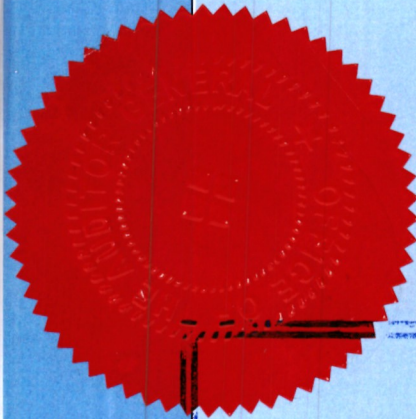




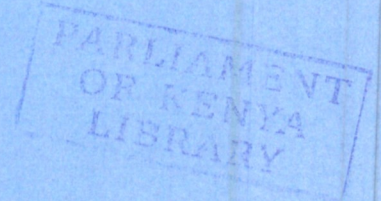
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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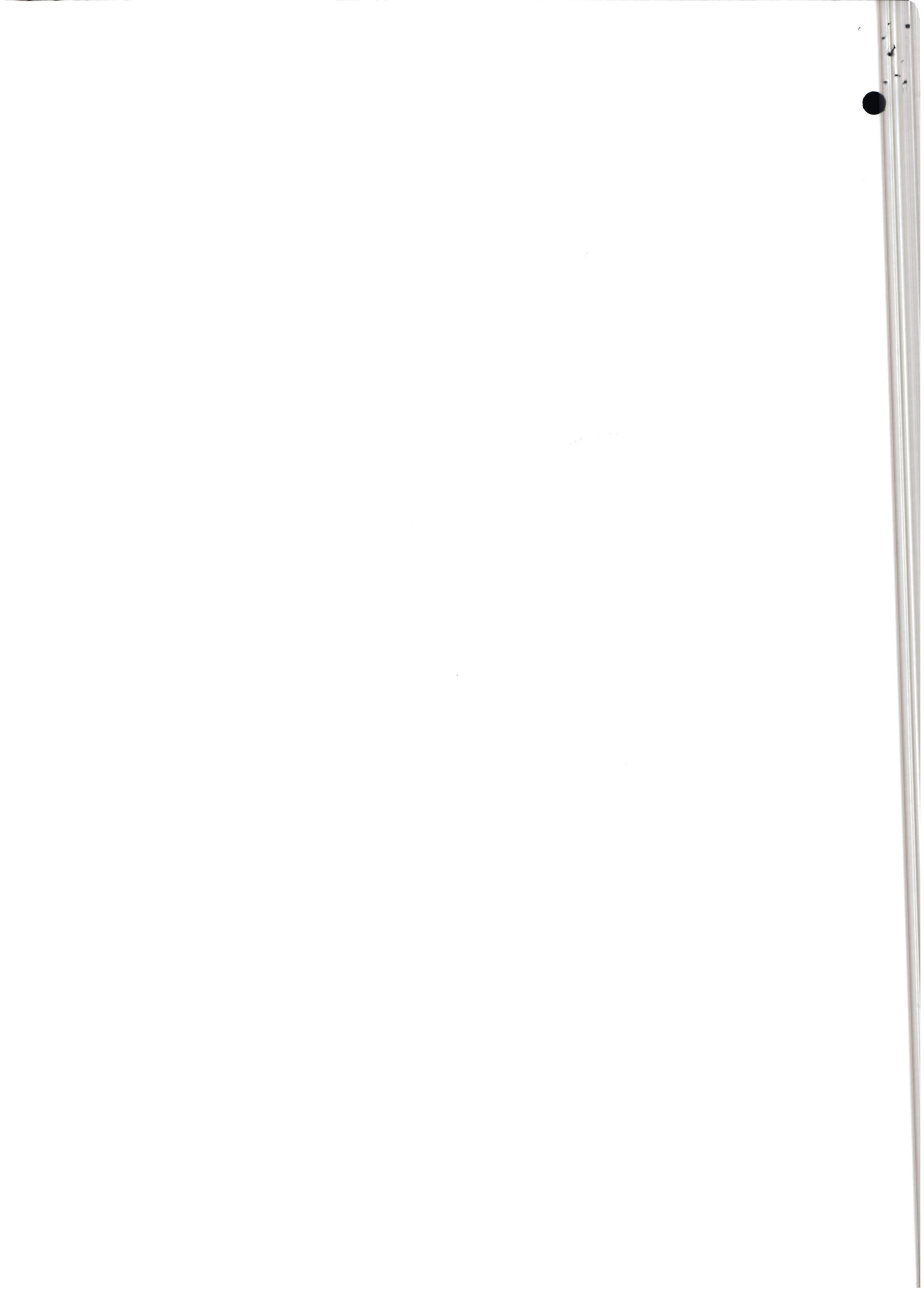


THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF EDUCATION- STATE
DEPARTMENT FOR UNIVERSITY EDUCATION

FOR THE YEAR ENDED
30 JUNE 2018





MINISTRY OF EDUCATION
STATE DEPARTMENT FOR UNIVERSITY EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2018

**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
Annual Report and Financial Statements
For the year ended 30 June 2018

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The State Department for University Education is mandated to overseeing the implementation of activities in University Education institutions and in Science, Technology and innovation. The specific functions of the State Department include: University Education Policy; University Education Management; Management of Continuing Education (Excluding TVETS – Technical Vocational and Entrepreneurship Training); Science, Technology and Innovation and; Public Universities and Constituent Colleges.

The functions of the State Department are guided by the Universities Act 2012, The Sessional Paper No 14 of 2012, the Science, Technology and Innovation Act, 2013. The main objectives of the State Department include:

- i. To enhance access, equity, quality and relevance of education and training at university level.
- i. To promote and integrate research, science, technology and innovation at all levels.
- ii. To promote and coordinate the development of Science and Technology.
- iii. To provide relevant and adequate skills and competencies in strategic disciplines by 2020 for spurring industrial and economic development in line with the aspirations of Kenyans.

The **Vision** for the State Department 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.”

Organization of State Department for University Education and Research

The State Department consists of the following directorates and departments:

i. Directorate of University Education (DUE)

The mandate and functions of Directorate of University Education are:

1. Formulation and review of policies on University Education in collaboration with relevant bodies and agencies.
2. Overseeing Governance and Management of Universities.
3. Receiving and administration of university scholarships offered by foreign countries and agencies.
4. Coordination of admission of students to public universities in liaison with Kenya Universities and Colleges Central Placement Service.
5. Coordination of students exchange programmes.
6. Implementing, monitoring and evaluation of various projects in University education.
7. Clearance of students going for foreign training.

ii. Directorate of Research, Science and Technology (DRST)

The broad mandate of the Directorate is to promote, facilitate and guide the national research system through policies that rationalize the integration of Research and Development (R&D) into overall national economic development. Its functions include:

1. Formulation and implementation of policies, strategies and programmes for research management and development;
2. Management and development of the national innovation system;
3. Development, promotion and application of science and technology;

4. International collaborations, partnerships and global obligations in research, science and technology;
5. National science, technology and innovation statistics;
6. Linkages between government, research, academia, industry and the society;

iii. **Administration and Planning Department:**

The State department has other units, which offer support services to the technical directorates. These are: Administration, Central Planning and Project Monitoring Unit, Legal Unit, Accounts Unit, Finance Department, Human Resource Management and Development Unit, ICT Section, Supply Chain Management Services and Public Communications Unit.

In order to effectively undertake its mandate, the State Department also comprises of Semi-Autonomous Government Agencies (SAGAs) which are charged with various responsibilities as indicated below:

S/No	SAGA	Mandate
1	National Commission for Science, Technology and Innovation (NACOSTI)	To regulate and assure quality in science, technology and innovation sector and advice government in related matters.
2	Kenya National Innovation Agency (KENIA)	To scout for and nurture innovative ideas from individuals, training institutions, the private sector and similar institutions.
3	National Research Fund (NRF)	To Mobilize and channel resources for research, science, technology and innovation
4	Biosafety Appeals Board (BAB)	To make rules and regulation for appeal procedure, hear Appeals from persons aggrieved by decisions made by the National Biosafety Authority (NBA), and communicate decisions to the parties involved and public
5	Higher Education Loans Board (HELB)	To source for fund and finance Kenyan students enrolled in recognized institutions of higher learning.
6	Commission for University Education (CUE)	To accredit and quality assure university education in both public and private universities
7	Universities Funding Board (UFB)	To mobilize resources for financing university education
8	Kenya Universities and Colleges Central Placement Service Board (KUCCPS)	To coordinate placement of Government sponsored students into universities and colleges
9	Universities and Constituent Colleges	To provide university education

b) Key Management

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

State Department for University Education and Research

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

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Education	AMB (Dr.) Amina Mohamed, CBS, EGH, CAV
2.	Chief Administrative Secretary/Principal Secretary, State Department For University Education and Research	Prof. Collette A. Suda, PhD, FKNAS, CBS
3.	Ag. Director, Directorate of Research Management	Dr. Erick Mwangi
4.	Ag. Director, Directorate University Education	Mr. James Kiburi
5.	Secretary, Administration	Mr. Peter Okwanyo
6.	Assistant Accountant General	Mr. Robert A. Samuel
7.	Chief Finance Officer	Mr. Samuel Mugambi

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 are required to re-submit themselves for re-appointment after expiry of their term.

i. Audit and Finance Committee Activities

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.

d) State Department of University Education Headquarters

P.O BOX 9583-00200
Nairobi, Kenya
Jogoo House B, Harambee Avenue
Tel: +254-020-3318581
Fax: +254-020-251991
Email: info@scienceandtechnology.go.ke

Entity Contacts

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

e) Entity Bankers

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

f) Independent Auditors

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

g) Principal Legal Adviser

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

II. FORWARD BY THE CABINET SECRETARY

BUDGET ALLOCATION

In the financial year 2017/18 the State Department of University Education had a gross budget of **KShs. 100,825,119,576** which was made up of **KShs. 96,501,304,284** and **KShs. 4,323,815,292** for recurrent and development vote respectively. The State Department was to expend the gross budget of **KShs. 100,825,119,576** under the following 3 programmes: University Education; Research, Science, Technology and Innovation; and General Administration, Planning & support Services.

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. 97,179,937,345** representing 96.38% of the budget. A total of **KShs. 88,075,993,654** 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. 3,142,301,579** representing 3.12% of the budget. A total of **KShs. 2,051,964,291** was spent under the following sub programmes:

- 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. 502,880,652** representing 0.50% of the budget. A total of **KShs. 391,231,054** spent under Sub-programme 3.1: General Administration, Planning & support services

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2018 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.

Financial Performance Summary

Actual Performance against Budget for Year to 30th June 2018

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	100,825,119,576	90,501,290,471	10,323,829,105	90%
Total Payments	100,825,119,576	90,501,604,904	10,323,514,672	90%
Surplus for the Year	-	(314,433)	314,433	100%

Actual receipts by the state department stood at 10% below budget while actual payments were 10% 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. 90,501,604,904** against an approved budget of **KSh.100,825,119,576** Representing absorption of **90%**. 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	215,440,649	203,590,830	11,849,819
Use of goods and services	823,142,185	453,314,843	369,827,342
Subsidies	56,000,000	56,000,000	0
Transfers to Other Government Units	87,919,460,046	78,954,488,440	8,964,971,606
Other grants and transfers	322,000,000	272,060,217	49,939,784
Social Security Benefits	2,500,000	2,495,936	4,064
Acquisition of Assets	11,486,576,696	10,559,654,639	926,922,057
Total Payments	100,825,119,576	90,501,604,904	10,323,514,672

It is noted that 87.28 % of the State Department's budget was used in Transfers to Other Government entities i.e., State Corporations and Public Universities. 0.2% of the budget was utilised on employee compensation, 0.50% on Use of goods and services while 11.6% was utilised in Acquisition of assets.

Key Achievements of the State Department in the FY 2017/18

The State department accomplished the following during FY 2017/18:

1. The Government has expanded access through establishment of new universities and expansion of the existing ones that has increased enrolment in universities. The current enrolment as at 2016/2017 FY is 538,343. This comprises of 41% female and 59% male.
2. The number of chartered public universities increased from 22 in 2013 to 31 in 2017. Six (6) new public university colleges were also established in 2015 namely Kaimosi Friends University College, Alupe, Tom Mboya, Bomet and Turkana (2017) Tharaka Nthi (2018). A summary of the type and number of universities is presented in table 2.

Table 2: Type and number of universities

Type of University	Number of institutions	
	2013	2018
Public Universities	22	31
Public Constituent Colleges	9	6
Private Chartered	17	18
Private Universities with letters of Interim Authority	12	14
Private Constituent Colleges	5	5
Total	65	74

3. The Kenya Universities and Colleges Central Placement Service (KUCCPS) was operationalized in February 2014. The first cohort to be processed was that of 2013 where 56,986 students were placed in public universities. To date, the Placement Service has processed four cycles and placed

close to two hundred and ninety thousand students to universities both public and private. In 2017/18 F/Y, all the 88,620 students who scored a mean grade of C+ and above were placed to both public and private universities under Government Sponsorship.

Table 3: Admission Trends to Public Universities: 2014/15 -2017/18

Academic Year	Number Qualified (C+ and above)	Number of students placed	Percent Placed
2014/2015	121,654	56,986	46.84%
2015/2016	147,073	67,790	46.09%
2016/2017	165,332	74,046	44.79%
2017/18	88,620	88,620	100%

- The Government started placing Government sponsored students in private universities in 2016/17 FY as one way of increasing access and enhancing efficiency in the university education sector. In 2016/2017 FY, twelve thousand (12,000) students were placed in private universities while in 2017/2018 FY; seventeen thousand (17,000) were placed.
- The Government availed Kshs two billion (2.0B) in 2017/2018 FY to fund the Government sponsored students in private universities.
- The Ministry developed and implemented Maximum Differentiated Unit Cost (MDUC) criteria to use in allocating funds to universities. The criterion was used in allocating funds to universities in 2017/2018 FY.
- Collaboration between the Ministry, the Universities and Engineers Board of Kenya has enabled the accreditation of engineering programmes in four (4) universities (Dedan Kimathi University, Technical University of Mombasa, Masinde Muliro University and Multimedia University) hence addressing the perennial challenge that has been affecting the training of engineers in universities.

ON-GOING PROGRAMMES AND PROJECTS

1. Support to Higher Education, Science and Technology (HEST) Projects

This project is jointly funded by African Development Bank and the Government of Kenya. The project started in January, 2013 and closes on 30th June, 2019. The total amount is Kshs 4.7 billion comprising of African Development Fund Loan of Kshs 3.7 billion and GOK counterpart funding of Ksh. 1.05 Billion. It has three major components.

Component One: Supply of training and Research Equipment

Engineering and applied sciences equipment was supplied to eight (8) universities at a cost of Kshs 2.5 billion. The equipment has been critical especially in the accreditation of programmes by the Engineers Board of Kenya. The project is about 80% complete and is scheduled for finalization in the six (6) universities. The beneficiary universities are; University of Nairobi, Multimedia University, Dedan Kimathi University, Technical University of Mombasa, Masinde Muliro university, Technical University of Kenya, Meru University and South Eastern Kenya University.

Component Two: Training component

In order to improve the quality of engineering programmes, sponsorship was availed under the HEST Project to train university teaching staff and technicians to undertake bachelors, masters and PhD in engineering in Kenyan public universities. 377 staff are undertaking training in ten universities

namely; Dedan Kimathi, Egerton, Kenyatta, Moi University, Kisii University, Jomo Kenyatta University of Agriculture and Technology, University of Nairobi, Technical University of Mombasa, Technical University of Kenya and University of Eldoret. Training for about three hundred (300) staff funded under the GOK Counterpart was scheduled to start in January, 2018. However, it could not commence due to inadequate funding after reduction in the supplementary estimates for 2017/2018 FY. Training of 209 University Management and Council members on governance and strategic management was also carried out in 2017/2018 FY.

Component Three: Construction of Wangari Maathai Institute

The construction of Phase I of Wangari Maathai Institute of Peace and Environmental Studies will cost Kshs 700 million. The project involves the construction of administrative offices, seminar rooms, cafeteria, exhibition centre outdoor amphitheatre, chain link perimeter fencing, and parking space. The foundation stone was launched by His Excellency the President Hon. Uhuru Kenyatta on 23rd August, 2016. The phase 1 of the project was completed in June 2018.

2. Southern Eastern Africa Higher Education Centres of Excellence (ACE II)

The Ministry negotiated a credit facility worth KES 1.8 billion from the World Bank to fund the Southern Eastern Africa Higher Education centres of Excellence (ACE II). Three centres have been established in Kenya; Egerton university and Jaramogi Oginga Odinga university of Science and Technology are implementing projects dealing with food security and Moi university dealing with renewable energy. The project was declared effective from 4th February 2017 and it will close in June 2022. The three have received Kshs 334 million (Each Kshs111Million). The project is to enhance the capacity of the universities to offer quality post graduate training, research and outreach services in collaboration with industry.

3. Kenya Advanced Institute of Science and Technology (KAIST)

The Government has negotiated credit of US\$ 136,392,000.00 from the Economic Development Cooperation Fund (EDCF) Korea for the establishment of Kenya Advanced Institute of Science and Technology (KAIST). KAIST is a key flagship project of Vision 2030. The Ministry is the executing agency and plans are under way to advertise for a consultancy to design the facilities in 2018/2019 FY.

4. Pan African University Institute of Basic Sciences, Technology and Innovation (PAUISTI)

The Government in collaboration with the African Union Commission has operationalized the Regional Pan African University Institute of Basic Sciences, Technology and Innovation (PAUISTI) at Jomo Kenyatta University of Agriculture and Technology. The institute trains graduates from African Countries at Masters and PhD level in basic sciences and Engineering. The aim is to produce a high caliber staff to help exploit Africa's enormous resources. The first cohort of 55 masters students from 16 African countries were admitted in November, 2012 and graduated in November 2014. Since then the Institute has admitted another four cohorts comprising of masters and PhD students. Second cohorts of 68, third 91 and fourth 107 and the last fifth were admitted in late 2017 and comprised of 164 students from 30 African Nationalities out of the 54 African Countries.

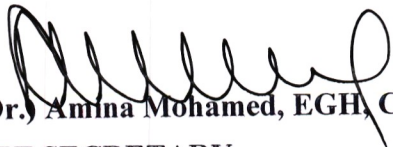
Emerging Issues, Challenges and Lessons Learnt

The University Education subsector was faced with challenges including but not limited to funding; poor and inadequate infrastructure; shortage of qualified lecturers; slow pace to ICT integration; and legislative and policy limitations. In addition, insecurity in some counties led to destruction of property and additional infrastructure costs to mitigate against. Furthermore, late release of exchequer by the National Treasury impacted negatively on the programmes under review.

During the period under review, a new Collective Bargaining Agreement was signed with unions representing the staff union of universities leading to increased expenditure on salaries and other personal emoluments. This has constrained universities as they cannot hire additional lecturers due to financial constraints. The upgrading of 15 university colleges to chartered universities and establishment of fourteen (14) new university colleges required additional funds for infrastructure development to cope with the increased number of students enrolled during the period. The expansion of universities has also led to increased enrolment and thus unmet demand for student loans and bursaries from the Higher Education Loans Board.

Generally, there is inadequate funding to cater for the subsector programmes and activities such as provision of specialized training facilities; infrastructure, as well as capital projects in science, technology and innovation.

To address these challenges, the Ministry shall put in place a number of measures to support the university sector. These include: continued financial support for student financing, human resource development and infrastructure improvement and promotion of research and development. In addition, the Ministry will continue to implement measures to improve governance in the sector.


Amb. (Dr.) Amina Mohamed, EGH, CAV
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 by the Public Sector Accounting Standards Board of Kenya from time to time.

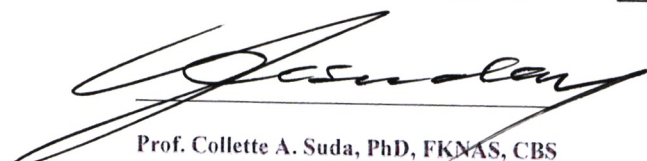
The Accounting Officer in charge of the State Department of University Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2018. 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, 2018, and of the entity's financial position as at that date. The Accounting Officer in 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 State Department for University Education and Research financial statements were approved and signed by the Accounting Officer on 30/09/2018.



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

Chief Administrative Secretary/Principal Secretary.



Robert Asumani Samuel

Assistant Accountant General.

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION VOTE 1065 FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ministry of Education - State Department for University Education set out on pages 1 to 38 which comprise the statement of assets and liabilities as at 30 June 2018, 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 for University Education as at 30 June, 2018 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.

Basis for Qualified Opinion

1.0 Pending Bills

As disclosed in Annex 1 of the financial statements, the State Department for University Education had pending bills totalling Kshs.1,311,738,922 which were not settled in 2017/2018 but were carried forward to 2018/2019. Out of Kshs.1,311,738,922 bills amounting to Kshs.1,025,849,040 relate to Recurrent Vote while the balance of Kshs.285,889,882 relate to Development Vote. Had the bills been settled and the expenditure accounted for in 2017/2018, the financial statements for the year ended 30 June 2018 would have reflected a deficit (excess vote) of Kshs.1,312,053,352 instead of the deficit of Kshs.314,433 now reflected for the year ended 30 June 2018.

Further, as reported in 2016/2017 financial year, 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

Report of the Auditor-General on the Financial Statement of the Ministry of Education - State Department for University Education for the Year Ended 30 June 2018

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 Disposals 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.

2.0 Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2018 reflects use of goods and services figure of Kshs.453,314,843 which includes payments totalling Kshs.22,533,406 in respect of rent of office space at Utalii House. However, of this amount Kshs.7,355,188.80 was for lease of office space occupied by National Commission for Science, Technology and Innovation. No explanation was given as to why the state department paid rent on behalf of a state Corporation with its own budget allocation.

In the circumstances, it was not possible to confirm the validity and propriety of rent payment totalling to Kshs.22,533,406 made for the office spaces.

3.0 Unresolved Prior Year Matters

3.1 Nugatory Payment – Kshs.20,790,625

As reported in 2016/2017, the statement of receipts and payments for the year ended 30 June 2017 reflected 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 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.

Further, available information indicated that the above four (4) firms were paid Kshs.20,790,626 as reported in the year 2015/2016 in respect of demurrage and storage charges as detailed below. This may amount to double payment of public resources.

Payment Date	Cheque no.	Amount
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
		20,790,626.75

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

3.2 Transfers to Other Government Units

As reported in 2016/2017, the statement of receipts and payments for the year ended 30 June 2017 reflected 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.

3.3 Unsupported Balance

The statement of assets and liabilities as at 30 June 2017 reflected 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 of prior year adjustment balance of Kshs.48,129,092 as at 30 June 2017.

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 section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Budget Absorption

The State Department for University Education had a total budget of Kshs.100,825,119,576 voted for the financial year 2017/2018 comprising of Kshs.4,323,815,292 for development and Kshs.96,501,304,284 for recurrent votes respectively resulting to under absorption of Kshs.10,323,514,671 as summarized below:

Item	Budgeted Allocation 2017/2018 Kshs	Actual 2017/2018 Kshs	Under Absorption Kshs	Absorption %
Recurrent	96,501,304,284	86,888,280,298	9,613,023,986	90 %
Development	4,323,815,292	3,613,324,607	710,490,685	84 %
Total	100,825,119,576	90,501,604,905	10,323,514,671	

The budget analysis indicated that the department failed to utilize its budget by 10% or Kshs.10,323,514,671. There is need for the department to re-look at its budgeting mechanism with a view to budget for the priority area to avoid over budgeting since the cash and cash equivalent as at 30 June 2018 was only Kshs.723,714. There is need therefore for the Ministry to plan a realistic budget with the resources available.

1.2 Recurrent Vote

The budget performance analysis for the recurrent budget totalling Kshs.96,501,304,284 is as detailed below:

Item	Budget 2017-2018 Kshs	Actuals 2017-2018 Kshs	Under Expenditure Kshs	% Absorption
Compensation of Employees	215,440,649	203,590,830	11,849,819	94%
Use of Goods and Services	267,111,267	122,780,843	144,330,424	46%
Subsidies	56,000,000	56,000,000	0	100%
Transfers to Other Government Units	85,935,778,172	77,341,178,940	8,594,599,232	90%
Other Grants and Transfers	322,000,000	272,060,217	49,939,783	84%
Social Security Benefits	2,500,000	2,495,936	4,064	100%
Acquisition of Assets	9,702,474,196	8,890,173,532	812,300,664	92%
Grand Total	96,501,304,284	86,888,280,298	9,613,023,986	90%

From the analysis, the state department underutilized the planned budget under use of goods and services and other grants and transfers by 54% and 16% 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 2018.

1.3 Development Vote

The State Department for University Education had a total development budget of Kshs.4,323,815,292 and actual expenditure of Kshs.3,613,324,606 for the year ended 30 June 2018 resulting to total under expenditure of Kshs.710,490,686 as detailed below:

Item	Budget 2017-2018 Kshs	Actuals 2017-2018 Kshs	Under Expenditure Kshs	Absorption %
Use of Goods and Services	556,030,918	330,534,000	225,496,918	59%
Transfers to Other Government Units	1,983,681,874	1,613,309,500	370,372,374	81%
Acquisition of Assets	1,784,102,500	1,669,481,107	114,621,393	94%
Total	4,323,815,292	3,613,324,607	710,490,685	84%

From the above analysis, the state department underutilized the budget under use of goods and services by 41%. The under absorption of the approved budget is an indication of activities planned but not implemented by the Ministry which implies non delivery of goods and services to the Kenyan citizens for the year 30 June 2018. There is need therefore for the Ministry to prioritize its expenditure and plan for a realistic budget which may be fully executed with the resources available.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Compliance and Effectiveness 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 Conclusion

1.0 Unresolved Prior Year Matters

1.1 Procurement of Contracted Professional Services

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

1.1.1 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.

1.1.2 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 (JKUAT) 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.

1.2 Expenditure on Leased Offices

The statement of receipts and payments for the year 30 June 2017 reflected 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 included 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.

1.3 Failure to Surrender Temporary Imprests

The statement of assets and liabilities as at 30 June 2017 reflected 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 was in breach of the law.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were not effective.

Basis for Conclusion

Audit Committee

As required by Section 73(5) of the Public Finance Management Act (2012) the State Department did have an audit Committee in place. However, the Minutes of the deliberations of the Committee were not availed for audit review.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the project 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.

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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 control 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 control 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.

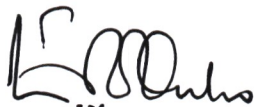
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 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 ability to continue as a going concern or 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 to cease to continue as a going concern or 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 Ministry of Education-State Department for University Education 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.

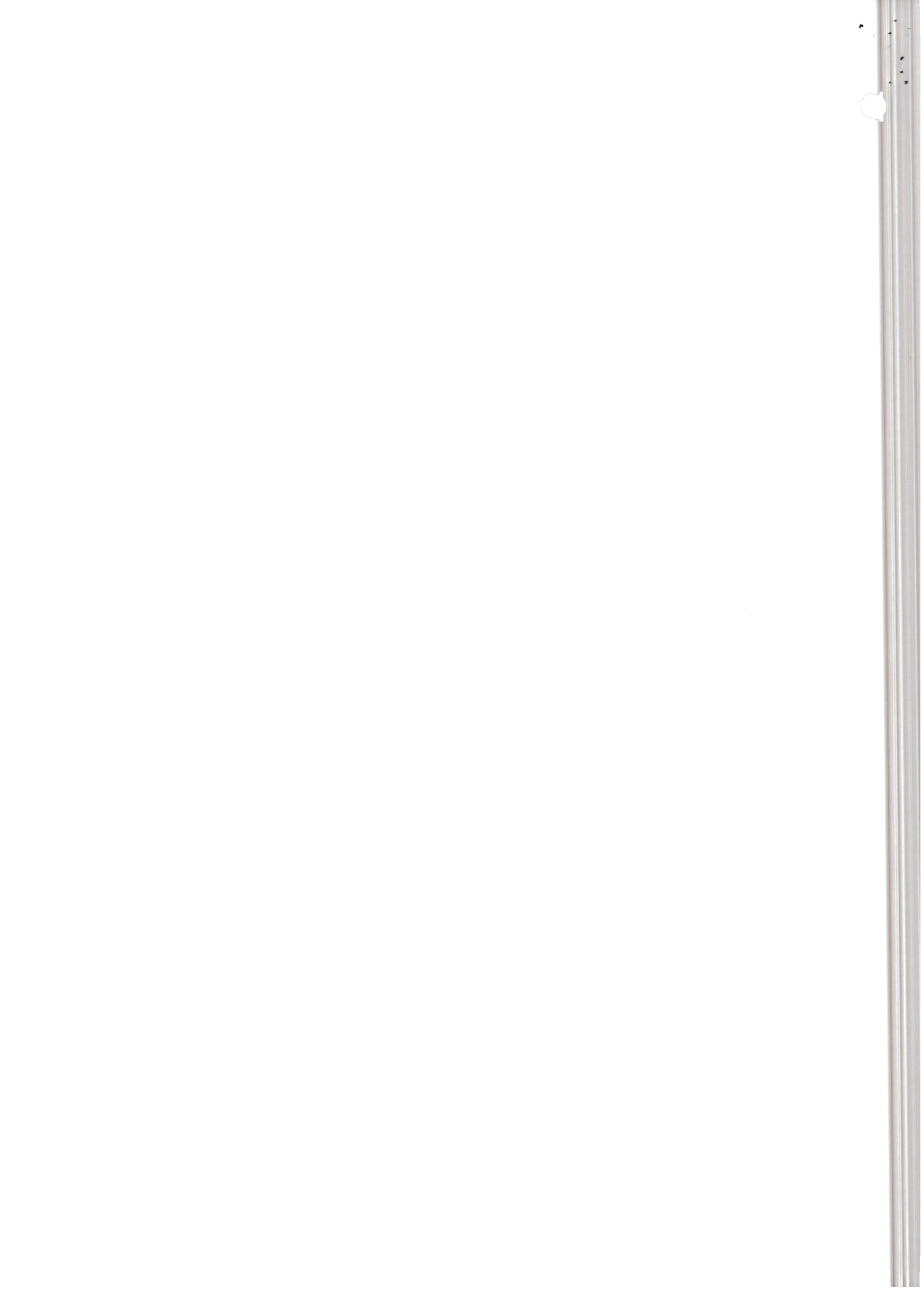
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR GENERAL

NAIROBI

7 February 2019



REPUBLIC OF KENYA

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Fax: +254-20-311482
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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

Ref: MOE/SDUE/2017/2018(37)

6 March 2019

Mr. Michael R. Sialai, EBS,
Clerk of the National Assembly,
Parliament Buildings,
P O Box 41842-00100,
NAIROBI.

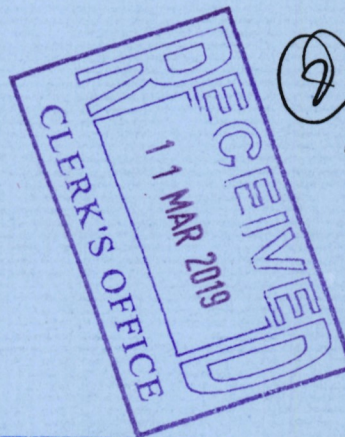
DLPS
Please deal.
12/03/19

**THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF
MINISTRY OF EDUCATION – STATE DEPARTMENT FOR UNIVERSITY EDUCATION
FOR THE YEAR ENDED 30 JUNE 2018**

I transmit the report on the examination and audit of the financial statements of the Ministry of Education -State Department for University Education for the year ended 30 June 2018 in accordance with the provisions of Article 229 (7) of the Constitution of Kenya for the necessary action as required by Article 229 (8) of the Constitution of Kenya.

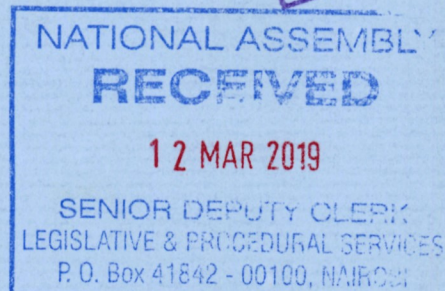
Yours Sincerely

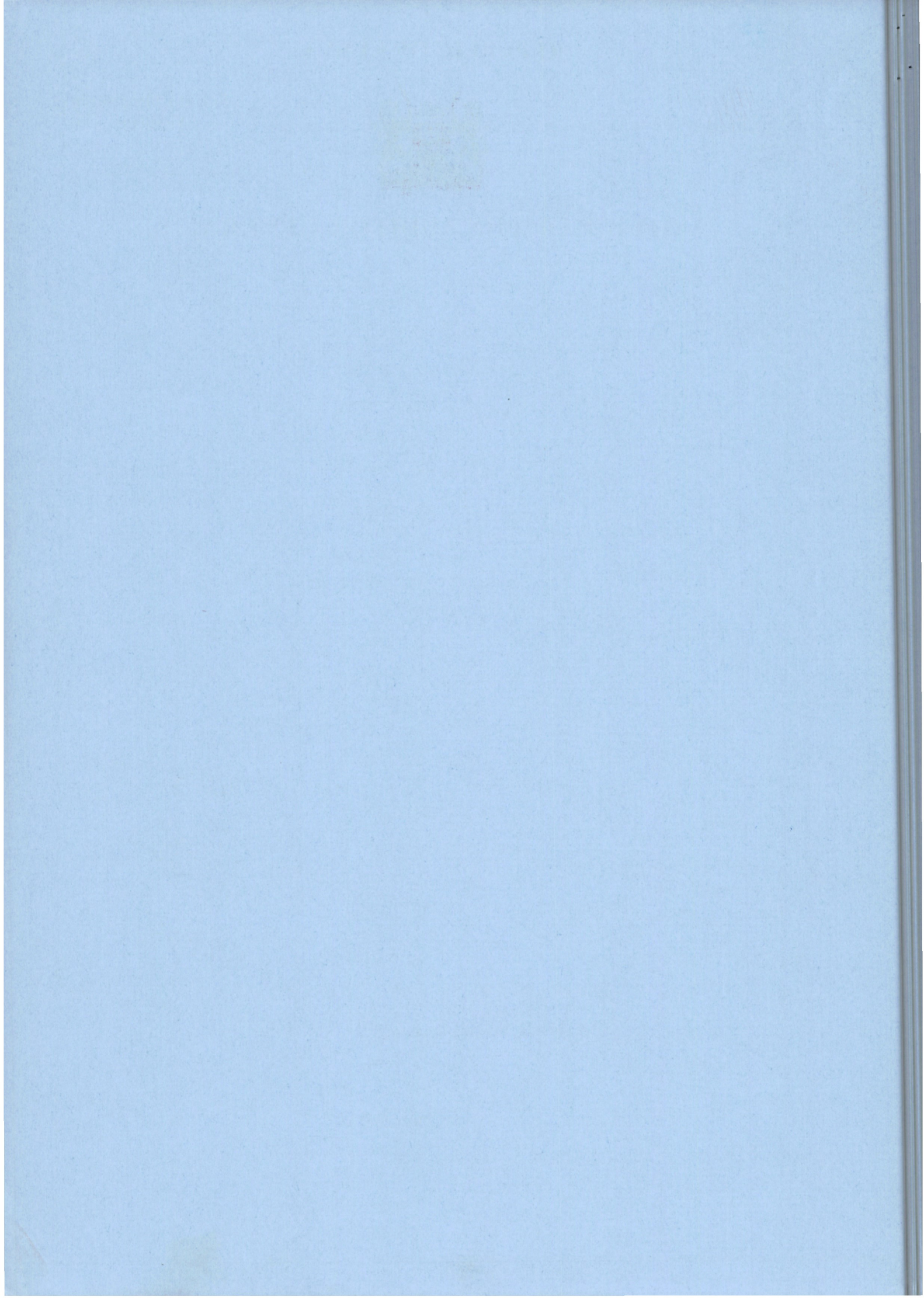
Sylvester N. Kiini
Deputy Auditor General
For: AUDITOR – GENERAL



② Pmt
Please process for
Jabir
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Copy to: The Principal Secretary
National Treasury
P. O. Box 30007
NAIROBI

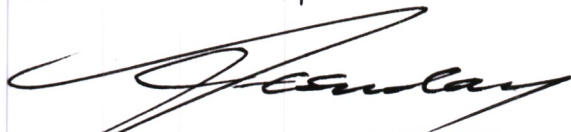




V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	58,258,304,212	54,346,774,500
Proceeds from Domestic and Foreign Grants	2	1,996,175,590	1,404,150,504
Proceeds from Sale of Assets	3	30,246,810,669	15,680,410,530
TOTAL RECEIPTS		90,501,290,471	71,431,335,534
PAYMENTS			
Compensation of Employees	4	203,590,830	382,528,085
Use of goods and services	5	453,314,843	740,922,565
Subsidies	6	56,000,000	56,000,000
Transfers to Other Government Units	7	78,954,488,440	60,911,006,803
Other grants and transfers	8	272,060,217	249,181,289
Social Security Benefits	9	2,495,936	
Acquisition of Assets	10	10,559,654,639	8,849,021,593
TOTAL PAYMENTS		90,501,604,904	71,188,660,335
SURPLUS/DEFICIT		(314,433)	242,675,199

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for University Education and Research financial statements were approved on 30/09 2018 and signed by:



Prof. Collette A. Suda, PhD, FKNAS, CBS
 Chief Administrative Secretary/Principal Secretary.




Robert Asumani Samuel
 Assistant Accountant General.


VI. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11A	420,247	242,009,646
Cash Balances	11B	303,467	808,139
Total Cash and cash equivalent		723,714	242,817,785
Accounts receivables – Outstanding Imprests	12		230,008
TOTAL FINANCIAL ASSETS		723,714	243,047,794
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	13	0	372,595
NET FINANCIAL ASSETS		723,714	242,675,199
REPRESENTED BY			
Fund balance b/fwd	14	242,675,199	48,129,092
Prior year adjustment	15	(241,637,052)	(48,129,092)
Surplus/Deficit for the year		(314,433)	242,675,199
NET FINANCIAL POSITION		723,714	242,675,199

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for University Education and Research financial statements were approved on 30/09/2018 and signed by:


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

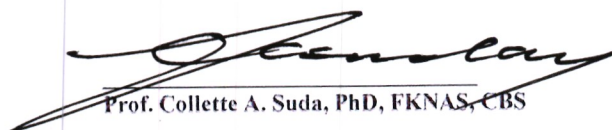
Chief Administrative Secretary/Principal Secretary.


Robert Asumani Samuel
Assistant Accountant General.

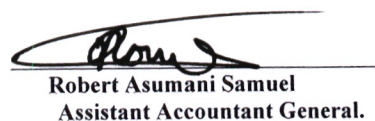
VII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017-20 18	20 16-20 17
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Exchequer Releases	1	58,258,304,212	54,346,774,500
Payments for operating expenses			
Compensation of Employees	4	203,590,830	382,528,085
Use of goods and services	5	453,314,843	740,922,565
Subsidies	6	56,000,000	56,000,000
Transfers to Other Government Units	7	78,954,488,440	60,911,006,803
Other grants and transfers	8	272,060,217	249,181,289
Social Security Benefits	9	2,495,936	0
		79,941,950,265	62,339,638,741
Adjusted for:			
Changes in receivables		230,008	5,902,468
Changes in payables		(372,595)	(73,317,931)
Adjustments during the year	15	(241,637,052)	(48,129,092)
Net cashflow from operating activities		(21,925,425,692)	(6,704,258,292)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	30,246,810,669	15,680,410,530
Acquisition of Assets	10	(10,559,654,639)	(8,849,021,593)
Net cash flows from Investing Activities		19,687,156,030	6,831,388,936
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	1,996,175,590	1,404,150,504
Net cash flow from financing activities		1,996,175,590	1,404,150,504
NET INCREASE IN CASH AND CASH EQUIVALENT		(242,094,072)	127,130,644
Cash and cash equivalent at BEGINNING of the year		242,817,786	115,687,142
Cash and cash equivalent at END of the year		723,714	242,817,786

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for University Education and Research financial statements financial statements were approved on 30/09/ 2018 and signed by:


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

Chief Administrative Secretary/Principal Secretary.


Robert Asumani Samuel
Assistant Accountant General.

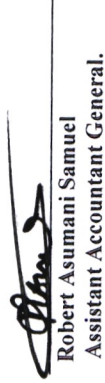
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	29,789,083,765	30,129,630,208	59,918,713,972	58,258,304,212	1,660,409,760	97%
Proceeds from Domestic and Foreign Grants	2,237,675,000	62,630,604	2,300,305,604	1,996,175,590	304,130,014	87%
Proceeds from Sale of Assets(AIA)	19,303,050,000	19,303,050,000	38,606,100,000	30,246,810,669	8,359,289,331	78%
TOTAL RECEIPTS	51,329,808,765	49,495,310,812	100,825,119,576	90,501,290,471	10,323,829,105	90%
PAYMENTS						
Compensation of Employees	127,720,325	87,720,325	215,440,649	203,590,830	11,849,819	94%
Use of goods and services	919,610,700	(96,468,515)	823,142,185	453,314,843	369,827,342	55%
Subsidies	28,000,000	28,000,000	56,000,000	56,000,000	0	100%
Transfers to Other Government Units	43,514,230,080	44,405,229,966	87,919,460,046	78,954,488,440	8,964,971,606	90%
Other grants and transfers	161,000,000	161,000,000	322,000,000	272,060,217	49,939,784	84%
Social Security Benefits	1,250,000	1,250,000	2,500,000	2,495,936	4,064	100%
Acquisition of Assets	6,577,997,661	4,908,579,036	11,486,576,696	10,559,654,639	926,922,057	92%
TOTAL PAYMENTS	51,329,808,765	49,495,310,812	100,825,119,576	90,501,604,904	10,323,514,672	90%
Surplus/ Deficit	-	-	-	(314,433)	314,433	

- (a) The changes between the original and final budget are as a result of reallocations within the budget.
The items which have been underutilized were as a result of the department not being adequately funded to meet the expenditure.

The The State Department for University Education and Research financial statements were approved on 30/07 2018 and signed by:


Prof. Collette A. Suda, PhD, FKNAS, CBS
Chief Administrative Secretary/Principal Secretary


Robert Asumani Samuel
Assistant Accountant General.

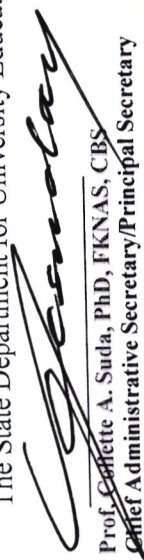
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	24,857,708,765	33,037,495,520	57,895,204,284	56,646,247,665	1,248,956,619	98%
Proceeds from Sale of Assets	19,303,050,000	19,303,050,000	38,606,100,000	30,246,810,669	8,359,289,331	78%
TOTAL RECEIPTS	44,160,758,765	52,340,545,520	96,501,304,284	86,893,058,334	9,608,245,950	90%
PAYMENTS						
Compensation of Employees	127,720,325	87,720,325	215,440,649	203,590,830	11,849,819	94%
Use of goods and services	211,651,694	55,459,574	267,111,267	122,780,843	144,330,424	46%
Subsidies	28,000,000	28,000,000	56,000,000	56,000,000	-	100%
Transfers to Other Government Units	38,774,889,086	47,160,889,086	85,935,778,172	77,341,178,940	8,594,599,232	90%
Other grants and transfers	161,000,000	161,000,000	322,000,000	272,060,217	49,939,784	84%
Social Security Benefits	1,250,000	1,250,000	2,500,000	2,495,936	4,064	100%
Acquisition of Assets	4,856,247,661	4,846,226,536	9,702,474,196	8,890,173,532	812,300,664	92%
TOTAL PAYMENTS	44,160,758,765	52,340,545,520	96,501,304,284	86,888,280,298	9,613,023,986	90%

Notes

(a) The changes between the original and final budget are as a result of reallocations within the budget.
The items which have been underutilized were as a result of the department not being adequately funded to meet the expenditure.

The State Department for University Education and Research financial statements were approved on 20/09/ 2018 and signed by:


Prof. Charlotte A. Suda, PhD, FKNAS, CBS
Chief Administrative Secretary/Principal Secretary


Robert Asumani Samuel
Assistant Accountant General.

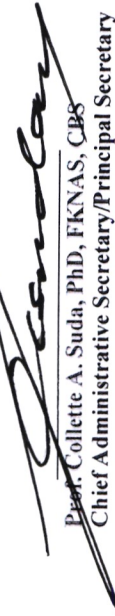
X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	4,931,375,000	(2,907,865,312)	2,023,509,688	1,612,056,547	411,453,141	80%
Proceeds from Domestic and Foreign Grants	2,237,675,000	62,630,604	2,300,305,604	1,996,175,590	304,130,014	87%
TOTAL RECEIPTS	7,169,050,000	(2,845,234,708)	4,323,815,292	3,608,232,137	715,583,155	83%
PAYMENTS						
Use of goods and services	707,959,006	(151,928,088)	556,030,918	330,534,000	225,496,919	59%
Transfers to Other Government Units	4,739,340,994	(2,755,659,120)	1,983,681,874	1,613,309,500	370,372,374	81%
Acquisition of Assets	1,721,750,000	62,352,500	1,784,102,500	1,669,481,107	114,621,393	94%
TOTAL PAYMENTS	7,169,050,000	(2,845,234,708)	4,323,815,292	3,613,324,606	710,490,686	84%

Notes

- (a) The changes between the original and final budget are as a result of reallocations within the budget.
The items which have been underutilized were as a result of the department not being adequately funded to meet the expenditure.

The State Department for University Education and Research financial statements were approved on 30/09/2018 and signed by:


Prof. Collette A. Suda, PhD, FKNAS, CBS
Chief Administrative Secretary/Principal Secretary


Robert Asumani Samuel
Assistant Accountant General.

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Final Budget	Actual on comparable basis	Budget utilization
	2018	Date, 2018	difference
	Kshs	Kshs	Kshs
University Education	97,179,937,345	88,075,993,654	8,780,170,989
University Education	86,672,552,219	78,412,460,126	8,260,092,093
Quality Assurance and Standards	227,497,163	227,497,163	0
Higher Education Support Services	10,279,887,963	9,436,036,364	843,851,599
Research, Science, Technology and Innovation	3,142,301,579	2,051,964,291	1,090,337,289
Research Management and Development	177,397,259	121,736,245	55,661,015
Knowledge and Innovation Development and Commercialization	20,000,000	14,072,758	5,927,243
Science and Technology Development and Promotion	2,944,904,320	1,916,155,289	1,028,749,032
General Administration, Planning and Support Services	502,880,652	391,231,054	111,649,598
Headquarters Administrative Services	502,880,652	391,231,054	111,649,598
TOTAL	100,825,119,576	90,501,604,904	10,323,514,672

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the State Department for University Education and Research budgets which are programme based.)

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 International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

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

<i>∩</i>	<i>SDHEST</i>
<i>∩∩</i>	<i>ACE II</i>

The projects have been consolidated under these financial statements

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the State Department for University Education for all the years presented.

a) Recognition of Receipts

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

- **Transfers from the Exchequer**

Transfers from the exchequer are 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.

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30 June 2018, 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 State Department for University Education and Research recognises all payments 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 paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

- **Interest on Borrowing**

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

- **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 consolidation. This summary is disclosed as an annexure to the financial statements.

5. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to 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 in the statement of receipts and payments as proceeds from foreign borrowings.

6. Cash and Cash Equivalent

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.

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 party deposits. As at 30 June 2018, this amounted to Kshs zero compared to Kshs 372,595 in prior period as indicated on note 13.

There were no other restrictions on cash during the year.

7. Accounts Receivable

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 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.

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. 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 recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. 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.

10. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1st July 2017 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

11. Comparative Figures

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

12. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2018.

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 15 explaining the nature and amounts.

14. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description	20 17-20 18	20 16-20 17
	Kshs	Kshs
Total Exchequer Releases for quarter 1	17,148,470,836	6,418,988,000
Total Exchequer Releases for quarter 2	13,733,276,656	13,142,724,400
Total Exchequer Releases for quarter 3	9,256,456,700	14,063,499,600
Total Exchequer Releases for quarter 4	18,120,100,020	20,721,562,500
Total	58,258,304,212	54,346,774,500

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	20 17-20 18	20 16-20 17
	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)		
Foreign Borrowing-Direct Payments	1,470,004,487	795,844,228
Grants Received from other levels of government	526,171,103	608,306,276
Total	1,996,175,590	1,404,150,504

The above total grants are in support of the departments projects which are SDHEST&ACE II

3. PROCEEDS FROM SALE OF ASSETS

	20 17-20 18	20 16-20 17
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities(universities AIA as submitted)	28,550,856,411	14,019,471,640
Receipts from the Sale of Strategic Reserves Stocks(HELB)	1,695,954,258	1,660,938,890
Total	30,246,810,669	15,680,410,530

4. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic salaries of permanent employees	121,827,560	245,990,939
Personal allowances paid as part of salary	81,763,270	136,537,146
Total	203,590,830	382,528,085

COMPENSATION OF EMPLOYEES SUMMARY

DETAILS	KSH
IPPD	200,074,403.50
MANUAL VOUCHERS	10,337,736.90
	210,412,140.40
LESS PAID THROUGH NACOSTI	(6,821,310.00)
	203,590,830.40

5. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	39,000	3,072,984
Communication, supplies and services	4,226,978	15,164,986
Domestic travel and subsistence	33,297,444	26,505,810
Foreign travel and subsistence	4,831,833	7,176,307
Printing, advertising and information supplies & services	1,349,251	2,648,578
Rentals of produced assets	24,823,249	45,769,339
Training expenses	161,430,042	69,629,246
Hospitality supplies and services	5,878,378	9,561,397
Insurance costs	-	-
Specialised materials and services	183,112,720	392,030,009
Office and general supplies and services	4,676,278	13,997,024
Fuel Oil and Lubricants	13,594,750	11,538,559
Other operating expenses	1,731,850	128,858,197
Routine maintenance – vehicles and other transport equipment	12,467,939	7,080,537
Routine maintenance – other assets	1,855,131	7,889,593
Total	453,314,843	740,922,565

6. SUBSIDIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Subsidies to Public Corporations (ICIPE) Research support	56,000,000	56,000,000
TOTAL	56,000,000	56,000,000

7. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	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(Capitation to public universities and SAGAs)	75,341,178,940	53,066,152,748
Capital Grants to Government Agencies and other Levels of Government	1,613,309,500	7,844,854,056
Other Current Transfers, Grants and Subsidies (Private Universities)	2,000,000,000	
TOTAL	78,954,488,440	60,911,006,803

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. OTHER GRANTS AND TRANSFERS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Membership dues and subscriptions to international organizations	23,025,188	12,005,723
Scholarships and other educational benefits	249,035,029	237,175,566
Total	272,060,217	249,181,289

9. SOCIAL SECURITY BENEFITS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Government pension and retirement benefits	2,495,936	-
Social security benefits in cash and in kind		-
Total	2,495,936	-

10. ACQUISITION OF ASSETS

Non Financial Assets	2017-2018	2016-2017
	Kshs	Kshs
Construction of Buildings	1,669,481,107	1,000,586,839

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Purchase of Vehicles and Other Transport Equipment	0	3,797,600
Purchase of Office Furniture and General Equipment	384,800	231,600
Purchase of ICT Equipment, Software and Other ICT Assets	1,629,050	5,640,340
Sub-total	1,671,494,957	1,010,256,379
Financial Assets		
Domestic Public Financial Institutions(HELB)	8,888,159,682	7,838,765,214
Sub-total	8,888,159,682	7,838,765,214
Total	10,559,654,639	8,849,021,594

11. CASH & BANK

11A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya, 1000181354 , Recurrent Kes-SDUE	412,112	Recurrent		412,112	232,200
Central Bank of Kenya, 1000181583, Development Kes-SDUE	8,135	Development		8,135	241,404,852
Central Bank of Kenya, 1000181947, Deposits Kes -SDUE		Deposits		nil	372,594
Total				420,247	242,009,646

11B: CASH IN HAND

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	303,467	808,139
Total	303,467	808,139

Cash in hand should also be analysed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
Location 1 HEAD OFFICE	303,467	808,139
Total	303,467	808,139

12. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2017-2018	2016-2017
	Kshs	Kshs
Government Imprests	-	32,418
Salary advances	-	197,590
Total	-	230,008

13. ACCOUNTS PAYABLE

<i>Description</i>	2017-2018	2016-2017
	Kshs	Kshs
Deposits	-	372,595
Total	-	372,595

14. FUND BALANCE BROUGHT FORWARD

<i>Description</i>	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	242,009,647	114,885,089
Cash in hand	808,139	802,053
Accounts Receivables	230,008	6,132,476
Accounts Payables	(372,595)	(73,690,526)
Total	242,675,199	48,129,092

15. PRIOR YEAR ADJUSTMENTS

<i>Description</i>	2017-2018	2016-2017
	Kshs	Kshs
Cash recovered by (Exchequer) National Treasury on unspent Allocation	(241,637,052)	(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>)		
	(241,637,052)	(48,129,092)

Balance represents cash recovered by the exchequer on unspent bank balances in financial year 2016/2017 after closure of financial year.

16. 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 and Research

- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2017-2018	2016-2017
	Kshs	Kshs
<u>Transfers to related parties</u>		
Transfers to SCs and SAGAs	75,341,178,940	60,911,006,803
Total Transfers to related parties	75,341,178,940	60,911,006,803
<u>Transfers from related parties</u>		
Transfers from the Exchequer	58,258,304,212	54,346,774,500
Total Transfers from related parties	58,258,304,212	54,346,774,500

17. OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017-2018	2016-2017
	Kshs	Kshs
Construction of buildings		
Construction of civil works	275,453,361	3,281,460
Supply of goods and services	47,222,431	18,368,290
	322,675,792	21,649,750

17.3: OTHER PENDING PAYABLES (See Annex 1)

	2017-2018	2016-2017
	Kshs	Kshs
Amounts due to National Government entities		
Amounts due to Entity entities	989,063,130	325,490,196
	989,063,130	325,490,196

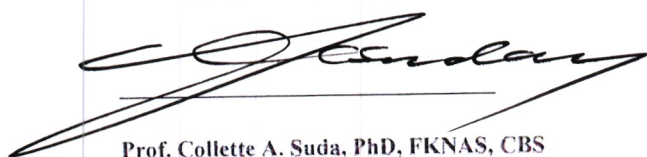
18. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.

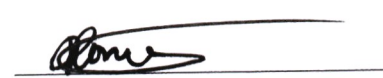
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Nugatory Payment	Evidence presented for audit review	Director DHE	Not Resolved	On going
2.	Transfer to Other Government Units	Evidence presented for audit review	CEO, UFB	Not Resolved	On going
3.	Procurement of Contracted Professional Services	Evidence presented for audit review	Head of Procurement	Not Resolved	On going
3.1	Consultancy Services on Research Funding Guidelines	Evidence presented for audit review	Head of Procurement	Not Resolved	On going
3.2	Consultancy Services on Capacity Building Strategy	Evidence presented for audit review	Head of Procurement	Not Resolved	On going
4.	Expenditure on Leased Offices	Evidence presented for audit review	Head Accounts	Not Resolved	On going
5.	Failure to surrender Temporary Imprests	Evidence presented for audit review	Head Accounts	Resolved	
6.	Unsupported Balance	Evidence presented for audit review	Head Accounts	Not Resolved	Ongoing
7.	Pending Bills	Evidence presented for audit review	Head Accounts	Not Resolved	
8.	Unsurrendered	State Department of Vocational Training.	State Department of Vocational Training.		

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)
	Prior Year Matters				
8.1	Inaccuracies in Cash and Cash Equivalents				
8.2	Unsupported Expenditure on China Equipment Containers		Director, DHE		On going
8.3	Unsupported School Fees Expenditure		Director, DHE		On going
8.4	Accrued Interest of Delayed payment to Contractor – North Rift Technical Training Institute	State Department of Vocational Training.	SDVTT		
8.5	Procurement of Equipment for North Rift Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6	Mentorship Programme and Construction of New Technical Training	State Department of Vocational Training	SDVTT		
8.6.1	Construction of the Proposed Kakrao Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6.2	Construction of the Proposed Nyakach Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6.3	Construction of the Proposed Riamo Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6.4	Construction of the	State Department	SDVTT		

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)
	Proposed Taveta Technical Training Institute	of Vocational Training			
8.6.5	Construction of the Proposed Kaloleni Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6.6	Construction of the Proposed Lamu East Technical Training Institute	State Department of Vocational Training	SDVTT		
8.6.7	Land Ownership	State Department of Vocational Training	SDVTT		
8.6.8	Delay in Construction Works	State Department of Vocational Training	SDVTT		
8.6.9	Borehole Drilling Project at the Coast Institute of Technology	State Department of Vocational Training	SDVTT		
8.6.10	Construction of Perimeter Wall	State Department of Vocational Training	SDVTT		



Prof. Collette A. Suda, PhD, FKNAS, CBS
 Chief Administrative Secretary/Principal Secretary.



Robert Asumani Samuel
 Assistant Accountant General.

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

PENDING BILLS- RECURRENT VOTE, FINANCIAL YEAR 2017/18

	FIRM/PAYEE	DESCRIPTION	OUTSTANDING AMOUNT	BENEFICIARY GROUP	REASONS FOR NON PAYMENT/REMARKS
1	Siramad Trading Enterprises	supply of services	56,000.00	General	lack of exchequer
2	Silver Africa Tours and Safaris limited	supply of services	66,300.00	General	lack of exchequer
3	Kenya School of Agriculture Nyeri	supply of services	107,200.00	General	lack of exchequer
4	Nairobi Safari Club	supply of services	322,500.00	General	lack of exchequer
5	Gazebo Hospitality Limited	supply of services	240,900.00	General	lack of exchequer
6	Kenya School of Monetary Study	supply of services	233,230.35	General	lack of exchequer
7	Egerton University	supply of services	82,800.00	General	lack of exchequer
8	Coast Institute of Technology	supply of services	54,500.00	General	lack of exchequer
9	Nairobi Safari Club	supply of services	210,000.00	General	lack of exchequer
10	Lake Naivasha Simba Lodge	supply of services	304,800.00	General	lack of exchequer
11	Kenya Institute of Curriculum Development	supply of services	119,480.00	General	lack of exchequer
12	Soverin hotel Ltd	supply of services	96,250.00	General	lack of exchequer
13	Kenyatta International	supply of services	7,776,992.20	General	lack of exchequer

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	Convention center				
14	Utalii Hotel	supply of services	463,000.00	General	lack of exchequer
15	Kenya School of Government	supply of services	2,262,000.00	General	lack of exchequer
16	Tenacious Solutions	supply of services	386,280.00	General	lack of exchequer
17	Green leaf Services	supply of services	814,320.00	General	lack of exchequer
18	Intercontinental hotel	supply of services	26,150.00	General	lack of exchequer
19	The Lord Errol Limited	supply of services	435,400.00	General	lack of exchequer
20	Anthony's Auto Garage	supply of services	435,000.00	General	lack of exchequer
21	Samo Agencies Limited	supply of services	299,338.00	General	lack of exchequer
22	Samo Agencies Limited	supply of services	425,488.00	General	lack of exchequer
23	Superex General Merchants	supply of goods	650,243.00	General	lack of exchequer
24	Wancent Investment limited	supply of goods	316,000.00	General	lack of exchequer
25	Malison Enterprises	supply of goods	275,000.00	General	lack of exchequer
26	Danlink Enterprises	supply of goods	139,800.00	General	lack of exchequer
27	Spash General Merchants	supply of goods	28,000.00	General	lack of exchequer
28	Kinard Enterprises	supply of goods	950,000.00	General	lack of exchequer
29	Kosgen Agencies	supply of goods	403,500.00	General	lack of exchequer
30	Twinplus Agencies	supply of goods	330,000.00	General	lack of exchequer

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31	Elizka Enterprises	supply of goods	139,850.00	General	lack of exchequer
32	Kenya School of Government	supply of services	624,224.12	General	lack of exchequer
33	Meridan Enterprises	supply of goods	67,000.00	General	lack of exchequer
34	Mintland Investments	supply of goods	175,600.00	General	lack of exchequer
35	Jomo Kenyatta University of Agriculture & Technology	supply of services	400,000.00	General	lack of exchequer
36	Grace lusweti	supply of services	50,266.00	General	lack of exchequer
37	Ministry of foreign Affairs	supply of services	520,914.50	General	lack of exchequer
38	PS public Service & youth (DPSM) Training Levy	supply of services	460,917.05	General	lack of exchequer
39	Training fees to various institutes	supply of services	2,162,400.00	General	lack of exchequer
40	Sage Media Ltd	supply of services	1,891,264.00	General	lack of exchequer
41	Bureau of Veritas Kenya	Supply of services	527,800.00	General	lack of exchequer
42	Global Focus Training Group	supply of services	667,000.00	General	lack of exchequer
43	KALRO (PV000170/2)	grants	14,289,500.00	General	lack of exchequer
44	Kenyatta University	grants	33,657,500.00	General	lack of exchequer
45	Research Grants(Multi Disciplinary, Multi Institutional & PG programmes)	grants	53,116,130.00	General	lack of exchequer
46	Various Research infrastructure	grants	888,000,000.00	General	lack of exchequer

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	grants				
47	Kenya Revenue Authority	supply of services	1,498,250.00	KRA	lack of exchequer
	Sub-Total		1,016,559,087.22		
46	Haceto Enterprises Limited	supply of services	742,500.00	Disability	lack of exchequer
47	Eaglesoar Enterprises	supply of services	47,900.00	Disability	lack of exchequer
48	Naokat Enterprises	supply of services	945,000.00	Women	lack of exchequer
49	Benagon Concepts	supply of services	1,347,500.00	Women	lack of exchequer
50	Jepco Services and Renovators limited	supply of services	210,000.00	Women	lack of exchequer
51	Escase compsnry Ltd	supply of services	150,000.00	Women	lack of exchequer
52	Coastazard Agencies Limited	supply of services	298,848.00	Women	lack of exchequer
53	Combizz (K) Limited	supply of services	31,900.00	Women	lack of exchequer
54	Davijust Agencies	supply of services	75,800.00	Women	lack of exchequer
55	Petlaw Agencies Limited	supply of services	110,750.00	Women	lack of exchequer
56	Wanglan Enterprises Nairobi	supply of services	31,600.00	Women	lack of exchequer
57	Allaken General Merchant	supply of goods	110,000.00	Women	lack of exchequer
58	Sparkling Business Solutions	supply of goods	677,800.00	Women	lack of exchequer
59	Nasly ventures	supply of goods	271,000.00	Women	lack of exchequer

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60	Lenya Enterprises	supply of goods	310,000.00	Women	lack of exchequer
61	Zaylene General Merchant	supply of goods	134,000.00	Women	lack of exchequer
62	Salinka Investmets	supply of goods	63,000.00	Women	lack of exchequer
63	Stemako General Agencies	supply of goods	27,725.00	Women	lack of exchequer
64	Penuwa General Merchants	supply of goods	94,500.00	Women	lack of exchequer
65	Gatcom Services Ltd	supply of goods	444,590.00	Women	lack of exchequer
66	Neo Logistics Ltd	supply of goods	254,700.00	Women	lack of exchequer
67	Langi Traders	supply of services	40,500.00	Youth	lack of exchequer
68	Gravio Enterprises	supply of services	106,800.00	Youth	lack of exchequer
69	Narrowband Technologies	supply of goods	1,198,040.00	Youth	lack of exchequer
70	Cechum Enterprises	supply of goods	330,000.00	Youth	lack of exchequer
71	Bin-It Solutions Limited	supply of goods	570,000.00	Youth	lack of exchequer
72	Sansfree General Supplis	supply of goods	195,000.00	Youth	lack of exchequer
73	Tiabs Investments	supply of goods	245,500.00	Youth	lack of exchequer
74	Katemach investments	supply of goods	225,000.00	youth & women	lack of exchequer
	Sub-Total		9,289,953.00		
	Total for Recurrent		1,025,849,040.22		

PENDING BILLS- DEVELOPMENT VOTE, FINANCIAL YEAR 2017/18

1	Milfed Traders	supply of goods	1,365,200.00	General	lack of exchequer
2	Annofic Solutions	supply of goods	334,500.00	General	lack of exchequer
3	Spash General Merchants	supply of goods	395,850.00	General	lack of exchequer
4	Waheg Enterprises	supply of services	307,270.00	General	lack of exchequer
5	Silver Africa Tours and Safaris limited	supply of services	380,500.00	General	lack of exchequer
6	Gazebo Hospitality Limited	supply of services	79,200.00	General	lack of exchequer
7	Roxi Scientific and Technical	supply of goods	201,200.00	General	lack of exchequer
8	Waheg Enterprises	supply of goods	306,000.00	General	lack of exchequer
9	Supa General Supplies	supply of goods	7,930.00	General	lack of exchequer
10	Rockey Africa Ltd	supply of goods	3,073,278.00	General	lack of exchequer
11	Sovereign Hotel Ltd	supply of services	275,000.00	General	lack of exchequer

12	Karatina University	disbursement for construction of buildings	9,347,499.00	General	lack of exchequer
13	Machakos University	disbursement for construction of buildings	5,512,500.00	General	lack of exchequer
14	Disbursement to Karatina university for projects undertaken	disbursement for construction of buildings	6,640,063.00	General	lack of exchequer
15	Disbursement to Maseno university for projects undertaken	disbursement for construction of buildings	8,036,835.00	General	lack of exchequer
16	Disbursement to Muranga university College for projects undertaken	disbursement for construction of buildings	8,925,000.00	General	lack of exchequer
17	Disbursement to Rongo university for projects undertaken	disbursement for construction of buildings	10,708,181.00	General	lack of exchequer
18	Disbursement to Alupe university College for projects undertaken	disbursement for construction of buildings	14,300,000.00	General	lack of exchequer
19	Disbursement to Kibabii university for projects undertaken	disbursement for construction of buildings	15,750,000.00	General	lack of exchequer
20	Disbursement to Meru university for projects undertaken	disbursement for construction of buildings	14,736,681.00	General	lack of exchequer

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21	Disbursement to Chuka university for projects undertaken	disbursement for construction of buildings	31,537,999.00	General	lack of exchequer
22	Disbursement to Kabianga university for projects undertaken	disbursement for construction of buildings	10,089,005.00	General	lack of exchequer
23	Disbursement to Taita Taveta university for projects undertaken	disbursement for construction of buildings	18,276,523.00	General	lack of exchequer
24	Disbursement to SEKU university for projects undertaken	disbursement for construction of buildings	1,309,048.00	General	lack of exchequer
25	Disbursement to Pwani University for projects undertaken	disbursement for construction of buildings	20,505,177.00	General	lack of exchequer
26	Disbursement to Maasai Mara University for projects undertaken	disbursement for construction of buildings	45,927,500.00	General	lack of exchequer
27	Disbursement to TUK university for project undertaken	disbursement for construction of buildings	23,520,000.00	General	lack of exchequer
28	Laikipia University	disbursement for construction of buildings	17,500,000.00	General	lack of exchequer
29	Disbursement to Bomet university for projects undertaken	disbursement for construction of buildings	11,525,000.00	General	lack of exchequer

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30	Kenya Revenue Authority	construction of civil works	1,306,350.00	KRA	lack of exchequer
	Sub-Total		282,179,289.00		
31	Eagle Soar Enterprises	supply of goods	15,468.00	Disability	lack of exchequer
32	Coastazard Agencies Limited	supply of goods	245,500.00	Women	lack of exchequer
33	Combizz (K) Limited	supply of goods	36,000.00	Women	lack of exchequer
34	Dokas General supplies	supply of goods	600,000.00	Women	lack of exchequer
35	Brightways Ltd	supply of goods	954,800.00	Youth	lack of exchequer
36	Scarbox Services Nairobi	supply of goods	5,875.00	Youth	lack of exchequer
37	Softage Media Technologies Ltd	supply of goods	761,000.00	Youth	lack of exchequer
38	Sansfree General Supplies	supply of goods	190,000.00	Youth	lack of exchequer
39	Sagiga Enterprises	supply of goods	320,000.00	Youth	lack of exchequer
40	Dymic holdings Ltd	supply of goods	276,000.00	Youth	lack of exchequer
41	Sagiga Enterprises	supply of goods	305,950.00	Youth	lack of exchequer
	Sub-Total		3,710,593.00		
	Total for Development		285,889,882.00		
	Total Pending Bills		1,311,738,922.22		

ANNEX 2–SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2017/2018	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Land				
Buildings and structures	1,000,586,839	1,669,481,107		2,670,067,946
Transport equipment	3,797,600	0		3,797,600
Office equipment, furniture and fittings	231,600	384,800		616,400
ICT Equipment, Software and Other ICT Assets		1,629,050		1,629,050
Other Machinery and Equipment	5,640,340			5,640,340
Total	1,010,256,379	1,671,494,957		2,681,751,336

NB Additions during the year should tie to note 10 on acquisition of assets Under **non-financial** assets during the year. The financial assets are amounts disbursed to higher education for loans

**ANNEX 3–LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT
 FOR UNIVERSITY EDUCATION**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
HEST PROJECT	Enhancement of quality and relevance in higher education science and technology	Supply of training and research equipment, training university teaching staff and technicians and construction of Wangari Maathai Institute	James Mwangi Kiburi	YES
ACEII	Southern Eastern Africa Higher Education Centres of Excellence	To enhance the capacity of the universities to offer quality post graduate training, research and outreach services in collaboration with food security and renewable energy industry	James Mwangi Kiburi	YES

ANNEX 4—LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR UNIVERSITY EDUCATION

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 reconciliation done? Yes/No
Technical University of Kenya	Education	1,210,782,137.00	1,750,000.00	YES
Technical University of Mombasa	Education	793,634,972.00	32,500,000.00	YES
University of Nairobi	Education	5,014,535,880.00	0	YES
Koitalel Samoei University	Education	101,700,000.00	0	YES
Embu University	Education	433,166,610.00	59,325,552.00	YES
Kenyatta University	Education	2,875,904,719.00	-	YES
Machakos University	Education	660,978,900.00	31,875,000.00	YES
Egerton University	Education	2,100,552,093.00	288,157,252.00	YES
Jomo Kenyatta University of Agriculture and Technology	Education	1,747,805,038.00	13,650,000.00	YES
Open University	Education	-	0	YES
Pan African University	Education	74,624,250.00		YES
Kirinyaga UC	Education	228,839,227.00	41,081,345.00	YES
Murang'a University College	Education	298,516,732.00	21,250,000.00	YES
Taita Taveta UC	Education	376,460,800.00	28,125,000.00	YES
Co-operative UC	Education	226,247,224.00	21,832,500.00	YES
Maseno University	Education	1,514,135,061.00	45,064,678.00	YES
Tom Mboya University College	Education	156,000,000.00	36,337,500.00	YES
Moi University	Education	2,634,999,378.00	81,500,000.00	YES
Gatundu UC	Education	100,800,000.00		YES
Bomet University College	Education	100,800,000.00		YES
Garissa UC	Education	217,836,835.00	57,584,916.00	YES
Rongo UC	Education	473,352,730.00	45,562,500.00	YES

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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 reconciliation done? Yes/No
Alupe UC	Education	105,800,000.00		YES
Masinde Muliro University	Education	1,334,312,952.00	5,250,000.00	YES
Kibabii University College	Education	439,908,354.00	0	YES
Kaimosi University College	Education	180,738,546.00	36,337,500.00	YES
Turkana university college	Education	100,800,000.00	36,588,470.00	YES
South Eastern Kenya University	Education	711,773,870.00	63,930,908.00	YES
Pwani University	Education	666,651,346.00	12,500,000.00	YES
The Chuka University	Education	985,801,794.00	0	YES
Kisii University	Education	986,163,685.00	64,108,144.00	YES
Laikipia University of Technology	Education	713,718,028.00	1,400,000.00	YES
Dedan Kimathi University of Technology.	Education	620,581,841.00	55,057,636.00	YES
Meru University of Science and Technology.	Education	614,006,384.00	13,356,900.00	YES
Multimedia University of Kenya	Education	482,830,991.00	20,774,992.00	YES
Maasai Mara University	Education	766,204,480.00	54,072,500.00	YES
University of Kabianga	Education	709,266,177.00	53,607,066.00	YES
University of Eldoret	Education	1,539,170,454.00	24,375,000.00	YES
Karatina University	Education	700,742,072.00	28,961,458.00	YES
Jaramogi Oginga Odinga University of Science and Technology	Education	834,681,762.00	50,875,000.00	YES
Commission for Universities Education	Education	227,497,163.00		YES
Biosafety Appeals Board	Education	26,851,765.00		YES
National Research Fund	Education	1,644,869,505.70		YES

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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 reconciliation done? Yes/No
Kenya National Innovation Agency (KENIA).	Education	14,072,758.00		YES
University Funding Board	Education	27,246,195.00		YES
Higher Education Loans Board (HELB)/CURRENT GRANT	Education	228,055,500.00		YES
Directorate of Higher Education	Education	10,486,000,000.00		YES
The Kenya Universities and Colleges Central Placement Services	Education	30,000,000.00		YES
National Commission for Science Technology and Innovation	Education	270,904,320.00		YES
AIA COMPONENT	Education	28,550,856,411.00		YES
Science and Technology Programme Activities	Education		78,288,560.25	YES
University Education Management System Infrastructure	Education		38,229,122.75	YES
TOTAL		75,341,178,939.70	1,443,309,500.00	
Other capital grants	TURKANA UNIVERSITY		170,000,000.00	
GROSS EXPENDITURE			1,613,309,500.00	

ANNEX 5–A.I.A COLLECTION FY 2017/2018

A I A COLLECTION SUMMARY JUN 2018	Budget	CUMULATIVE AIA	CAPTURED IN IFMIS
ALUPE UNIVERSITY COLLEGE		148,774,580.00	
BOMET UNIVERSITY COLLEGE		14,822,943.00	
CHUKA UNIVERSITY	576,178,142.00	981,060,094.00	576,178,142.00
COOPERATIVE UNIVERSITY OF KENYA	313,682,246.00	547,432,290.00	313,682,246.00
DEDAN KIMATHI UNIVERSITY	585,817,589.00	481,593,156.00	481,593,156.00
EGERTON UNIVERSITY	2,268,971,270.00	1,481,077,738.00	1,481,077,738.00
GARISSA UNIVERSITY COLLEGE	9,690,599.00	96,879,341.00	9,690,599.00
JARAMOGI ODINGA OGINGA UNIVERSITY	708,920,238.00	582,906,061.00	582,906,061.00
JOMMO KENYATTA UNIV.OF AGRIC&TECH	5,546,741,377.00	4,147,552,019.00	4,147,552,020.00
KAIMOSI UNIVERSITY COLLEGE		90,802,000.00	
KARATINA UNIVERSITY	382,130,000.00	290,741,383.00	290,741,380.00
KENYA UNIVERSITY AND COLLEGES CPS		342,214,842.00	
KENYATTA UNIVERSITY	6,630,860,914.00	5,267,432,901.66	5,267,432,902.00
KIBABII UNIVERSITY	241,494,449.00	543,294,301.00	241,494,449.00
KIRINYAGA UNIVERSITY	123,519,287.00	171,148,076.00	123,519,287.00
KISII UNIVERSITY	1,683,717,065.00	1,635,165,079.00	1,635,165,079.00
LAIKIPIA UNIVERSITY	414,816,848.00	344,758,486.00	344,758,486.00
MACHAKOS UNIVERSITY	301,112,786.00	377,906,321.00	301,112,786.00
MASAI MARA UNIVERSITY	422,625,774.00	446,073,812.00	422,625,774.00
MASENO UNIVERSITY	235,726,000.00	1,079,976,839.00	235,726,000.00
MASINDE MULIRO UNIVERSITY	1,113,439,000.00	1,065,951,135.00	1,065,951,135.00
MERU UNIVERSITY OF SCI&TECH	459,114,524.00	207,103,076.00	207,103,076.00
MOI UNIVERSITY	3,748,550,000.00	2,046,304,813.00	2,046,304,813.00
MULTIMEDIA UNIVERSITY OF KENYA	84,508,445.00	935,709,117.00	84,508,445.00
MURANGA UNIVERSITY COLLEGE	46,094,513.00	168,174,054.00	46,094,513.00
PWANI UNIVERSITY	435,175,524.00	233,410,000.00	233,410,000.00
RONGO UNIVERSITY	393,892,251.00	528,546,989.00	393,892,251.00
SOUTH EASTERN KENYA UNIVERSITY	309,300,000.00	269,381,298.00	269,381,298.00
TAITA TAVETA UNIVERSITY	158,932,363.00	125,349,960.00	125,349,960.00
TECHNICAL UNIVERSITY OF KENYA	801,324,711.00	404,566,361.00	404,566,361.00
TECHNICAL UNIVERSITY OF MOMBASA	760,614,335.00	408,592,060.00	408,592,060.00
TOM MBOYA UNIV COLLEGE		40,774,370.00	
TURKANA UNIVERSITY COLLEGE		7,320,414.00	

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A I A COLLECTION SUMMARY JUN 2018			
	Budget	CUMULATIVE AIA	CAPTURED IN IFMIS
UNIVERSITY OF ELDORET	998,837,876.00	796,701,906.00	796,701,906.00
UNIVERSITY OF EMBU	197,808,244.00	410,731,080.00	197,808,244.00
UNIVERSITY OF KABIANGA	415,826,258.00	502,667,691.00	415,826,258.00
UNIVERSITY OF NAIROBI	5,729,748,976.00	5,400,109,986.00	5,400,109,986.00
		-	28,550,856,411.00
HELB	2,506,928,396.00	1,695,954,258.00	1,695,954,258.00
	38,606,100,000.00	33,932,588,427.66	30,246,810,669.00

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
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes