end of each quarter.
- Reviewing and making recommendations on management programs established to monitor compliance with sound public financial management, internal controls, policies, laws, regulations, procedures and the code of ethics.
- Strengthening the effectiveness of the internal audit function including regular review of its capacity, review and approval of the internal audit charter and internal audit annual work plan.

KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(e) State Department of University Education Headquarters

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Nairobi, Kenya
Jogoo House B, Harambee Avenue
Tel: +254-020-3318581
Fax: +254-020-251991
Email: info@scienceandtechnology.go.ke

(f) Entity Contacts

Tel: +254-020-3318581
Fax: +254-020-251991
Email: info@scienceandtechnology.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. COMMENTARY BY THE CABINET SECRETARY



The State Department for university education derives its mandate from the Presidential Circular No. 1 of May 2016 and its responsibilities include: Policy development on university education, University education management, Management of continuing education (excluding TVETs) and Management of public universities. These are: National Commission for Science, Technology and Innovation (NACOSTI); Kenya National Innovation Agency (KENIA); National Research Fund (NRF); Biosafety Appeals Board; Commission for University Education (CUE); Higher Education Loans Board (HELB); Universities Funding Board (UFB), Kenya Universities and Colleges Central Placement Service (KUCCPS) Board. In

addition, there are seventy universities and university constituent colleges out of which 23 are public chartered universities, 10 public constituent colleges and 37 private universities

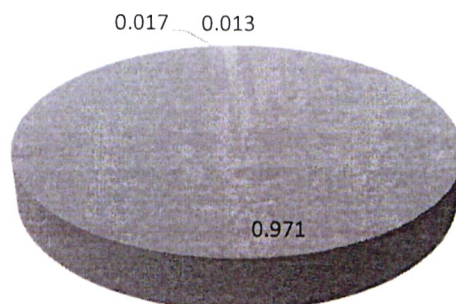
Dr. Fred Matiang'i, MBS,
 Cabinet Secretary, Ministry of
 Education

BUDGET ALLOCATION

In the financial year 2016/17 the State Department of University Education had a gross budget of **KShs. 73,560,180,417** which was made up of **KShs. 63,594,179,788** and **KShs. 9,966,000,630** for recurrent and development vote respectively. The State Department was to expend the gross budget of **KShs. 73,560,180,417** under the following 3 programmes:

1. University Education
2. Research, Science, Technology and Innovation
3. General Administration, Planning & support Services

Budget allocation by Programmes



- P1 University Education
- P2 Research, Science, Technology and Innovation
- P3 General Administration, Planning & support Services

COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

I. Programme 1: University Education

The objective of this programme is to enhance access, equity, quality and relevance of university education through training research and Innovation. This programme was allocated **KShs 71,513,680,079** representing 97% of the budget. A total of **KShs 68,866,875,947** was spent under the following sub programmes:

- a. Sub-programme S.P.1.1: University Education
- b. Sub-programme SP1.2: Quality Assurance and Standards
- c. Sub-programme SP1.3: Higher Education Support Services

II. Programme 2: Research, Science, Technology and Innovation

The objective of this programme is to develop, harness and integrate research, science, technology and innovation in national production system. This programme was allocated **KShs. 1,118,168,582** representing 0.017% of the budget. A total of **KShs 819,777,883** was spent under the following sub programme:

- a. Sub-programme S.P.2.1: Research Management and Development
- b. Sub-programme SP2.2: Science & Technology Promotion Dissemination
- c. Sub-programme SP2.3: Knowledge & Innovation Development & Commercialization

III. Programme 3: General Administration, Planning & support Services

The objective of this programme is to improve tracking of implementation of development policies, strategies and programmes. This programme was allocated **KShs. 928,331,756** representing 4% of the budget. A total of **Kshs.608,334,665** was spent under the following sub programme:

- a. Sub-programme 3.1: 3.1 General Administration, Planning & support services

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2017 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

MINISTRY OF EDUCATION,
STATE DEPARTMENT FOR UNIVERSITY EDUCATION
Reports and Financial Statements
For the year ended June 30, 2017

Financial Performance Summary

Actual Performance against Budget for Year to 30th June 2016

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	73,560,180,417	71,431,335,534	2,128,844,883	97%
Total Payments	73,560,180,417	71,188,660,334	2,371,520,083	97%
Surplus for the Year	-	242,675,200	-242,675,200	>100%

Actual receipts by the MDAs stood at 3% below budget while actual payments were 4% below budget. This is attributable to underutilisation of budget allocation for acquisition of assets and transfers and grants.

Budget Utilisation

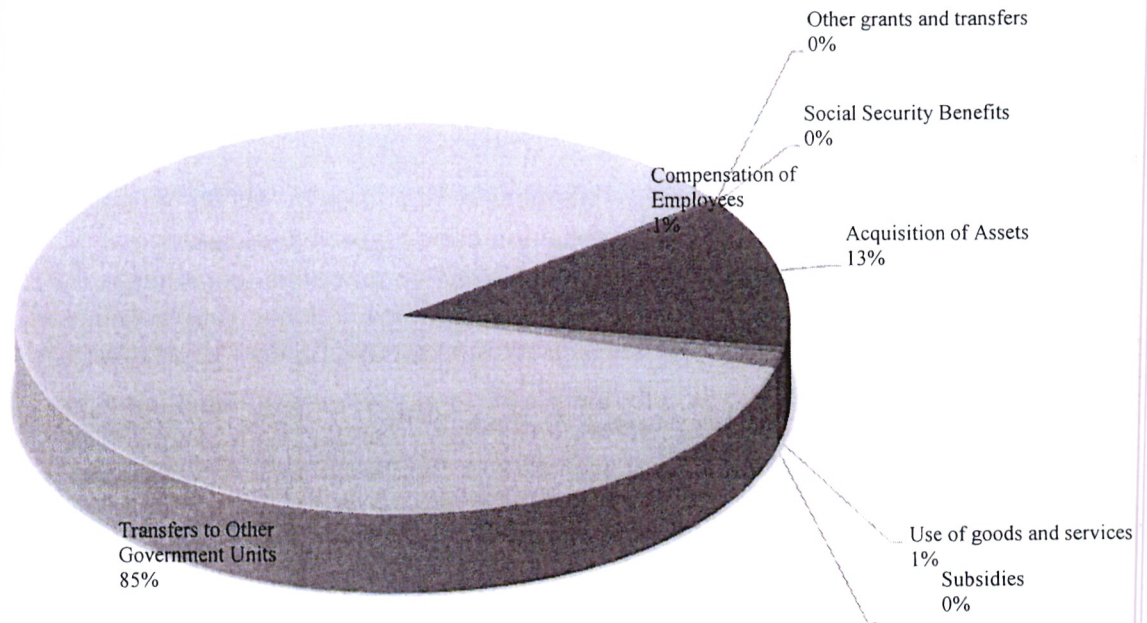
The State Department spent **Kshs.71,188,660,334** against an approved budget of **Kshs.73,560,180,417** representing absorption of **97%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	415,847,585	382,528,085	33,319,500
Use of goods and services	1,406,813,616	740,922,565	665,891,051
Subsidies	56,000,000	56,000,000	0
Transfers to Other Government Units	61,642,947,891	60,911,006,803	731,941,087
Other grants and transfers	322,000,000	249,181,289	72,818,711
Social Security Benefits	2,500,000	0	2,500,000
Acquisition of Assets	9,714,071,325	8,849,021,593	865,049,731
Finance Costs, including Loan Interest	-	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-	-
Other Expenses	-	-	-
Total Payments	73,560,180,417	71,188,660,334	2,371,520,083

COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights (Continued)

Budget Utilisation as Per Economic Items



It is noted that 85 % of the State Department's budget was used in Transfers to Other Government entities i.e., State Corporations Public Universities. 1% of the budget was utilised on employee compensation while 13% was utilised in Acquisition of assets.

Key Achievements of the State Department in the FY 2016/17

The State department accomplished the following during FY 2016/17:

Establishment of Pan African University Institute of Basic Sciences, Technology and Innovations :The Pan African University Institute of Basic Sciences, Technology and Innovations at the Jomo Kenyatta University for Agriculture and Technology in 2012. The institute specializes in training in the areas of Mathematics, Molecular biology and Biotechnology; Civil Engineering & construction management and Electrical & electronics Engineering. The Institute has since admitted a total of 325 students in masters and Phd Programmes.

Centers of Excellence in Higher Education :Three Centres of excellence were identified for establishment in Kenya under the Southern and Eastern Africa Higher Education Centres of excellence project (ACE II) at Egerton, Moi and Jaramogi Oginga Odinga Universities.

Equipping of Public Universities and Training of teaching staff in science and engineering: During the MTP 8 public universities received modern engineering and applied science teaching and research equipment. Under the same programme 162 teaching staff in public universities were supported for Masters and Ph.D. programmes in science and engineering. In addition, Nine MSc and seven PhD

students were trained at KALRO under the East African Agricultural Productivity Project (EAAPP) funded by the World Bank.

Kenya Institute of Science and Technology (KAIST): The feasibility study and signing of a Memorandum of Understanding amongst Ministry of Education Kenya, Konza Technopolis Development Authority and Export-Import Bank of the Republic of Korea for the establishment of KAIST.

National Physical Science Research Laboratory: the Strategy for the establishment of the National Physical Science Research Laboratory for Engineering was undertaken.

