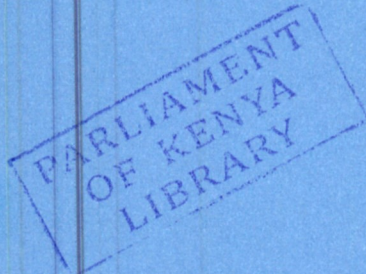


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

DATE: 06 DEC 2023

OF

BY:

CLERK AT
THE TABLE

WEN
Hon Naomi Njiru, MP
Deputy Majority Whip
Muirah mudo

THE AUDITOR-GENERAL

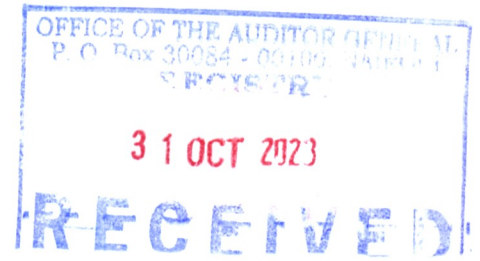
ON

**ESTABLISHMENT OF KENYA ADVANCED
INSTITUTE OF SCIENCE AND TECHNOLOGY
PROJECT NO KEN-4**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**MINISTRY OF EDUCATION –
STATE DEPARTMENT FOR HIGHER
EDUCATION AND RESEARCH**





PROJECT NAME:

**ESTABLISHMENT OF KENYA ADVANCED INSTITUTE OF SCIENCE AND
TECHNOLOGY(KAIST) PROJECT**

IMPLEMENTING ENTITY:

**MINISTRY OF EDUCATION
STATE DEPARTMENT FOR HIGHER EDUCATION AND RESEARCH**

PROJECT GRANT/CREDIT NUMBER:

EDF LOAN No.4 KEN

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2023

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

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*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
CPA	Certified Public Accountant
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
KAIST	Kenya Advanced Institute of Science and Technology.
NT	National Treasury

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is: Establishment of Kenya Advanced Institute of Science and Technology (KAIST)

As at 30th June 2023, the project was domiciled at Ministry of Education in Jogoo House "B". Currently the Project is domiciled at the Ministry of ICT. The construction site is in Konza Technopolis.

Objective

The key objectives of the project are

- i. To produce highly qualified scientists and engineers with both theoretical and practical knowledge of the future industries in Kenya, and the East African region at large. The production of well-trained graduates in science and technology will contribute to a knowledge-based economy and sustained growth in innovation.
- ii. To promote relevant Research and Development through the promotion of industrial-academic collaboration for stimulating technological and industrial transformation. This aims at making Kenya industrially competitive around the globe by transforming it into an industrializing middle-income country as envisioned by Kenya's Vision 2030 blueprint.

Address

The project headquarters offices are Nairobi City, Nairobi County, Kenya. The address of its registered office is:

Ministry of Education
Jogoo House "B"
Harambee Avenue
P.O. Box 9583-00200
Nairobi

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Annual Report and Financial Statements for the financial year ended 30 June, 2023*

The project also has offices in:

Directorate of Higher Education
Teleposta Towers
Kenyatta Avenue
Nairobi

Contacts: The following are the project contacts

Ministry of Education
Jogoo House “B”
Harambee Avenue
P.O. Box 9583-00200
Nairobi
Telephone: (254) 020-3318581
Email: psecretaryher@education.go.ke
Website: www.education.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	28th December 2017
Project End Date:	23 rd September 2023
Project Manager:	Dr. Roselida Owuor
Project Sponsor:	The project sponsor is the Export-Import Bank of Korea. (Government Agency for International Development)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education, State Department for Higher Education and Research
Project number	EDCF loan No. KEN-4
Strategic goals of the project	The strategic goals of the project are as follows: (i) To provide high-quality education in science and Technology and to generate highly skilled engineers and scientists with both theory and practical knowledge. (ii) To conduct socially relevant Research and Development thereby improving national competitiveness and transforming Kenya into a knowledge-based economy.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Establishing and appropriately equipping a new advanced and independent university and introducing, a truly innovative approach to Higher Education Science and Technology. (ii) Formulating a curriculum different from the one in existing universities in such a manner that it will emphasize applied science and technology, problem-solving skills, and hands-on experience.

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
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Other important background information of the project	The project is in line with the government of Kenya’s long-term strategic development plan outlined in Kenya Vision 2030 which aims at transforming Kenya into a newly industrialized middle-income country by 2030. Since one of the major factors in achieving the vision is the utilization of Science, Technology and Modernization. The project also aligns with the governments bottom-up economic transformation plan development agenda of achieving an annual growth of 15% in the Industrial sector by supplying the necessary skilled labour to the sector.
Areas that the project was formed to intervene	The project was formed for intervention in; Filling the gap in existing institutions which have a deficiency in the provision of high-quality science and technology education and research causing many students to give up on Science, Technology, Engineering and Mathematics (STEM) or leave the country for better education opportunities abroad.
Project duration	5 Years and 9 Months

2.4 Bankers

The project does not have a separate bank account in the year under review. All donor funded payments were made directly by the donor while GoK counterpart funds were paid through the State Department of Higher Education’s development bank account.

2.5 Independent Auditor

The project is audited by:
Office of the Auditor-General (OAG), Kenya
 Anniversary Towers
 P.O. Box 30084-00100,
Nairobi.

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

The following is a list of people who were working on the project. This includes the project manager and all the key stakeholders who were involved with the project during the year under review and their role, positions, and contact information.

Name	Designation	Key qualification	Responsibilities
Hon. Ezekiel Machogu	Cabinet Secretary	Bachelor of Arts degree in Political Science (Government and Sociology)	Overall policy direction on the management of the project.
Dr. Beatrice Muganda Inyangala	Principal Secretary	B.Ed and M. Phil in Planning and Economics of Education; PhD from the University of Athens, and has received further training at the International Institute of Educational Planning in Paris, France.	Overall policy direction on the management of the project.
Dr. Roselida Owuor	Director of Research Science and Technology.	Doctor of Philosophy	Project Manager at the Ministry.
CPA Margaret Kariuki	Senior Deputy Accountant General	Masters, CPA(K)	Ensure Processing payments for project activities, Preparation of project financial statements.
CPA Nancy Mateli	Project Accountant	BCom, CPA(K)	Processing payments, and preparation of Financial Reports.

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project is for a duration of five years and nine months from December 2017 to September 2023 with an approved budget of US\$ 136,392,000 equivalent of Kshs.13,952,669,734 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30 June 2023)		Undrawn balance to date (30 June 2023)	
	USD (A)	KShs (A')	(USD) (B)	KShs. (B')	(USD) (A)-(B)	KShs. (A')-(B')
(i) Loan						
The Export-Import Bank of Korea. (Government Agency of the EDCF)	94,697,000	9,687,342,115	33,211,798	3,397,510,523	61,485,202	6,289,831,592
(ii) Counterpart funds						
Government of Kenya	41,695,000	4,265,327,619	2,627,480	268,786,770	39,067,520	3,996,540,849
Total	136,392,000	13,952,669,734	35,839,278	3,666,297,293	100,552,722	10,286,372,441

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date (30 June 2023)	Cumulative Amount paid to date (30 June 2023)	Unutilized balance to date (30 June 2023)
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>
	<i>(A)</i>	<i>(B')</i>	<i>(A)-(B)</i>
	<i>Kshs</i>	<i>(A')</i>	<i>(A')-(B')</i>
i) Loan			
The Export-Import Bank of Korea. (Government Agency of the EDCF)	33,211,798	3,397,510,523	61,485,202
1. Counterpart funds			
Government of Kenya	2,627,480	268,786,770	39,067,520
Total	34,772,718	3,666,297,293	100,552,722
			10,286,372,441

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- (i) Budget performance against actual amounts for current year and for cumulative to-date: Budget utilization for the financial year under review was at 92.2%. Cumulatively the project budget absorption rate 25.49 %
- (ii) Physical progress based on outputs, outcomes, and impacts since project commencement: The overall project completion is 17.59%. The project duration will lapse on 23rd September 2023, and the contractor has requested for 10 months extension.
- (iii) Comment on value-for-money achievements,
 - Value for money in projects refers to the concept where optimal use of resources to achieve the intended outcomes is desired. In the Kenya-AIST project case:
 - Overall Completion vs. Project Lapse: The project is only 17.59% complete, despite the time duration having already lapsed. This poses a concern for the value-for-money, as the project timelines have not been adhered to, which might increase the total project costs due to delays.
 - Budget Absorption: A 25.49% cumulative budget absorption rate with only 17.59% project completion suggests a misalignment between the budget spent and the project progress. This mismatch can again signal issues with the efficient use of finances, thus affecting the value for money.
 - Requested Extension: The requested 10-month extension by the contractor could mean additional costs and resources, which might not have been initially accounted for. It also delays the potential benefits and impacts that the project aims to bring.
- (iv) Absorption rate for each year since the commencement of the project.
 - This indicates a significant increase in the absorption rate for the year 2021/2022, which might be due to heightened project activities or other factors that necessitated more extensive use of the budget.
- (v) Implementation challenges and recommended way forward.
 - a) Despite subcontracting five buildings and remaining with three building, the labour unrest has affected the progress of the latter buildings left with the

Contractor. Full implementation of the CBA would prevent the frequent labour unrests.

- b) The Contractor does not have schedule of works for the completion of the Project. He does not have a catch-up plan for the lost time in the construction. He has instead submitted thrice irrelevant schedule of works which go beyond the Contract period.
- c) The Contractor has been applying delay in design as an excuse. However, despite delay in drawings, there is evidence that the contractor was given nod to continue with works during the last major project's stakeholders meeting in February 2022. It was agreed that the Campus Core was to be completed by June 2022 in readiness for commissioning by the President of the Republic of Kenya, but the Contractor did not honour the pledge.
- d) The Contractor does not have means of establishing the progress of the undertake works and has on several occasions given a figure which is higher than that of the Consultant. The quality of the Progress report submitted is also against the GC 4.21.

The recommended Way forward

The Contractor should;

- Adhere to the signed contract fully.
- The Korea Exim bank should visit the site at least every month.
- The Contractor and consultant should make payment request in good time and submit all the documents required to process the payment as outlined in their signed contracts.
- The Contractor should submit Schedule of works within the Contract period.
- The Consultant should calibrate their payment to the progress of works.

2.9 Summary of Project Compliance:

The contract period lapses on the 24th Day of September 2023, the project completion is currently at 17% the contractor has requested for 10-month extension which has been granted but the delay will result in additional overhead costs. The contractor may not achieve the target as envisaged.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project plan are to:

- i. To produce highly qualified scientists and engineers with both theoretical and practical knowledge of the future industries in Kenya and the East African region at large. The production of well-trained graduates in science and technology will contribute to a knowledge-based economy and sustained growth in innovation.
- ii. To promote relevant Research and Development through the promotion of industrial-academic collaboration for stimulation of technological and industrial transformation. This aims at making Kenya competitive around the globe by transforming into an industrial middle-income country as envisioned in the Kenya Vision 2030

Progress on the attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Establishment of Kenya Advanced Institute of Science and Technology	To produce highly qualified scientists and engineers	Highly qualified scientists and engineers trained	Number of scientists and engineers	Several engineering and science programs mounted.
	To promote relevant Research and Development through the promotion of industrial-academic collaboration for stimulation of technological and industrial transformation	Enhanced quality of graduates in engineering and manufacturing economic productive sectors	Number of industrial-academic collaborations	Number of industrial-academic collaborations initiated
			Number of Research initiatives Conducted in target faculties	Number of Research initiatives undertaken in target faculties

4. Environmental and Sustainability reporting

The establishment of the Kenya Advanced Institute of Science and Technology (KAIST) Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

To ensure operational sustainability of the Establishment of Kenya Advanced Institute of Science and Technology Project, the following measures should be upheld firmly;

(i) Policy

The Establishment of Kenya Advanced Institute of Science and Technology Project development objective and its interventions are anchored within the overall long-term Government blueprint for development, the Vision 2030, its second Medium Term Plan (MTP II), third Medium Term Plan (MTP III). They are further aligned to the University strategy, Sessional Paper No. 1 2019, on a policy framework on reforming Education and Training for Sustainable development in Kenya among other key policy and legal documents such as the Big Four Agenda, the Universities Act, 2012 as well as new University Act, Science Technology and Innovation Act, 2013, Cabinet Memo among others.

(ii) Stakeholder Involvement:

The project will derive its sustainability through the involvement of key stakeholders in all processes of procurement of the contractor and equipment including development of specifications, bid evaluation, delivery, installation, commissioning as well as inspection and acceptance of goods. In addition, the selection of students will entail advertising for eligible candidates who will be selected based on meritocracy.

(iii) Capacity Building and Training on Use and Maintenance of Equipment:

Training on the use and maintenance of equipment will be a key component once the institution is set up. The staff recruited both academic, technologists and technicians will be adequately trained to ensure proper use, troubleshooting and undertaking regular repair and maintenance of the laboratory equipment. The University once set up will be expected to sign

service level agreements with equipment suppliers to undertake regular maintenance and repair of any equipment that breaks down.

(iv) Resource Mobilization:

The Institute once set up will be allocated funds for recurrent expenditure and will be required to set aside funds to assist in maintenance of equipment enhancing sustainability. The Institute will also set up an endowment fund that will attract sponsorship from industry.

2. Environmental performance

The Establishment of the Kenya Advanced Institute of Science and Technology Project has marginal environmental impacts. The site preparation, design, construction, and operation undertaken through this project shall be implemented in line with the Kenya government's environmental laws and regulations and Economic Development Cooperation Fund's (EDCF) safeguard policy.

There is no land acquisition or resettlement required under this project. The institute shall be constructed on unoccupied land owned by the government at Konza Technopolis.

3. Employee welfare

The hiring process for the establishment of Kenya-AIST is guided by Kenyan HR laws and practices. The Contractor has equal number of office staff among Koreans and Kenyans. The organization has engaged community liaison officers to manage recruitment of site workers. In July 2022, the Contractor and worker's union entered into an agreement. In this regard, the relationship between the Contractor and site workers have improved greatly. The parties agreed on favourable terms of managing careers, appraisal and reward systems. The organisation also observes the policy on health and safety in compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices

(The project should outline its efforts to):

a) Responsible Supply chain and supplier relations-

The parties to the establishment of Kenya-AIST maintains good business practices, observe procurement laws, and treat its suppliers responsibly, by honouring contracts and payment agreements

b) Responsible ethical practices

The Client, Contractor, Consultant, and all stakeholders uphold the integrity and good conduct in reference to the applicable laws.

c) Regulatory impact assessment

The project has put in place Safeguards to ensure citizens and stakeholder's rights.

5. Community Engagement

The project has embraced community engagement by employing locals and improving the livelihood of those who live in its vicinity

5. Statement of Project Management responsibilities

The Principal Secretary for the Ministry of Education, State Department for Higher Education and Research, and the Project Coordinator for the establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023

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 project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and; (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Education, State Department for Higher Education and Research, and the Project Coordinator for the 'Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project' accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policy with International Public Sector Accounting Standards.

The Principal Secretary for the Ministry of Education, State Department for Higher Education and Research, and the Project Coordinator for the Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023 an of the Project's financial position as at that date. The Principal Secretary for the State Department for University Education and the Project Coordinator for the Establishment of Kenya Advanced Institute of Science and Technology (KAIST) project further confirm the completeness of the accounting records maintained for the

***Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023***

Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

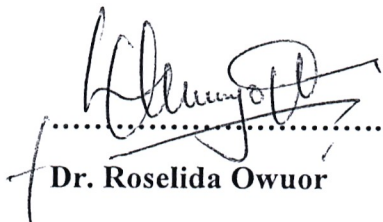
The Principal Secretary for the Ministry of Education, State Department for Higher Education and Research, and the Project Coordinator for the Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Education, State department for Higher Education and Research and the *Project Coordinator* for Establishment of Kenya Advanced Institute of Science and Technology (KAIST) project on 30/9/ 2023 and signed by:



.....
**Dr. Beatrice Muganda
Inyangala**
Principal Secretary



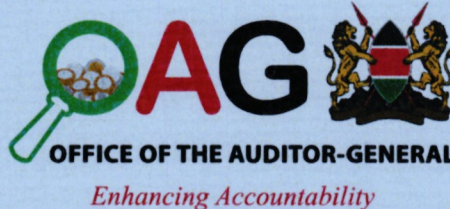
.....
Dr. Roselida Owuor
Project Coordinator



.....
CPA Margaret Kariuki
**Snr. Deputy Accountant
General**
ICPAK Member No: 4291

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR GENERAL ON ESTABLISHMENT OF KENYA ADVANCED INSTITUTE OF SCIENCE AND TECHNOLOGY PROJECT NO KEN-4 FOR THE YEAR ENDED 30 JUNE, 2023 – MINISTRY OF EDUCATION - STATE DEPARTMENT FOR HIGHER EDUCATION AND RESEARCH

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Establishment of Kenya Advanced Institute of Science and Technology set out on pages 1 to 28, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Establishment of Kenya Advanced Institute of Science and Technology as at 30 June, 2023 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, the terms of Loan Agreement No.KEN-4 of 28 December, 2017 between the Republic of Korea through the Export-Import Bank of Korea (Government Agency for the Economic Development Cooperation Fund, EDCF) and the Government of Kenya.

Basis for Qualified Opinion

Unsupported and Unreconciled Fuel and Lubricants for Motor Vehicles

As previously reported, the statement of receipts and payments reflects an amount of Kshs.62,107,225 in respect of purchase of goods and services as disclosed in Note 3 to the financial statements. Included in the amount is Kshs.200,000 in respect of fuel and lubricants for motor vehicles. However, the following anomalies were noted: -

- i. The fuel was not recorded in the Project's work tickets;
- ii. Review of sampled copies of work tickets and the fuel receipts showed that there were variances between entries made in work-ticket and fuel receipts with no verification from the supplier statement on the monthly fuel supply before payments;
- iii. A number of work tickets used were not provided for audit in support of the expenditure; and,
- iv. The contract between the Project Management and the service provider was not provided for audit review.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.200,000 in respect of fuel and lubricants for motor vehicles could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year's Audit Issues

In the audit of the previous year, several paragraphs were raised under the Report on the Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved as Parliament has not deliberated on the same.

In the circumstances, the issues remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Misuse of Project Motor Vehicles

As previously reported, the project management unit procured three (3) high-end vehicles with a total value of Kshs.36,320,000 for use by the project in executing project activities. However, the vehicles are not used for project activities but for Ministry's officials for non-project activities.

In the circumstances, the regularity of the purchase of motor vehicles of Kshs.36,320,000 could not be confirmed.

2.0 Delayed Construction Works

As reported in the previous years, the Project's financial records show that the project has been ongoing for five (5) years since the signing of the loan agreement on 28 December, 2017 with an accumulated expenditure on the acquisition of non-financial assets (construction of buildings) of Kshs.3,397,510,523. Review of the project progress reports, transfer handover reports, approved work plan and the budget revealed that as at June, 2023, the set milestones for construction work had not been achieved. The project time lapse is on 23 september, 2023 pending any approval for additional time with the current project completion rate at 20% as the project continues to attract interest on the unspent amounts. Further, the management failed to recognized in the financial statement Kshs.109,107,296 that was paid for certificate number 3 to the contractor vide payment voucher 003320.

In the circumstances, value for money may not be obtained.

3.0 Failure to Provide Project Schedule of Works

The statement of receipts and payments reflects the acquisition of non-financial assets expenditure amounting to Kshs.1,502,014,110 as disclosed in Note 4 to the financial statements. Included in this amount is Kshs.1,500,000,000 in respect of construction of buildings. However, the schedule of works was not provided for audit review as acknowledged by management report of overall performance in the submitted financial statement.

In the circumstances, value for money may not be obtained.

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

Conclusion

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

Basis for Conclusion

Failure of the Internal Audit to Perform Its Function on the Project

KAIST Project being implemented by the State Department Higher Education and Research is subject to the Internal Audit function of the State Department who should carry out frequent audits of the project. However, it was noted that there was no report on work done by the internal audit within the period under review.

In the circumstances, the Project did not benefit for the oversight role of the Internal Audit function.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Economic Development Cooperation Fund Loan Agreement No.KEN-4 I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Economic Development Cooperation Fund Loan Agreement No.KEN-4, so far as appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with Governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 November, 2023


7. Statement of Receipts and Payments for the year ended 30 June 2023.


	2022/2023		2021/2022		Cumulative to-date (From inception)		
	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total		Receipts and payments controlled by the entity	Payments made by third parties
		KShs	KShs	KShs	KShs	KShs	KShs
RECEIPTS							
Transfer from Government entities	1	64,121,335	-	64,121,335	97,521,005	-	97,521,005
Loan from external development partners	2	-	1,500,000,000	1,500,000,000	-	53,679,386	3,397,510,523
TOTAL RECEIPTS		64,121,335	1,500,000,000	1,564,121,335	97,521,005	53,679,386	151,200,391
PAYMENTS							
Purchase of goods and services	3	62,107,225	-	62,107,225	86,231,005	-	86,231,005
Acquisition of non-financial assets	4	2,014,110	1,500,000,000	1,502,014,110	11,290,000	53,679,386	64,969,386
TOTAL PAYMENTS		64,121,335	1,500,000,000	1,564,121,335	97,521,005	53,679,386	151,200,391
SURPLUS/(DEFI CIT		-	-	-	-	-	-

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

.....

 Dr. Beatrice Muganda Inyangala
 Principal Secretary

.....

 Dr. Roselida Owuor
 Project Coordinator

.....

 CPA Margaret Kariuki
 Snr. Deputy Accountant General
 ICPAK Member No: 4291

Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project Annual Report and Financial Statements for the financial year ended 30 June, 2023

8. Statement of Financial Assets as of 30 June 2023

	Note	2022/2023 KSh's	2021/2022 KSh's
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	5.A	-	-
Cash Balances	5.B	-	-
Cash Equivalents (short-term deposits)	5.C	-	-
Total Cash and Cash Equivalents		-	-
Imprests and Advances	6	-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	7	-	-
NET ASSETS		-	-
REPRESENTED BY			
Fund balance b/forward	8	-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2023 and signed by:

.....
Dr. Beatrice Muganda Inyangala	CPA Margaret Kariuki
Principal Secretary	Snr. Deputy Accountant General
	ICPAK Member No: 4291

Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023

9. Statement of Cashflow for the year ended 30 June 2023

	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts			
Transfer from Government entities	1	64,121,335	97,521,005
Payments from operating activities			
Purchase of goods and services	3	(62,107,225)	(86,231,005)
Adjustments during the year			
Net cash flow from operating activities		2,014,110	11,290,000
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	4	(1,502,014,110)	(64,969,386)
Net cash flows from Investing Activities		(1,502,014,110)	(64,969,386)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	1,500,000,000	53,679,386
Net cash flow from financing activities		1,500,000,000	53,679,386
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

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 20/9/2023 and signed by:

.....
Dr. Beatrice Muganda Inyangala
Principal Secretary

.....
Dr. Roselida Oduor
Project Coordinator

.....
CPA Margaret Kariuki
Snr. Deputy Accountant General
ICPAK Member No: 4291

Annual Report and Financial Statements for the financial year ended June 30, 2023

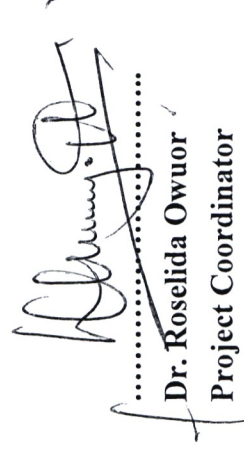
10. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

Receipts/Payments/Item	Original Budget	Adjustments	Final Budget	Actual or Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	F=d/c %
Receipts						
Transfer from The National Treasury	80,000,000	-	80,000,000	64,121,335	15,878,665	80.15
Proceeds from borrowings	1,500,000,000	-	1,500,000,000	1,500,000,000	0	100
Total Receipts	1,580,000,000	-	1,580,000,000	1,565,121,335	15,878,665	99.06
Payments						
Purchase of goods and services	80,000,000	-	80,000,000	64,121,335	15,878,665	80.15
Acquisition of non-financial assets	1,500,000,000	-	1,500,000,000	1,500,000,000	0	100
Total Payments	1,580,000,000	-	1,580,000,000	1,565,121,335	15,878,665	99.06

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.



Dr. Beatrice Muganda Inyangala
Principal Secretary



Dr. Roselida Owuor
Project Coordinator



CPA Margaret Kariuki
Snr. Deputy Accountant General
ICPAK Member No: 4291

11. Significant Accounting Policies

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

a) 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 note 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 financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting Entity

The financial statements are for the Establishment of the Kenya Advanced Institute of Science and Technology(KAIST) Project under the State Department for Higher Education and Research. The financial statements are for the reporting entity KAIST, as required by Section 81 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

The KAIST Project recognizes all receipts from various sources when the event occurs, and the related cash has been received.

i) 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.

Significant Accounting Policies (Continued)

ii) External Assistance

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

iii) Other receipts

These include Appropriation-in-Aid and relate to receipts such as proceeds from the disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when 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 termination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on a cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has been paid out by the Project.

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payments in the period in which they incur and are paid for.

iv) Repayment of borrowing (principal amount)

The repayment of the principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on the 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 is provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

In-kind contributions are donations that are made to the Project 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 Project includes the such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is 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.

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognized because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

k) Contingent Assets

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

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

n) Third-party party payments

Included in the receipts and payments, are payments made on its behalf by third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs One billion three hundred and ninety million seven hundred and three loan disbursements were received in form of direct payments from third parties.

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

Significant Accounting Policies (Continued)

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). *There are no prior year adjustments in these financial statements.*

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows:

	2022/2023	2021/2022	Cumulative to-date (from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry of Education</i>			
Counterpart funds Quarter 1	4,614,700	375,000	32,328,659
Counterpart funds Quarter 2	14,490,402	17,466,554	46,003,506
Counterpart funds Quarter 3	20,768,784	14,672,055	82,471,479
Counterpart funds Quarter 4	24,247,449	65,007,396	106,690,446
Total (See Annex 2)	<u>64,121,335</u>	<u>97,521,005</u>	<u>267,494,090</u>

Notes to the Financial Statements (Continued)

2. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury & detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total Amount in Kshs		Cumulative to date (from inception)
					2022-2023	2021-2022	
Loans received from Multilateral Donors (International Organizations)							
The Export- Import Bank of Korea. Government Agency of the EDCF	FY 22/23	14,663,000	-	1,500,000,000	53,679,386	3,397,510,523	
Total		14,663,000	-	1,500,000,000	53,679,386	3,397,510,523	

Notes to the Financial Statements (Continued)

3 Purchase of Goods and Services

	2022/2023		2021/2022		Cumulative to date Kshs
	Payments made in Cash Kshs	Payments made by third parties Kshs	Total payments Kshs	Total payments Kshs	
Domestic travel and subsistence	52,456,214	-	52,456,214	59,955,741	139,944,293
Conference Facilities	1,273,200	-	1,273,200	15,105,625	21,049,605
Air tickets	6,022,912	-	6,022,912	5,514,140	11,537,052
Accreditation fee	-	-	-	4,480,000	4,480,000
Fuel and lubricants for Motor vehicles	200,000	-	200,000	499,999	8,851,529
General office supplies	-	-	-	477,000	477,000
Airtime	-	-	-	198,500	198,500
Hospitality supplies and services	-	-	-	-	24,000
Consultancy Services	-	-	-	-	24,135,000
Training Expenses	1,430,000	-	1,430,000	-	1,430,000
Other operating expenses	703,000	-	703,000	-	13,574,122
Printing Advertising and Information Tech,	-	-	-	-	904,275
Routine maintenance- other assets	21,899	-	21,899	-	3,390,174
Total	62,107,225	=	62,107,225	86,231,005	228,566,980

Notes to the Financial Statements (Continued)

4 Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to date
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
		2022-2023	2021-2022	2021-2022	
Construction of buildings	-	1,500,000,000	1,500,000,000	53,679,386	3,397,510,523
Purchase of vehicles & other transport equipment	-	-	-	11,290,000	36,320,000
Purchase of office furniture & general equipment	-	-	-	-	201,000
Purchase of computers	2,014,110	-	2,014,110	-	2,406,110
Total	2,014,110	1,500,000,000	1,502,014,110	64,969,386	3,436,437,633

Notes to the Financial Statements (Continued)

5. Cash and Cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts (Note 5.A)	-	-
Cash in hand (Note 5.B)	-	-
Cash equivalents (short-term deposits) (Note 5.C)	-	-
Total	=	=

5.A The project has no dedicated bank account opened for its operations. All expenses which are borne by the donor as per the financing agreement are paid through the direct payment method, while the GoK counterpart funds are paid through the State Department for Higher Education and Research, main development account in the central bank.:

Special Deposit Accounts

The project has no Special Deposit Account(s) since the donor makes payment directly to the vendors.

5.B Cash in hand

Description	2022-2023	2021-2022
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash in hand balances	=	=

5.C Cash equivalents (short-term deposits)

Description	2022-2023	2021-2022
	Kshs	Kshs
N/A	-	-
Total	=	=

Notes to the Financial Statements (Continued)

6. Accounts Receivables

<i>Description</i>	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
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Notes to the Financial Statements (Continued)

7. Payables -Deposits and Retention Monies

Description	2022-2023	2021-2022
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

8. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

Other Important Disclosures

1. EXTERNAL ASSISTANCE

	2022-2023	2021-2022
Description	Kshs	Kshs
External assistance received as loans	1,500,000,000	53,679,386
Total	1,500,000,000	53,679,386

a). External assistance relating loans and grants

	2022-2023	2021-2022
Description	Kshs	Kshs
External assistance received as loans	1,500,000,000	53,679,386
Total	1,500,000,000	53,679,386

b) Undrawn external assistance

Purpose for which the undrawn external assistance may be used		2022-2023	2021-2022
Description		Kshs	Kshs
Undrawn external assistance - loans	<ul style="list-style-type: none"> To produce highly qualified scientists and engineers with both theoretical and practical knowledge of the future industries in Kenya and the East African region at large To promote relevant Research and Development through promotion of industrial-academic collaboration for stimulating of technological and industrial transformation. 	6,289,831,592	7,789,831,592
Total		6,289,831,592	7,789,831,592

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
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c) Classes of providers of external assistance

	2022-2023	2021-2022
Description	Kshs	Kshs
Multilateral donors (The export Import Bank of Korea – Government Agency of the EDCF)	1,500,000,000	53,679,386
Total	1,500,000,000	53,679,386

*Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Referend No. in the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeline Put in the when you expect the issue to be resolved)
342	<p>Unsupported and Unaccounted for Expenditure on Fuel and Lubricants for Motor Vehicles</p> <p>The statement of receipts and payments reflects an amount of Kshs.86,231,005 in respect of purchase of goods and services as disclosed in Note 3 to the financial statements. Included in the amount is Kshs.499,999 in respect of fuel and lubricants for motor vehicles. However, the following anomalies were noted: -</p> <p>a. The fuel was not recorded in the Project's motor vehicle work tickets;</p> <p>b. A number of</p>	<p>KAIST project's administrative costs which includes financial, accounting and procurement functions are carried out by employees of the State Department for University and Research. In the course of undertaking these functions there are common costs, which includes fuel and lubricants that are shared by the project and the State Department for University Education and Research.</p> <p>The amount of Kshs 499,999.00 relating to fuel and Lubricants for motor vehicles were recorded in the work tickets, as required by law and the work tickets were availed for audit</p>	<p>The issue was tabled in the Parliamentary Accounts committee. We are waiting for the report on the same from the PAC.</p>	<p>To be determined by the Parliamentary Accounts committee</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status (Resolved/Not Resolved)	Timeframe (When to file when issue is expected to be resolved)
	<p>work tickets for vehicles used by the Project were not provided for audit in support of the expenditure; and,</p> <p>c. The contract between the Project Management and the service provider was not provided for audit review.</p> <p>In the circumstances, the regularity of the expenditure of Kshs.499,999 in respect of fuel and lubricants for motor vehicles could not be confirmed.</p>	<p>verification. The contract documents between State Department for University Education and Research and the service provider were availed for Audit review. See Appendix 8</p>		
343	Payment for Undelivered Goods and irregular Charge of Unrelated Expenditure	During the year under review, Kshs. 11,290,000 in respect of purchase of a Project Vehicle was made but the vehicle had not been	The issue was tabled in the Parliamentary Accounts committee. We are waiting for the report on the same from the PAC.	To be determined by the Parliamentary Accounts committee

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Reference No. on the external/ internal/ Report	Issue / Observations from Audit	Management Comments	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>The statement of receipts and payments reflects acquisition of non-financial assets - purchase of vehicles and other transport equipment amounting to Kshs.11,290,000 as disclosed in Note 4 to the financial statements which had not been delivered and could not be physically verified. Further, as previously reported, the Project incurred an expenditure of Kshs.25,030,000 on the purchase of vehicles and other transport equipment which had not been delivered to the Project. However, available information revealed that the vehicles were being used by Ministry officials for non-project activities.</p> <p>In the circumstances, the regularity of the expenditure of Kshs.36,320,000 on</p>	<p>delivered as at the date of audit. The Dealer, M/S CFAO (Formerly Toyota Kenya Ltd) had committed in writing in the letter dated 14th July 2022 indicating that communication on the targeted delivery date for the vehicle would be communicated by mid November 2022. The firm had confirmed that the vehicle had already been cleared and the process of registration was in progress. So far, the vehicle has been delivered and it is in use by the project. Appendix 3,8</p> <p>KAIST Project's implementation activities are carried out by employees of the State Department for University and Research. The project does not have a separate implementation unit and it</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeframe (But a date when you expect the issue to be resolved)
	purchase of vehicles and other transport equipment could not be confirmed and value for money may not have been realized.	is therefore in the course of undertaking the project functions that there are common costs, which includes transport expenses that are shared by the project and the State Department.		
344	Lack of Fixed Asset Register and Ownership Documents The statement of receipts and payments reflects the acquisition of non-financial assets cumulative expenditure amounting to Kshs. 1,934,423,523 as disclosed in Note 4 to the financial statements. However, the Management did not provide for audit review a fixed asset register and logbooks for the two vehicles owned by the project. In the circumstances, the	The management has since provided a copy of the fixed asset register. Appendix 3,8	The issue was tabled in the Parliamentary Accounts committee. We are waiting for the report on the same from the PAC.	To be determined by the Parliamentary Accounts committee

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe: (Can a date when you expect the issue to be resolved)
345	<p>existence, ownership, and valuation of assets with a cumulative balance of Kshs. 1,934,423,523 could not be confirmed.</p> <p>Delayed Construction Works</p> <p>The Project's financial records indicate that the project has been ongoing for five (5) years since the loan agreement was signed on 28 December, 2017. The project has recorded an accumulated expenditure on the acquisition of non-financial assets amounting to Kshs. 1,934,423,523 with the summary of fixed assets register reflecting buildings and structures of Kshs. 1,897,510,523 for which the value of work done has not been measured. Further, the project Management ought to have made four (4) semi-annual consecutive</p>	<p>The Loan agreement was signed on 28th December 2017. However, the Contract for the Consultant was signed on 30th November 2018. The Consultant was to work in three phases as follows: Phase 1: drawing and designs for Kenya-AIST Phase 2: Bidding assistance for the Contractor for Kenya-AIST Phase 3: Supervision for the contraction works, equipment delivery and development of ERP for Kenya-AIST which were to be done by the Contractor. The final designs were submitted by consortium of KAIST (Korea Advanced</p>	<p>To be determined by the Parliamentary Accounts committee</p>	<p>To be determined by the Parliamentary Accounts committee</p>

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Reference No. on the external audit Report	Issue / Observations / Doubt Auditor	Management Comments	Status (Resolved/Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>repayments of the loan on February, 2020, August, 2020, February, 2021, and August, 2021 in compliance with the provisions of Article 1 Section 1.02 on general terms and conditions of the loan agreement. The project therefore continues to attract interest on the unutilized amounts.</p> <p>In the circumstances, value for money has not been realized in the implementation of the project. In addition, the project continues to attract interest on the unspent amounts</p>	<p>Institute of Science and Technology), SAMOO and SUNJIN in December 2019. The advertisement for a building contractor was made in March 2020. The signing of the contract between the Ministry of Education (MoE) and BOMI Engineering and Construction Consortium from Korea (Contractor) was done in April 2021. The construction works commenced on 24th September 2021 because of Covid-19.</p> <p>The payment for phase 1 and 2 were done accordingly as per the attached payment schedule. The payment for Phase 3 which is for supervision started when the contract for the main Contractor had been signed. The payment was done accordingly as</p>		

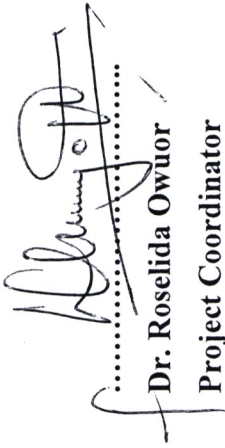
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Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
346	<p>Lack of Internal Audit on the Project</p> <p>Review of internal audit function revealed that no audit was carried out. Further, the Audit Committee did not sit to deliberate on matters relating to the project.</p> <p>In the circumstances, the project did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.</p>	<p>outlined in the payment schedule. All the payments to the Consultant and Contractor were guided by the Contracts which were signed by the Parties.</p> <p>During the year under review 2021-2022, the audit of the project had not <i>been</i> undertaken as a result of delays in the implementation of the project. However, the audit of the project was carried out in the financial year 2022-2023 which covered operations for period 2021-2022 and 2022-2023.</p>	The issue was tabled in the Parliamentary Accounts committee. We are waiting for the report on the same from the PAC.	To be determined by the Parliamentary Accounts committee

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Dr. Beatrice Muganda Inyangala
Principal Secretary

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Dr. Roselida Owuor
Project Coordinator

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CPA Margaret Kariuki
Snr. Deputy Accountant General
ICPAK Member No: 4291

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Annex 2: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023	Depreciation in form of assets (KShs) 2022/2023	Purchases/ Additions in the Year (KShs) 2022/2023	Disposals in the Year (KShs) 2022/2023	Transfers in/(out) Assets 2022/2023	Closing Cost (KShs) 2022/2023
	(a)	(b)	(c)	(d)	(e)	(a) - (b) + (c) - (d) + (e)
Land						
Buildings and structures	1,897,510,523	-	1,500,000,000	-	-	3,288,403,227
Transport equipment	36,320,000	-	-	-	-	36,320,000
Office equipment, furniture and fittings	201,000	-	-	-	-	201,000
ICT Equipment	392,000		2,014,110			2,406,110
Total	1,934,423,523	-	1,502,014,110			3,327,330,337

Annex 3: Analysis of Pending Bills

PV/S/No	Supplier	Good/Services Supplied	Amount Kshs
81	Unicomm technologies	Mackbook laptop	545,690
85	Jasuga Merchants	Printers and digital cameras	531,000
86	Gatcom services	LCD projectors	320,000
2864	Waterbuck hotel	Conference activities	331,500
		Totals	1,728,190