National Research Fund (NRF) Initiatives : NRF commenced operations in the 2016/2017 FY. In this period it was allocated KES 3Billion by the GoK and it managed to mobilize about KES384 Million. From this research kitty allocations amounting to KES 2,013.5 million was made to various applicants according to the following categories:

- Postgraduate studies proposals: Ksh. 236M
- Multidisciplinary and multi-institutional proposals : Ksh. 888M
- Infrastructure support proposals: Ksh. 800M
- Research findings' dissemination through Workshops and Conference: Ksh.27M
- Funding of Bilateral Collaborative matching grants: 58.7M
- Funding of Innovations: Ksh. 13.8M

Institutional reforms: The Kenya National Innovation Agency (KENIA), The National research Fund (NRF), the National Commission for Science and Technology (NACOSTI), and Kenya Space Agency were established and operationalized.

Expansion of University Education

i) Expand Access and Equity

The number of universities in Kenya has been on the increase, the government has made deliberate effort to expand the university level of Education. At the same time, the private education service providers in this level of education have increased their services. The number of private universities increased from 26 in 2012 to 36 in 2017, while the number of Public universities and Constituents colleges increased from seven fully fledged universities to thirty (30) with five (5) Public constituent colleges in 2017, Making a total of seventy one (71) universities in Kenya

Enrolment in the university sector grew rapidly from 240,551 in 2012 to 539,747 students in 2016, comprising 317,278 males and 222,471 females. The enrolment consisted 461,820 students in Public universities (86%) and 77,929 students in Private Universities (14%). Studies by the British council have rated Kenya as the country with the fastest growing college-aged population in the world.

This increase was also reflected in the number of Government-sponsored students admitted to universities; from 56,938 in 2013 to 88,541 in 2017. This enrolment was further boosted by the placement of Government-sponsored students in Private Universities. The first cohort of 12,096 students was placed in 29 private Universities in 2016 while the second, comprising 17,000 students were placed to various programmes in Private Universities in 2017. This was meant to increase opportunities for secondary school graduates to access university education, thereby increase the secondary school-to-university transition.

The Placement Service continues to contribute to equity in access to university education by considering merit, students' choices and affirmative action in the placement of Government-sponsored students

ii) Improve Quality and Relevance

The Universities Regulations (2014), Standards and Guidelines were developed and published to give effect to the Universities Act No. 42 of 2012. In the review period, the harmonized criteria and guidelines for appointment and promotion of academic staff in universities in Kenya were adopted and are being implemented..

In 2015/2016 FY, four (4) universities were assessed for establishment, six (6) technical inspections undertaken to verify available physical and academic resources for proposed institutions, and one University was recommended for the award of charter. Eighty (80) Self-Assessment Reports for Universities Campuses were evaluated and eighty (80) Technical inspections to verify physical and academic resources conducted for University campuses and Twenty (20) University Campuses accredited.

Two hundred and five (205) and seventy (70) quality assurance peer reviewers were trained in 2013/14 and 2015/2016 FY respectively. In 2015/16, one hundred and thirty four (134) academic programmes were evaluated and eight (8) programmes re-evaluated compared to the one hundred and twenty five (125) evaluated in 2013/14. Institutional quality audit for four (4) Universities and academic programmes quality audit in eight (8) universities were conducted in the FY 2015/2016. In addition, two (2) policy advisories relating to university education were prepared in the period 2015/16.

iii) Human Resource in Support of University Education

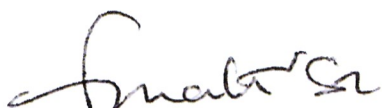
Lecturers and tutors from technical colleges and officers from public institutions were enrolled for Master and Doctorate studies in Engineering and Applied Sciences. Training for the first batch of 31 students in geothermal and manufacturing engineering is ongoing at Dedan Kimathi University of Technology with the second batch of 51 students admitted in the last quarter of 2015/16 financial year. Egerton University and University of Eldoret are training 16 and 10 teaching staff in Agricultural Engineering respectively. Kenyatta University has 54 members of the teaching staff currently pursuing Masters and Doctorate degrees in Applied Physics and Chemistry. The consortium of Jomo Kenyatta University of Agriculture and Technology, Masinde Muliro University of Science and Technology and Taita Taveta University College in collaboration with Curtin University is training 10 members of the teaching staff in coal technology.

A total of 63 German Academic Exchange Service (DAAD) PhD scholarships in specialized areas in science and technology development were awarded. The Government of Kenya has been contributing KES 73 Million annually towards the scholarship scheme since 2010/2011. Researchers were also able to access funding of 12.3 Million Euros through awareness creation and participation of the State Department as the Kenya Horizon 2020 National Contact Point.

1.0 Emerging Issues, Challenges and Lessons Learnt

Despite the progress realised in implementing programmes and projects in the sector, emerging issues and challenges were experienced. In order to consolidate the gains realised, the sector will build on lessons learnt in developing MTP III and programmes. The challenges include:

- Inadequate funding to undertake research, incubation and development due to non-alignment of the ST&I sector to the Medium Term Expenditure Framework (MTEF).
- Poor Resource mobilization: Lack of framework to incentivize the private sector to invest in the research and development led to poor resource mobilization for implementation of programmes and projects in the MTP II.
- The non-alignment of the ST&I sector to the Medium Term Expenditure Framework (MTEF).
- Weak linkage between industry and academia, and inadequate capacity and capability to incubate and harness research and innovation outputs and turn them into goods and services.
- Absence of a skills inventory: There is a mismatch between the skills possessed by the job seekers and those required by industry.
- Weak enforcement of local content requirement on projects execution is hampering technology transfer.
- Weak mechanisms for implementation, evaluation and review of ongoing projects and programmes.
- Slow implementation of the affirmative action for entrenching ST&I from early childhood in the education system.
- Limited employment opportunities for ST&I graduates leading to apathy and low enrolment in science, mathematics and engineering courses in universities.



Fred Matiang'i, PHD, EGH.
Cabinet Secretary

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department of University Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of University Education accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department of University Education further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department of University Education confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The entity's financial statements were approved and signed by the Accounting Officer on 30 September 2017.



Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary



Mr. Laban Kimemia
Chief Accountant

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY - STATE DEPARTMENT OF UNIVERSITY EDUCATION VOTE 1065 FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ministry of Education, Science and Technology - State Department of University Education set out on pages 1 to 32 which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of appropriation, recurrent and development combined 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 State Department of University Education as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, Except for the matters described on the Basis for Qualified Opinion section of my report, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Nugatory Payment

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services figure of Kshs.740,922,565 which includes an amount of Kshs.20,790,625 paid to the Principal Secretary (PS) National Treasury who in turn paid four (4) firms in respect of reimbursement of demurrage and storage charges under GoK/ADB HEST project. However, no supporting or accompanying invoices on demurrage and storage charges were availed for audit review. In addition, examination of IFMIS payments details revealed that the payments were paid under 'below the line' expenditure whose ledger was also not availed for audit verification.

*Report of the Auditor-General on the Financial Statements of the Ministry of Education, Science and Technology
- State Department of University Education Vote 1065 for the year ended 30 June 2017*

Further, available information indicate that the above four (4) firms were paid Kshs.20,790,626 as reported in the previous year in respect of demurrage and storage charges as detailed below. This may amount to double payment of public resources.

Payment Date	Cheque No.	Amount Kshs.
1-Jul-16	2377	1,432,675.30
1-Jul-16	2379	1,780,798.25
1-Jul-16	2376	2,222,721.40
1-Jul-16	2378	15,354,431.80
Total		20,790,626.75

In the circumstances, it has not been possible to confirm that expenditure of Kshs.20,790,625.00 paid in the year under review was a proper charge to public resources.

2. Transfers to Other Government Units

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other Government Units figure of Kshs.60,911,006,803 which comprises Kshs.7,844,854,056 and Kshs.53,066,152,748 in respect of development and recurrent grants. The figure of Kshs.7,844,854,056 includes development grants of Kshs.279,846,149 and Kshs.935,078,854 transferred to Kisii and Moi Universities respectively. However, a review of the records maintained by the Ministry revealed that Kshs.145,703,038 disbursed to Kisii university in respect of ICT theatre was based on Interim certificates covering the period 16 September 2011 to 2 April 2013. However, no supporting information was made available to ascertain that these bills were pending. In addition, Moi University was paid Kshs.33,443,953 in respect of construction of a library annex out of which Kshs.14,163,570 and Kshs.18,227,227.75 relate to interim certificates dating back to 25 September 2012. A further amount of Kshs.76,752,911 was disbursed in respect to the proposed construction of school of public health, a 2,250-students Hostel Block and sewerage system based on interim certificates issued in the period between 8 March 2010 and 25 September 2012. No satisfactory reasons were provided for delay in settling these long outstanding debts. The Ministry did not provide the policy documents or the University Funding Board minutes to ascertain the actual basis for the disbursements.

In the circumstances, it has not been possible to confirm the authenticity of payments totalling Kshs.279,846,149 and Kshs.935,078,854 made to Kisii University and Moi University respectively for the year ended 30 June 2017.

3. Procurement of Contracted Professional Services

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services figure of Kshs.740,922,565. However, examination of the payment vouchers and supporting documents revealed the following anomalies:

3.1 Consultancy Services on Research Funding Guidelines

On 14 March 2017 the state department signed a contract for consultancy services with University of Nairobi Enterprises and Services Ltd to develop research funding guidelines at a contract sum of Kshs.9,890,000. However, procurement documents and records showing how the consultants were procured, evaluated and awarded the contract were not availed for audit review. It was therefore not possible to confirm whether the contract was procured competitively in compliance with the Public Procurement and Disposal Act, 2015 and the relevant regulations. The state department was therefore in breach of the law.

3.2 Consultancy Services on Capacity Building Strategy

On 1 September 2016 the Ministry awarded the tender to develop a regional human resource capacity building strategy for the implementation of the Northern Corridor Integration Projects Jomo Kenyatta University of Science and Technology at a contract sum of Kshs.130,900.310 with the completion date of 21 January 2017. The contract was done through single sourcing. However, no supporting procurement documents showing how JKUAT was identified and contract sum determined was availed for audit review. In the circumstances, it has not been possible to confirm whether the contract was procured competitively in compliance with the Public Procurement and Disposal Act, 2015 and relevant regulations Therefore, the state department was in breach of the Law.

4. Expenditure on Leased Offices

The statement of receipts and payments for the year 30 June 2017 reflects use of goods and services figure of Kshs.740,922,565 which includes payments totalling Kshs.45,769,339 in respect of rentals of produced assets as disclosed in note 5 to the financial statements. The figure of Kshs.45,769,339 also includes Kshs.44,733,296.80 being of lease for office space and parking whose valid lease agreements and minutes of the Tender Committee approving the lease were not availed for audit verification.

In the circumstances, it has not been possible to confirm that the rent paid of Kshs.44,733,296.80 was in line with the existing agreement and consistent with market rates.

5. Failure to Surrender Temporary Imprests

The statement of assets and liabilities as at 30 June 2017 reflects accounts receivables balance of Kshs.230,008 which includes government imprest of Kshs.32,418 and which had not been surrendered as at 30 June 2017. This is contrary to the requirements of Section 71(2) of the Public Finance Management Act, 2012, and Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which require that imprest should be surrendered or accounted for within 7 working days after returning to duty station.

In the circumstance, the state department is in breach of the law.

6. Unsupported Balance

The statement of assets and liabilities as at 30 June 2017 reflects a balance of Kshs.48,129,092 under prior year adjustments which includes district suspense figure of Kshs.5,259,494 and whose nature and supporting analysis was not explained and availed for audit review.

In the circumstance, it has not been possible to confirm the accuracy and completeness prior year adjustment balance of Kshs.48,129,092 as at 30 June 2017.

7. Pending Bills

As disclosed in Annex 4 of the financial statements, the State Department of University had pending bills totalling Kshs.347,139,946 which were not settled in 2016/2017 but were carried forward to 2017/2018. Out of Kshs.347,139,946, bills amounting to Kshs.3,281,460 relate to the Development Vote while the balance of Kshs.343,858,486 relate to Recurrent Vote. Had the bills been settled and the expenditure accounted for in 2016/2017, the financial statements for the year ended 30 June 2017 would have reflected a deficit (excess vote) of Kshs.104,464,746 instead of the surplus (under-expenditure) of Kshs.242,675,199 reflected for the year ended 30 June 2017. This is contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which requires that Accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

8. Unresolved Prior Year Matters

8.1 Inaccuracies in Cash and Cash Equivalent

As reported in 2015/2016, the statement of financial assets for the year ended 30 June 2016 reflected Kshs.114,885,090 being the bank balance against the combined Development, Recurrent and Deposits cashbooks bank balances amounting to Kshs.86,562,980, resulting into unexplained difference of Kshs.28,322,109 as detailed below:

A/c No	Account Name	Cashbook Balance Kshs.	Financial Statement Balance Kshs.	Variance Kshs.
100209817	Development A/c	5,979,096	39,186,212	33,207,116
1000209895	Recurrent A/c	8,666,183	2,008,351	(6,657,832)
1000212667	Deposit A/c	71,917,700	73,690,526	1,772,826
Total		86,562,980	114,885,089	28,322,109

Further, the bank reconciliation statement for the deposits bank account reflected un-presented amounts of Kshs.43,862,799 yet the same had cleared by 30 June, 2017. No explanation was given for the anomaly.

In the circumstances the accuracy and completeness of the cash and cash equivalents balance of Kshs.115,687,142 as at 30 June, 2017 could not be confirmed.

8.2 Unsupported Expenditure on China Equipment Containers

As reported in 2015/2016 audit report, the statement of receipts and payments for the year ended 30 June, 2016 reflected Kshs.51,411,624,073 under transfers to other Government Units which includes Kshs.38,597,824 paid vide PV No.18 of 16 March, 2016 in respect of provision of clearance and inland logistics services for Government of Kenya on China Project equipment whose supporting documents were not availed for audit review. A review of the matter in December 2017 revealed that the position has so far not changed.

In the circumstances, it was not possible to confirm the propriety of expenditure totalling Kshs.38,597,824 as at the date of this report.

8.3 Unsupported School Fees Expenditure

As previously reported, the statement of receipts and payments for the year ended 30 June, 2016 reflected other grants and transfers figure of Kshs.212,635,290 which includes an amount of Kshs.5,242,496 paid vide payment voucher no. 795 dated 28 October 2015 in favour of the Principal Secretary - Ministry of Foreign Affairs towards payment for maintenance of Ian Nderitu Githinji and Sandra Njeri Githinji while studying in Australia. However, and as previously reported no documentation supporting the payment of Kshs.5,242,496 were availed for audit review as at the date of this report. In the circumstances, it was not possible to ascertain the propriety of this expenditure totalling Kshs.5,242,496 for the year ended 30 June, 2017.

8.4 Accrued Interest of Delayed payment to Contractor - North Rift Technical Training Institute

As reported in 2015/2016 audit report, the statement of receipts and payments for the year ended 30 June 2016 reflected a figure of Kshs.51,411,624,073 under acquisition of assets which includes an amount of Kshs.17,240,000 paid to a contractor vide payment voucher no 004 dated 26 February 2016 towards construction of the North Rift Technical Training Institute. However, scrutiny of the supporting documents for Kshs.17,240,000 revealed that Kshs.990,000 was in respect of interest accrued due to delayed payment by the Ministry. Further, information available indicate that the Institute is incomplete and that the contract period lapsed on 12 November 2013. A review of the matter in December 2017 revealed that the position has so far not changed. In the circumstances, the stakeholders may not have obtained the value for their resources in this project.

8.5 Procurement of Equipment for North Rift Technical Training Institute

As previously reported, on 29 January 2015 the Ministry signed a contract with a firm for the supply of electrical and electronic engineering equipment to the North Rift Technical Training Institute at a contract sum of USD 2,547,258.62 equivalent to Kshs.233,209,933. The payment records available at the Ministry indicate that Kshs.128,798,592 was paid to the firm during the year under review being final 50%

of the invoice and effected vide payment voucher no 119 dated 30 June 2016. This expenditure is included in purchase of specialized plant, equipment and machinery balance of Kshs.185,152,868 under note 9 to the financial statements. However, available information indicate that the Institute was not complete and as a result, the electronic and electrical engineering equipment procured were instead taken to Baringo Technical Training Institute. A review of the status in December 2017 revealed that North Rift Technical Training Institute was 65% complete. It is not clear and the state department has not explained when and if the Institute will be completed and when the state holders will get the value for their resources.

8.6 Mentorship Programme and Construction of New Technical Training Institutes

As reported in 2015/2016 audit report, the Ministry of Education, Science and Technology initiated project for construction of sixty (60) and a further seventy (70) new technical training institutes (TTI's) across the Country in order to enhance technical training. In order to oversee these constructions, a number of existing institutions were appointed by the Ministry to mentor the new institutes. The statement of receipts and payments reflects total expenditure of Kshs.51,411,624,073 under transfers to other Government units under which the above expenditure was charged. A review of financial and contractual records as well as physical verification of these projects revealed the following unsatisfactory matters:

8.6.1 Construction of the Proposed Kakrao Technical Training Institute

Records examined at Rongo University College indicated that, a contract was signed on 24 October 2014 between the College and a local contractor for the construction of the proposed Kakrao TTI at a contract sum of Kshs.48,720,833 for an envisaged contract period of 52 weeks ending on 14 October 2015.

A review of the matter in December 2017, revealed that the project was still incomplete and it is not clear when and if the contractor would resume work on site. In the circumstances, the stakeholders may not obtain value for their resources worth Kshs.48,720,833 if this project is not completed and put into intended use.

8.6.2 Construction of the Proposed Nyakach Technical Training Institute

The Ministry through Kisumu Polytechnic awarded a tender for the construction of Nyakach Technical Training Institute at a contract sum of Kshs.55,068,238 for an envisaged contract period of 52 weeks which was to end on 23 August 2015. The contract was later revised to Kshs.60,593,120 due to extra works not included in the original design. A physical examination of the project on 30 January 2017, revealed that Kshs.24,921,350 or 41% of the contract sum had been paid to the contractor while records from the clerk of works revealed that the works were at 55% completion level and an extra seventy nine (79) weeks or 152% of the time had lapsed since the project commenced. However, no tender minutes approving extension of the project duration beyond 23 August, 2015 was availed for audit review. It was therefore not clear why

the works were way behind schedule despite the Ministry and Constituency Development Fund disbursing a total of Kshs.60,593,120 as at 30 June 2017.

Under the circumstances, stakeholders may not realize the value for their resources to the tune of Kshs.60,593,120, if this project is not completed and put to intended use.

8.6.3 Construction of the Proposed Riamo Technical Training Institute

As reported in 2015/2016, available information revealed that on 5 November 2014, the Ministry, through Kisii National Polytechnic entered into a contract for construction of Riamo Technical Training Institute at a contract sum of Kshs.48,627,833 for an anticipated period of 52 weeks ending October 2015. A review of payment records revealed that the contractor had been paid a sum of Kshs.10,835,059 as at 28 January 2016. Further scrutiny of the records revealed that on 16 February 2016, the main contractor subcontracted the works, when the level of completion was at 24%. The agreement was signed by both parties before an advocate on 16 February, 2016. The terms of agreement were as detailed below:

- (i) The subcontractor was to supply all necessary materials and complete the works.
- (ii) The main contractor to be paid only 10% of all the certified amounts while the subcontractor was to get 90% and paid directly to its account.

However, the following unsatisfactory matters were noted;

- a) The agreement between the contractor and sub-contractor did not involve Kisii National Polytechnic or its appointed representative.
- b) Certificate No. 5 raised by the project manager still bore the name of the main contractor as the payee. Thus it would appear the project supervisor was not part of the agreement.
- c) The contract period as well as the performance bond had since expired and there was no evidence presented to show approval for contract extension.

No plausible reasons had been given for the above anomalies. In addition, examination of records revealed that the contract sum was varied by Kshs.2,752,219 from Kshs.48,627,833 to Kshs.51,380,052, while no tender minutes and supporting analysis to confirm that the variation was approved by the management of Kisii National polytechnic were availed for audit review. A review of the status in December 2017 indicates that the status remained unchanged.

In the circumstances, the stakeholders may not realize value for their resources worth Kshs.10,835,059 if this project is not completed and put to intended use.

8.6.4 Construction of the Proposed Taveta Technical Training Institute

As previously reported, Coast Institute of Technology awarded a contract for the construction of twin workshop on 8 September 2014 to local contractor for a period of fifty two (52) weeks at a contract sum of Kshs.46,441,290. However, examination of payment vouchers revealed that the first and the second certificates for Kshs.14,290,446 and Kshs.9,715,584.40 respectively were paid without deducting withholding tax at the rate of 3% both totalling Kshs.720,180.90 as required in the section 5f(ii) of third schedule of the income tax Act of 2014. A review of the status in December 2017 indicate that the matter remains unchanged. In the circumstances the institute risks penalties from the Kenya Revenue Authority for not complying with law.

8.6.5 Construction of the Proposed Kaloleni Technical Training Institute

As reported in 2015/2016, records availed at Kenya Coast National Polytechnic indicated that on 27 March, 2015 the institution entered into a contract for construction of the proposed Kaloleni Technical Training Institute at a contract sum of Kshs.49,535,280 and a contract for a period of 52 weeks. However, available information indicated that additional works on septic tank were included and the project period was extended to 4 July, 2016. As at September 2016, the project was approximately 45% complete while Kshs.23,342,163 or about 47% of contract sum had been paid to the contractor.

Further, no site house was seen on the project site yet it had been provided for in the bill of quantities. Besides, no evidence to show that the contract period was approved for extension beyond 4 July 2016 was availed for audit review. The Ministry did not provide satisfactory explanation for the delay in project completion and why the site house was not erected.

In the circumstances, stakeholders may not realize value for their resources worth Kshs.23,342,163 if this project is not completed and put to intended use.

In addition, the general conditions of the contract requires that the winning tenderer is to provide a duly executed performance bond of 5 % of the contract value at the time of the contract signing, which is to remain valid during the duration of the contract. However, no performance bond was availed for audit review. A review of the status in December 2017 revealed that the status remains unchanged

In the circumstances, the institute risk suffering financial loss in the event the contractor fails to execute the contract as contracted.

8.6.6 Construction of the Proposed Lamu East Technical Training Institute

As previously reported, records available at Kenya Coast National Polytechnic indicated that on 31 October 2014 the Institution awarded and signed a contract for construction of the proposed Lamu East Technical Training Institute with a contractor at a contract sum of Kshs.54,841,082 and for a period of 52 weeks. A review of the project status in December 2017, revealed that the project was still incomplete while Kshs.38,079,615 or 72% of the contract price has already been paid to the contractor. No evidence to show effort being made by the state department to revive the project

was availed for audit review. The project was therefore way behind schedule and it is not clear if and when it will be completed.

In the circumstances, the project's stakeholders may not realize value for their resources worth Kshs.38,079,615 if this project is not completed and put to intended use.

8.6.7 Land Ownership

As reported in 2015/2016 audit report, a review of Ministry records relating to the new sixty (60) technical training institutes revealed that the Director, TVET through a letter Ref no.MST/DTE/6/5/VOL.V dated 12 November 2014 directed all the mentoring institutions for the new technical training institutes not to commence any construction works before title deeds for the sites are submitted by the area members of parliament. The title deeds were to be among documents expected to be handed over to the appointed principals. It was however, established that twenty five(25) sampled new institutes stand on land that did not have title deeds as proof of ownership contrary to the Ministry's directives. A review of the status in December 2017 revealed that the status remains the same as no title documents were availed for audit review. In the circumstances, the ownership of the land acquired for construction of sixty (60) new TTIs could not be ascertained as at the date of this report.

8.6.8 Delay in Construction Works

As previously reported, available records at various Technical Training Institutes indicated that tenders for the proposed erection and completion of twin workshops, classrooms and office blocks were awarded on various dates in 2014 for a period of fifty two (52) weeks. However, a review of the status in December 2017 indicate that eight (8) Institutes with a total contract sum of Kshs.428,075,604 had an amount totalling Kshs.294,864,837 already paid to the various contractors for projects which were still behind schedule as tabulated below.

Institution	Contract Sum (Kshs)	Amount Paid (Kshs)	% Paid Vs Contract Sum
Mirera TTI	49,235,785	36,721,324	
Koibatek TTI	52,318,715	41,274,498	78.89%
Kipipiri TTI	55,094,423	48,849,366	88.66%
Mathioya TTI	52,777,934	36,916,095	69.95%
Kaelo TTI	55,102,270	8,397,450	15.24%
Mathira TTI	57,369,957	28,343,767	49.41%
Laikipia North	52,332,676	43,978,328	84.04%
Muraga TTI	53,843,844	50,384,010	93.57%
Total	428,075,604	294,864,838	

No evidence of extension of contract period and renewal of expired performance bonds was availed for audit review.

In the circumstances, the stakeholders may not realize value for their resources of Kshs.294,864,837 if these projects are not completed and put to intended use.

8.6.9 Borehole Drilling Project at the Coast Institute of Technology

As reported in 2015/2016, examination of records maintained at Coast Institute of Technology revealed that the Institute awarded a contract for borehole drilling to a Company at a contract price of Kshs.3,936,450 on 10th March, 2015. The Institute paid Kshs.3,929,000 and a further Kshs.170,000 for the four rolls of electric wire cables that was used to supply electricity to the borehole all totalling Kshs.4,099,000. The resulting extra payment of Kshs.162,550 was not in the bill of quantities and was therefore not approved.

A review of the borehole status in December 2017 revealed that it has not been put to use since the water was unfit for human consumption as confirmed by the Government chemist. In the circumstances, it has not been possible to confirm the propriety of expenditure totaling Kshs.4,099,000 incurred in drilling the borehole.

8.6.10 Construction of Perimeter Wall

As previously reported, available records at Coast Institute of Technology revealed that the Institute awarded a contract for construction of a perimeter wall to a firm at a contract price of Kshs.24,519,639 for a period of twenty five(25) weeks ending on 24 September 2015. The bill of quantities prepared in February 2015 indicate that the Engineer's estimate was Kshs.27,26,962.

A review of the project in December 2017 revealed that the project was incomplete while the performance bond of Kshs.1,225,928 which had expired on 25th March 2016 and had not been renewed as at the date of this report. Further, the contract price had been varied by Kshs.222,940 without approval of the tender committee. Under the circumstances, the stakeholders may not have realized the value for their resources of Kshs.24,519,639 in this project.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

The State Department for University Education had a total budget of Kshs.73,560,180,417 voted for the financial year 2016/2017 comprising of Kshs.9,966,000,630 for development and Kshs.63,594,179,787 for recurrent votes respectively. The budget absorption in the department was as follows: -

Item	Budgeted Allocation 2016/2017 Kshs.	Actual 2016/2017 Kshs.	Under Absorption Kshs.	Absorption in %
Recurrent	63,594,179,787	61,893,647,490	1,700,532,297	97.33 %
Development	9,966,000,630	9,295,012,844	670,987,786	93.27 %
Total	73,560,180,417	71,188,660,334	2,371,520,083	

It has however, not been explained why the Ministry did not fully utilize the budget allocation as at 30 June 2017. Failure to utilize the budget is an indication of planned projects that were not implemented for benefits of the citizens. There is need for the state department to review its budgeting mechanism with a view to fast tracking projects implementation for better service delivery to the citizen.

1.1 Recurrent Vote

The budget performance analysis for the recurrent budget totalling Kshs.63,594,179,787 is as detailed below:

Item	Budget 2016-2017 Kshs.	Actuals 2016-2017 Kshs.	Under Expenditure Kshs.	% Absorption
Compensation of Employees	415,847,585	382,528,085	33,319,500	91.98%
Use of Goods and Services	563,516,628	291,438,115	272,078,513	51.72%
Subsidies	56,000,000	56,000,000	0	100.0%
Transfers to Other Government Units	53,538,744,249	53,066,065,248	472,679,001	99.1%
Other Grants and Transfers	322,000,000	249,181,289	72,818,711	77.39%
Social Security Benefits	2,500,000	0	2,500,000	0.0%
Acquisition of Assets	8,695,571,325	7,848,434,754	847,136,571	90.26%
Grand Total	63,594,179,787	61,893,647,491	1,700,532,296	97.33%

From the above analysis, the state department underutilized the budget under use of goods and services, social security benefits and other grants and transfers by 48%, 100% and 23% respectively. The under absorption of the approved budget is an indication of activities not implemented by the Ministry which implies non delivery of goods and services to the Kenyan Citizens for the year ended 30 June 2017.

1.2 Development Vote

The state department of University Education has a total development budget of Kshs.9,966,000,630 and actual expenditure of Kshs.9,295,012,844 for the year ended

30 June 2017 resulting to total under expenditure of Kshs.670,987,786 as detailed below:

Item	Budget 2016-2017 Kshs.	Actuals 2016-2017 Kshs.	Under Expenditure Kshs.	% Absorption
Use of Goods and Services	843,296,988	449,484,449	393,812,539	53.33 %
Transfers to Other Government Units	8,104,203,642	7,844,941,556	259,262,087	96.80 %
Acquisition of Assets	1,018,500,000	1,000,586,839	17,913,161	98.24 %
Total	9,966,000,630	9,295,012,844	670,987,786	93.27%

From the above analysis, the state department underutilized the budget under use of goods and services by 47%. The under absorption of the approved budget is an indication of activities not implemented by the Ministry which implies non delivery of goods and services to the Kenyan citizens for the year 30 June 2017.

Responsibility of Management and Those charged with Governance for the financial statements

The Accounting Officer - Ministry of Education, Science and Technology - State Department for University Education is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Ministry's or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. 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 Project to cease to continue as a going concern.
- 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 of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi


27 April 2018

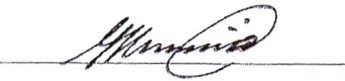
**MINISTRY OF EDUCATION
STATE DEPARTMENT FOR UNIVERSITY EDUCATION
Reports and Financial Statements
For the year ended June 30, 2017**

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	54,346,774,500	51,017,100,000
Proceeds from Domestic and Foreign Grants	2	1,404,150,504	1,878,930,067
Proceeds from Sale of Assets	3	15,680,410,530	16,603,108,445
TOTAL REVENUES		71,431,335,534	69,499,138,512
PAYMENTS			
Compensation of Employees	4	382,528,085	524,444,447
Use of goods and services	5	740,922,565	1,544,102,053
Subsidies	6	56,000,000	56,000,000
Transfers to Other Government Units	7	60,911,006,803	51,411,624,073
Other grants and transfers	8	249,181,289	212,635,290
Acquisition of Assets	9	8,849,021,593	15,706,264,621
TOTAL PAYMENTS		71,188,660,335	69,455,070,484
SURPLUS/DEFICIT		242,675,199	44,068,027

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2017 and signed by:



Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary

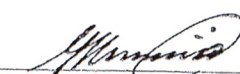

Mr. Laban Kimemia
Chief Accountant

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10A	242,009,646	114,885,089
Cash Balances	10B	808,139	802,053
Total Cash And Cash Equivalents		242,817,785	115,687,142
Accounts Receivables - Outstanding Imprest and Clearence Accounts	11	230,008	6,132,476
TOTAL FINANCIAL ASSETS		243,047,794	121,819,619
LESS: FINANCIAL LIABILITIES			
Accounts Payables – Deposits	12	372,595	73,690,526
NET FINANCIAL ASSETS		242,675,199	48,129,092
REPRESENTED BY			
Fund balance b/fwd.	13	48,129,092	4,061,065
Prior year adjustments	14	-	-
Surplus for the year		242,675,199	44,068,027
NET FINANCIAL POSSITION		242,675,199	48,129,092

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2017 and signed by:


Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary


Mr. Laban Kimemia
Chief Accountant

VII. STATEMENT OF CASH FLOWS

	Note	2016-2017	2015-2016
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	54,346,774,500	51,017,100,000
		54,346,774,500	51,017,100,000
Payments for operating expenses			
Compensation of Employees	4	382,528,085	524,444,447
Use of goods and services	5	740,922,565	1,544,102,053
Subsidies	6	56,000,000	56,000,000
Transfers to Other Government Units	7	60,911,006,803	51,411,624,073
Other grants and transfers	8	249,181,289	212,635,290
		62,339,638,741	53,748,805,864
Adjusted for:			
Changes in receivables		5,902,468	(5,591,592)
Changes in payables		(73,317,931)	(50,047,705)
Adjustments during the year	14	(48,129,092)	-
			-
Net cash flow from operating activities		(6,704,258,292)	2,787,345,161
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	15,680,410,530	16,603,108,445
Acquisition of Assets	9	(8,849,021,593)	(15,706,264,621)
Net cash flows from Investing Activities		6,831,388,936	896,843,824
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	1,404,150,504	1,878,930,067
Net cash flow from financing activities		1,404,150,504	1,878,930,067

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NET INCREASE IN CASH AND CASH EQUIVALENT		127,130,644	11,571,270
Cash and cash equivalent at BEGINNING of the year		115,687,142	127,258,411
Cash and cash equivalent at END of the year		242,817,786	115,687,141

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2017 and signed by:



Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary



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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget f=d/c %
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	14,344,396	(9,344,396)	5,000,000	0	5,000,000	0%
Transfers from National Treasury	52,473,584,311	2,638,781,106	55,112,365,417	54,346,774,500	765,590,917	99%
Proceeds from Foreign Borrowings	2,961,000,000	(1,200,785,000)	1,760,215,000	1,404,150,504	356,064,496	80%
Proceeds from Sale of Assets(AIA)	16,682,600,000	0	16,682,600,000	15,680,410,530	1,002,189,470	94%
Total Receipts	72,131,528,707	1,428,651,710	73,560,180,417	71,431,335,534	2,128,844,883	97%
Payments						
Compensation of Employees	415,847,585	0	415,847,585	382,528,085	33,319,500	92%
Use of goods and services	1,531,825,522	(125,011,906)	1,406,813,616	740,922,564	665,891,052	53%
Subsidies	16,000,000	40,000,000	56,000,000	56,000,000	0	100%
Transfers to Other Government Units	59,192,839,275	2,450,108,616	61,642,947,891	60,911,006,803	731,941,088	99%
Other grants and transfers	322,000,000	0	322,000,000	249,181,289	72,818,711	77%
Social Security Benefits	2,500,000	0	2,500,000	0	2,500,000	0%
Acquisition of Assets	10,650,516,325	(936,445,000)	9,714,071,325	8,849,021,594	865,049,731	91%
Grand Total	72,131,528,707	1,428,651,710	73,560,180,417	71,188,660,334	2,371,520,083	97%
Surplus/Deficit	0	0	0	242,675,200	(242,675,200)	

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IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Transfers from National Treasury	43,969,833,681	2,941,746,106	46,911,579,787	46,217,688,000	693,891,787	99%
Proceeds from Sale of Assets	16,682,600,000		16,682,600,000	15,680,410,530	1,002,189,470	94%
Total Receipts	60,652,433,681	2,941,746,106	63,594,179,787	61,898,098,530	1,696,081,257	97%
PAYMENTS						
Compensation of Employees	415,847,585	0	415,847,585	382,528,085	33,319,500	92%
Use of goods and services	381,325,522	182,191,106	563,516,628	291,438,115	272,078,513	52%
Subsidies	16,000,000	40,000,000	56,000,000	56,000,000	0	100%
Transfers to Other Government Units	50,814,744,249	2,724,000,000	53,538,744,249	53,066,152,747	472,679,001	99%
Other grants and transfers	322,000,000	0	322,000,000	249,181,289	72,818,711	77%
Social Security Benefits	2,500,000	0	2,500,000	0	2,500,000	0%
Acquisition of Assets	8,700,016,325	(4,445,000)	8,695,571,325	7,848,434,754	847,136,571	90%
Grand Total	60,652,433,681	2,941,746,106	63,594,179,787	61,893,647,490	1,700,532,297	97%
Surplus/Deficit						


X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS			0			
Proceeds from Domestic and Foreign Grants	14,344,396	(9,344,396)	5,000,000	0	5,000,000	0%
Transfers from National Treasury	8,503,750,630	(302,965,000)	8,200,785,630	8,129,086,500	71,699,130	99%
Proceeds from Foreign Borrowings	2,961,000,000	(1,200,785,000)	1,760,215,000	1,404,150,504	356,064,496	80%
Total Receipts	11,479,095,026	(1,513,094,396)	9,966,000,630	9,533,237,004	432,763,626	96%
Payments						
Use of goods and services	1,150,500,000	(307,203,012)	843,296,988	449,484,449	393,812,539	53%
Transfers to Other Government Units	8,378,095,026	(273,891,384)	8,104,203,642	7,844,854,055	259,262,087	97%
Acquisition of Assets	1,950,500,000	(932,000,000)	1,018,500,000	1,000,586,839	17,913,161	98%
Grand Total	11,479,095,026	(1,513,094,396)	9,966,000,630	9,295,012,844	670,987,786	93%
Surplus/Deficit						

The entity financial statements were approved on 30 September 2017 and signed by:



Mr. Laban Kimemia
Chief Accountant



Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary

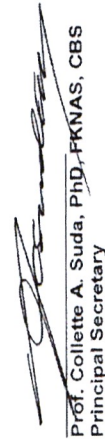
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XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Final Budget		Actual on comparable basis		Budget utilization difference	
	2017	Kshs	30 th June, 2017	Kshs		Kshs
University Education	71,513,680,079.00		69,866,875,947.90		1,646,804,131.10	
University Education	61,984,002,969.00		61,239,044,186.15		744,958,782.85	
Quality Assurance and Standards	270,349,504.00		264,308,236.30		6,041,267.70	
Higher Education Support Services	9,259,327,606.00		8,363,523,525.45		895,804,080.55	
Research, Science, Technology and Innovation	1,118,168,582.00		819,777,882.55		298,390,699.45	
Research Management and Development	163,264,262.00		140,003,868.05		23,260,393.95	
Knowledge and Innovation Development and Commercialization	20,000,000.00		18,935,858.60		1,064,141.40	
Science and Technology Development and Promotion	934,904,320.00		660,838,155.90		274,066,164.10	
General Administration, Planning and Support Services	928,331,756.00		608,334,665.20		319,997,090.80	
Headquarters Administrative Services	928,331,756.00		608,334,665.20		319,997,090.80	
T0000	55,112,365,417.00		54,091,198,322.55		1,021,167,094.45	
T0000	55,112,365,417.00		54,091,198,322.55		1,021,167,094.45	
Grand Total	128,672,545,834.00		125,386,186,818.20		3,286,359,015.80	

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

The entity financial statements were approved on 30 September 2017 and signed by:


Prof. Collette A. Suda, PhD, FKNAS, CBS
Principal Secretary


Mr. Laban Kimeria
Chief Accountant

XII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for The *State Department for University Education* The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i) *SDHEST*
- ii) *ACE II*

(List the projects that have been consolidated under this financial statements)

3. Recognition of receipts and payments

a) Recognition of receipts

The Entity recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 20XX, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

SIGNIFICANT ACCOUNTING POLICIES

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. 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.

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

There were no other restrictions on cash during the year

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM NATIONAL TREASURY

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	6,418,988,000	8,883,000,000
Total Exchequer Releases for quarter 2	13,142,724,400	11,532,000,000
Total Exchequer Releases for quarter 3	14,063,499,600	13,835,900,000
Total Exchequer Releases for quarter 4	20,721,562,500	16,766,200,000
Total	54,346,774,500	51,017,100,000

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

	2016-2017	2015-2016
	Kshs	Kshs
Foreign Borrowing-Direct Payments	795,844,228	1,167,808,117
Grants Received from other levels of government	608,306,276	711,121,950
Total	1,404,150,504	1,878,930,067

3 PROCEEDS FROM SALE OF ASSETS

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities(universities AIA as submitted)	14,019,471,640	14,103,108,445
Receipts from the Sale of Strategic Reserves Stocks(HELB)	1,660,938,890	2,500,000,000
Total	15,680,410,530	16,603,108,445

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	245,990,939	199,695,982
Basic wages of temporary employees		177,441,005
Personal allowances paid as part of salary	136,537,146	147,307,459
Total	382,528,085	524,444,447

5 USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	3,072,984	20,121,403
Communication, supplies and services	15,164,986	24,382,716
Domestic travel and subsistence	26,505,810	65,053,385
Foreign travel and subsistence	7,176,307	20,761,564
Printing, advertising and information supplies & services	2,648,578	7,607,139
Rentals of produced assets	45,769,339	141,902,420
Training expenses	69,629,246	122,720,970
Hospitality supplies and services	9,561,397	19,927,460
Insurance costs	-	-
Specialised materials and services	392,030,009	887,168,761
Office and general supplies and services	13,997,024	34,944,550
Fuel Oil and Lubricants	11,538,559	29,642,078
Other operating expenses	128,858,197	113,739,587
Routine maintenance – vehicles and other transport equipment	7,080,537	26,631,891
Routine maintenance – other assets	7,889,593	29,498,129
Total	740,922,565	1,544,102,053

6 SUBSIDIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Subsidies to Public Corporations	56,000,000	56,000,000
TOTAL	56,000,000	56,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
Current Grants to Government Agencies and other Levels of Government	53,066,152,748	49,080,673,237
Capital Grants to Government Agencies and other Levels of Government	7,844,854,056	2,330,950,837
TOTAL	60,911,006,803	51,411,624,073

The above transfers are as per **Annex III**, in the year.

8 OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	12,005,723	10,819,720
Scholarships and other educational benefits	237,175,566	201,815,570
Emergency relief and refugee assistance		
Total	249,181,289	212,635,290

9. ACQUISITION OF ASSETS

Non Financial Assets	2016-2017	2015-2016
	Kshs	Kshs
Purchase of Buildings		6,454,324,755
Construction of Buildings	1,000,586,839	
Refurbishment of Buildings		52,250,000
Construction of Roads		62,947,141
Overhaul and Refurbishment of Construction and Civil Works		14,250,000
Purchase of Vehicles and Other Transport Equipment	3,797,600	
Purchase of Household Furniture and Institutional Equipment		25,621,663
Purchase of Office Furniture and General Equipment	231,600	185,152,868
Purchase of ICT Equipment, Software and Other ICT Assets	5,640,340	185,000,000
Rehabilitation and Renovation of Plant, Machinery and Equip.		6,787,494
Purchase of Certified Seeds, Breeding Stock and Live Animals		61,930,700
Sub-total	1,010,256,379	7,048,264,621
Financial Assets		
Domestic Public Financial Institutions	7,838,765,214	8,658,000,000
Sub-total	7,838,765,214	8,658,000,000
Total	8,849,021,594	15,706,264,621

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 CASH & BANK

10A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developme nt, deposit e.t.c	Exc rate (if in foreign currency)	2016-2017	2015-2016
				Kshs	Kshs
Central Bank of Kenya, 1000181354 , Recurrent Kes-SDUE	232,200			232,200	2,008,351
Central Bank of Kenya, 1000181583, Development Kes – SDUE	241,404,852			241,404,852	39,186,212
Central Bank of Kenya, 1000181947, Deposits Kes –SDUE	372,594			372,594	73,690,526
Total	242,009,646			242,009,646	114,885,089

10B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	808,139	802,053
Cash in Hand – Held in foreign currency		
Total	808,139	802,053

Cash in hand should also be analyzed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Location 1 HEAD OFFICE	808,139	802,053
Total	808,139	802,053

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests	32,418	687,760
Salary advances	197,590	185,222
District suspense		5,259,494
Total	230,008	6,132,476

[Breakdown of the outstanding imprest provided as an annex to the notes.]

12. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits	372,595	73,690,526
SUSPENSE		
Total	372,595	73,690,526

[Provide short appropriate explanations as necessary]

13. FUND BALANCE BROUGHT FORWARD

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts	114,885,089	126,301,077
Cash in hand	802,053	957,334
Accounts Receivables	6,132,476	540,884
Accounts Payables	(73,690,526)	(123,738,232)
Total	48,129,092	4,061,063

The funds brought forward are the balances for state department of higher education science and technology.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	(114,885,089)	
Adjustments on cash in hand	(802,053)	
Adjustments on payables	(6,132,476)	
Adjustments on receivables	73,690,526	
Others (<i>specify</i>)		
	(48,129,092)	

THE PRIOR YEAR ADJUSTMENT RELATE TO ADJUSTMENTS ON BALANCES FOR THE COMPARATIVE PERIOD PARTAINING TO THE FORMER STATE DEPARTMENT OF HIGHER EDUCATION SCIENCE AND TECHNOLOGY ADJUSTED IN THE CURRENT YEAR AS FOLLOWS;

Unspent District suspense balances taken over by the State Department for Vocational & Technical Training- 5,259,494

<i>Salary advances- RECOVERED DURING THE YEAR 2016/2017</i>	<i>185,222</i>
<i>Imprests- RECOVERED DURING THE YEAR 2016/2017</i>	<i>687,760</i>
<i>Bank balance at CBK,AC 100000212667. -TAKEN OVER BY SDVTT</i>	<i>73,690,526</i>
<i>Bank balance at CBK,AC,10000209895. -RECOVERED BY EXCHEQUER</i>	<i>2,008,351</i>
<i>Bank balance at CBK,AC 1000209817. RECOVERED BY EXCHEQUER</i>	<i>39,186,212</i>
<i>Cash in hand – Held in domestic currency -TAKEN OVER BY SDVTT</i>	<i>802,053</i>
<i>Contractors retention- TAKEN OVER BY SDVTT</i>	<i>73,690,526</i>

XIV. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the state department for university education.

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Transfers to other State Corporations and Semi-Autonomous Government Agencies		
	60,911,006,803	51,411,624,073
	=====	=====

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STATE DEPARTMENT FOR UNIVERSITY EDUCATION
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XV. OTHER IMPORTANT DISCLOSURES

A. PENDING ACCOUNTS PAYABLE (See Annex 4)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of buildings		3,043,575
Construction of civil works	3,281,460	9,184,795
Supply of goods	18,368,290	19,760,552
Supply of services		48,752,717
	21,649,750	80,741,639

B OTHER PENDING PAYABLES (See Annex 4)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to Entity entities(grants)	325,490.196	-
Amounts due to third parties	-	-
Others	-	-
	325,490.196	-

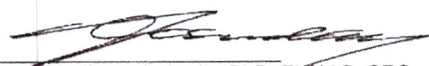
XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

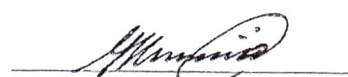
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Q1	Inaccurate cash and cash equivalents	Bank reconciliation anomaly and wrong cash book balances	Cashier, bank reconciliation section	Resolved	
Q2	Nugatory payment	Delays and extra charges	Project accountant /coordinator	Not resolved	ongoing

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Q3	Unsupported expenditure on china equipment containers	To be resolved by State Department Of Vocational And Technical Training	SDVTT		
Q4	UNSUPPORTED SCHOOL FEES EXPENDITURE	SUPPORTING DOCUMENTS	Directorate of Higher Education	Not resolved	ongoing
Q5	Accrued interest on delayed payments to contractor-north rift technical training institute	To be resolved by State Department Of Vocational And Technical Training	SDVTT		
Q6	Procurement of equipment for north rift technical training institute	To be resolved by State Department Of Vocational And Technical Training	SDVTT		
Q7	Pending bills	Implied budget deficit	Procurement/Accounts	resolved	
Q8	Mentorship programme and construction of new technical training institutes	To be resolved by State Department Of Vocational And Technical Training	SDVTT		
Q9	Unresolved prior year matters for technical training institutes	To be resolved by State Department Of Vocational And Technical Training	SDVTT		


 Prof. Collette A. Suda, PhD, FKNAS, CBS
 Principal Secretary


 Mr. Laban Kimemia
 Chief Accountant

ANNEX 1: SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land		.		
Buildings and structures		1,000,586,839		1,000,586,839
Transport equipment		3,797,600		3,797,600
Office equipment, furniture and fittings		231,600		231,600
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment		5,640,340		5,640,340
Heritage and cultural assets				
Intangible assets				
Total		1,010,256,379		1,010,256,379

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

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ANNEX 2 : LIST OF PROJECTS IMPLEMENTED BY THE ENTITY.

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	HEST PROJECT	Enhancement of quality and relevance in higher education science and technology	James Mwangi Kiburi	YES
2	ACEII			YES

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ANNEX 3: LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER STATE DEPARTMENT OF UNIVERSITY EDUCATION

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Amount transferred during the year Recurrent	Amount transferred during the year Development	Inter- entity reconciliations done?(yes/no)
1.	ALUPE UNIVERSITY COLLEGE	Education	20,000,000.00	155,000,000.00	YES
2.	BOMET UNIVERSITY COLLEGE	Education	15,000,000.00	70,000,000.00	YES
3.	CHUKA UNIVERSITY	Education	690,031,999.30	203,133,304.00	YES
4.	COOPERATIVE UNIVERSITY OF KENYA	Education	265,362,499.35	63,000,000.00	YES
5.	DEDAN KIMATHI UNIVERSITY	Education	551,580,649.35	240,917,965.00	YES
6.	EGERTON UNIVERSITY	Education	2,768,255,900.00	145,663,536.00	YES
7.	GARISSA UNIVERSITY COLLEGE	Education	241,550,400.00	175,000,000.00	YES
8.	GATUNDU UNIVERSITY COLLEGE	Education	20,000,000.00	155,000,000.00	YES
9.	HELB	Education	228,055,500.00		YES
10.	JARAMOGI ODINGA OGINGA UNIVERSITY	Education	618,854,696.00	237,523,756.00	YES
11.	JOMMO KENYATTA UNIV.OF AGRIC&TECH	Education	1,900,021,650.00	75,462,658.00	YES
12.	KAIMOSI UNIVERSITY COLLEGE	Education	50,000,000.00	200,000,000.00	YES
13.	KARATINA UNIVERSITY	Education	570,481,949.60	100,475,662.00	YES
14.	KENYATTA UNIVERSITY	Education	3,140,792,898.35	73,221,052.00	YES
15.	KIBABII UNIVERSITY	Education	285,670,749.50	235,500,000.00	YES
16.	KIRINYAGA UNIVERSITY	Education	248,067,300.00	158,699,190.00	YES
17.	KISII UNIVERSITY	Education	924,496,500.00	279,846,149.00	YES
18.	KOITALEL SAMOEI UNIVERSITY	Education	20,000,000.00	105,000,000.00	YES
19.	LAIKIPIA UNIVERSITY	Education	567,328,950.00	218,440,588.00	YES

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20.	MACHAKOS UNIVERSITY	Education	338,852,499.70	147,992,024.00	YES
21.	MASAI MARA UNIVERSITY	Education	661,593,500.00	250,660,000.00	YES
22.	MASENO UNIVERSITY	Education	1,407,209,350.00	180,000,000.00	YES
23.	MASINDE MULIRO UNIVERSITY	Education	1,315,031,250.00	54,400,000.00	YES
24.	MERU UNIVERSITY OF SCI&TECH	Education	553,088,149.40	181,360,618.00	YES
25.	MOI UNIVERSITY	Education	2,766,458,899.00	935,078,854.00	YES
26.	MULTIMEDIA UNIVERSITY OF KENYA	Education	491,926,500.00	125,834,829.00	YES
27.	MURANGA UNIVERSITY COLLEGE	Education	355,928,349.50	226,070,244.00	YES
28.	OPEN UNIVERSITY	Education	-		YES
29.	PAN AFRICAN UNIVERSITY	Education	59,624,250.00		YES
30.	PWANI UNIVERSITY	Education	523,394,400.00	133,313,236.00	YES
31.	RONGO UNIVERSITY	Education	420,453,849.60	153,314,231.00	YES
32.	SOUTH EASTERN KENYA UNIVERSITY	Education	657,084,450.00	161,750,583.00	YES
33.	TAITA TAVETA UNIVERSITY	Education	376,460,799.65	98,209,104.00	YES
34.	TECHNICAL UNIVERSITY OF KENYA	Education	1,057,500,000.00	146,259,757.00	YES
35.	TECHNICAL UNIVERSITY OF MOMBASA	Education	749,122,549.15	95,413,848.00	YES
36.	TOM MBOYA UNIV COLLEGE	Education	70,000,000.00	155,000,000.00	YES
37.	TURKANA UNIVERSITY COLLEGE	Education	180,000,000.00	862,000,000.00	YES
38.	UNIVERSITY OF ELDORET	Education	1,398,353,999.35	115,766,235.00	YES
39.	UNIVERSITY OF EMBU	Education	421,242,549.60	221,480,155.00	YES
40.	UNIVERSITY OF KABIANGA	Education	610,084,500.00	213,000,000.00	YES
41.	UNIVERSITY OF NAIROBI	Education	6,535,416,397.80	52,524,000.00	YES

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42.	COMMISSION FOR UNIVERSITY EDUCATION	Education	227,497,161.80		YES
43.	KENYA UNIVERSITY AND COLLEGES CPS	Technology	30,000,000.00		YES
44.	NACOSTI		260,904,320.00		YES
45.	DIRECTORATE OF HIGHER EDUCATION		4,000,000,000.00		NOT SELF REPORTING
46.	BIO SAFETY APPEALS BOARD		22,062,510.00		NOT SELF REPORTING
47.	NATIONAL RESEARCH FUND		400,842,036.00		NOT SELF REPORTING
48.	KENYA NATIONAL INNOVATION AGENCY		18,935,858.00		NOT SELF REPORTING
49.	UNIVERSITY FUNDING BOARD		12,061,337.45		NOT SELF REPORTING
50.	SCIENCE AND TECHNOLOGY PROGRAMME ACTIVITIES			108,757,478.00	NOT SELF REPORTING
51.	CONSTRUCTION OF CENTRES FOR EXCELLENCE			334,785,000.00	NOT SELF REPORTING
	TOTAL CURRENT GRANTS		39,046,681,107.45	7,844,854,055	
	AIA COMPONENT AS PER ANNEX5		14,019,471,640.00		
	TOTAL GRANTS (2630101)/(2630200)		53,066,152,747.45	7,844,854,055	

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ANNEX 4: PENDING BILLS 2016/2017

	FOR THE ITEM/CONTRACT	PAYMENT TO DATE	DATE	INTEREST	THE PENDING BILL
GRANTS					
VARIOUS UNIVERSITIES	119,437,254.00	119,437,254.00	119,437,254.00		119,437,254.00
VARIOUS UNIVERSITIES	206,052,942.00	206,052,942.00	206,052,942.00		206,052,942.00
			325,490,196.00		325,490,196.00
MALISON ENTERPRISES	954,000.00	954,000.00	954,000.00		954,000.00
REX KIOSK	88,666.00	88,666.00	88,666.00		88,666.00
RICHONET AFRICA TECHNOLOGY	359,880.00	359,880.00	359,880.00		359,880.00
ARINDO ENTERPRISES LRD	290,000.00	290,000.00	290,000.00		290,000.00
ESCAPE COMPANY LIMITED	98,000.00	98,000.00	98,000.00		98,000.00
LIWAL ENTERPRISES	560,000.00	560,000.00	560,000.00		560,000.00
FINTEC SUPPLIES	375,000.00	375,000.00	375,000.00		375,000.00
FINTEC SUPPLIES	275,000.00	275,000.00	275,000.00		275,000.00
SYPRUS ENGINEERING COMPANY	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00
FIVE SIXTY INTERNATIONAL GORDON	83,200.00	83,200.00	83,200.00		83,200.00
GAZEBO HOSPITALITY LTD	834,300.00	834,300.00	834,300.00		834,300.00
VERMRID PEST CONTROL & CLEANING	420,620.00	420,620.00	420,620.00		420,620.00
VINLA INTERNATIONAL SUPPLIES	94,750.00	94,750.00	94,750.00		94,750.00
RAIPCON SUPPLIES	640,000.00	640,000.00	640,000.00		640,000.00
EXCELLENCE ROVERS ENTERPRISES	234,000.00	234,000.00	234,000.00		234,000.00
ANTHONY'S AUTO GARAGE	644,612.00	644,612.00	644,612.00		644,612.00
KENMORE TECHNOLOGIES	318,000.00	318,000.00	318,000.00		318,000.00
ATEX COMPUTERS & OFFICE SUPP	550,000.00	550,000.00	550,000.00		550,000.00
ANEDA GENERAL AGENCY	97,500.00	97,500.00	97,500.00		97,500.00
ELIZKA ENTERPRISES	730,000.00	730,000.00	730,000.00		730,000.00
GAZEBO HOSPITALITY LTD	132,000.00	132,000.00	132,000.00		132,000.00
CYBERTECH ENGINEERING	748,650.00	748,650.00	748,650.00		748,650.00
RANTRONICS COMPUTER CONSOL	1,976,800.00	1,976,800.00	1,976,800.00		1,976,800.00
ZOETECH BUSINESS SOLUTIONS	225,000.00	225,000.00	225,000.00		225,000.00

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BENEIZ GENERAL SUPPLIES	43,940.00	43,940.00	43,940.00	43,940.00	43,940.00
ZILLOW LIMITED	753,000.00	753,000.00	753,000.00	753,000.00	753,000.00
FROMAQ GENERAL SUPPLIES	584,000.00	584,000.00	584,000.00	584,000.00	584,000.00
ZINTECH INTERNATIONAL	419,700.00	419,700.00	419,700.00	419,700.00	419,700.00
SYPRUS ENGINEERING COMPANY	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00
FINTEC SUPPLIES	920,000.00	920,000.00	920,000.00	920,000.00	920,000.00
OPENDATA LIMITED	300,092.00	300,092.00	300,092.00	300,092.00	300,092.00
UTALII HOTEL	59,500.00	59,500.00	59,500.00	59,500.00	59,500.00
GIBEON SUPPLIES	547,912.00	547,912.00	574,912.00	574,912.00	574,912.00
PIDNGICH TECHNOLOGIES LTD	188,300.00	188,300.00	188,300.00	188,300.00	188,300.00
CONTRALINKS SOLUTIONS & SECURE	348,605.00	348,605.00	348,605.00	348,605.00	348,605.00
MINTLAND INVESTMENTS	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00
WILDLIFE TRAVEL ADVENTURE	458,838.00	458,838.00	458,838.00	458,838.00	458,838.00
BENEIZ GENERAL SUPPLIES	263,375.00	263,375.00	263,375.00	263,375.00	263,375.00
MULTIPLE REACH SOLUTIONS	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00
TEXACOM GENERALS AGENCIES	396,750.00	396,750.00	396,750.00	396,750.00	396,750.00
BENDICLAR AGENCIES	715,800.00	715,800.00	715,800.00	715,800.00	715,800.00
BIG FIVE GENERAL STORES	191,500.00	191,500.00	191,500.00	191,500.00	191,500.00
		SUB TOTAL		18,368,290.00	
		GRAND TOTAL		343,858,486.00	

	FOR THE ITEM/CONTRACT	PAYMENT TO DATE	DATE	THE PENDING BILL
PATULA ENTERPRISES	701,250.00	701,250.00	701,250.00	701,250.00
KENYA RENUE AUTHORITY (EPCO)	746,370.00	746,370.00	746,370.00	746,370.00
KENYA RENUE AUTHORITY (EPCO)	657,810.00	657,810.00	657,810.00	657,810.00
KENYA RENUE AUTHORITY (EPCO)	1,176,030.00	1,176,030.00	1,176,030.00	1,176,030.00
	TOTAL			3,281,460.00
	SDUE TOTALS			347,139,946.00

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ANNEX 5: AIA COLLECTION 2016/1

A I A COLLECTION SUMMARY UPTO 30TH JUNE 2017					
		Budget	CUMULATIVE AIA	CAPTURED IN IFMIS	
001108	ALUPE UNIVERSITY COLLEGE		18,199,180.00		
001103	BOMET UNIVERSITY COLLEGE		-		
002001	CHUKA UNIVERSITY	23,500,000.00	287,057,720.00	23,500,000.00	
00910	COOPERATIVE UNIVERSITY OF KENYA		400,578,764.00		
002301	DEDAN KIMATHI UNIVERSITY	72,800,000.00	624,735,849.00	72,800,000.00	
00801	EGERTON UNIVERSITY	1,005,800,000.00	652,946,789.00	1,005,800,000.00	
001106	GARISSA UNIVERSITY COLLEGE		44,768,248.00		
001102	GATUNDU UNIVERSITY COLLEGE		-		
003001	JARAMOGI ODINGA OGINGA UNIVERSITY	26,000,000.00	608,622,758.00	26,000,000.00	
00901	JOMMO KENYATTA UNIV.OF AGRIC&TECH	1,866,000,000.00	5,756,539,715.00	1,866,000,000.00	
001203	KAIMOSI UNIVERSITY COLLEGE		63,538,670.00		
002901	KARATINA UNIVERSITY	-	337,956,823.00	-	
00201	KENYA UNIVERSITY AND COLLEGES CPS	-	352,740,750.00	-	

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00701	KENYATTA UNIVERSITY	2,516,000,000.00	7,717,987,970.00	2,516,000,000.00
001202	KIBABII UNIVERSITY		533,810,451.00	
00907	KIRINYAGA UNIVERSITY		148,889,637.00	
002101	KISII UNIVERSITY	58,000,000.00	890,000,000.00	58,000,000.00
00602	KOITALEL SAMOEI UNIVERSITY		-	
002201	LAIKPIA UNIVERSITY	78,500,000.00	581,943,957.00	78,500,000.00
00703	MACHAKOS UNIVERSITY		415,853,762.00	
002601	MASAI MARA UNIVERSITY	46,000,000.00	420,620,774.00	46,000,000.00
001001	MASENO UNIVERSITY	551,000,000.00	1,364,602,000.00	551,000,000.00
001201	MASINDE MULIRO UNIVERSITY	629,000,000.00	1,405,155,308.00	629,000,000.00
002401	MERU UNIVERSITY OF SCI&TECH	16,000,000.00	274,550,810.00	16,000,000.00
001101	MOI UNIVERSITY	1,611,000,000.00	2,389,998,661.00	1,611,000,000.00
002501	MULTIMEDIA UNIVERSITY OF KENYA	164,000,000.00	96,288,569.00	164,000,000.00
00908	MURANGA UNIVERSITY COLLEGE		162,421,973.00	
00905	OPEN UNIVERSITY		-	
00906	PAN AFRICAN UNIVERSITY		-	
001901	PWANI UNIVERSITY	75,000,000.00	477,373,000.00	75,000,000.00

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001107	RONGO UNIVERSITY			573,633,129.00	
001801	SOUTH EASTERN KENYA UNIVERSITY	20,000,000.00		303,436,549.00	20,000,000.00
00909	TAITA TAVETA UNIVERSITY			143,834,719.00	
00401	TECHNICAL UNIVERSITY OF KENYA	363,000,000.00		199,871,640.00	199,871,640.00
00501	TECHNICAL UNIVERSITY OF MOMBASA	142,000,000.00		767,285,029.00	142,000,000.00
001002	TOM MBOYA UNIV COLLEGE			10,220,561.40	
001204	TURKANA UNIVERSITY COLLEGE			24,116,411.00	
002801	UNIVERSITY OF ELDORET	200,000,000.00		1,288,125,243.00	200,000,000.00
00603	UNIVERSITY OF EMBU			319,318,389.00	
002701	UNIVERSITY OF KABIANGA	28,000,000.00		549,357,757.00	28,000,000.00
00601	UNIVERSITY OF NAIROBI	4,691,000,000.00		9,864,471,000.00	4,691,000,000.00
					14,019,471,640.00
	HELB	2,500,000,000.00		1,660,938,890.00	1,660,938,890.00
		16,682,600,000.00		41,731,791,455.40	15,680,410,530.00

The AIA was over collected by Kshs.26,051,380,925.40 this was due to the new institutions collecting AIA which had not been featured in the budget.

ANNEX 6- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes