




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



	
THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	
DATE: 23 FEB 2021	
DAY: TUESDAY	
TABLED BY:	Lom
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THE AUDITOR-GENERAL

ON

**SUPPORT TO ENHANCEMENT OF
 QUALITY AND RELEVANCE IN HIGHER
 EDUCATION, SCIENCE AND TECHNOLOGY
 PROJECT (ID NO. P-KE-IAD-001 - LOAN
 AGREEMENT NO.2100150027993)**

**FOR THE YEAR ENDED
 30 JUNE, 2020**

**STATE DEPARTMENT FOR
 UNIVERSITY EDUCATION**





Project Name: Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology

**Implementing Entity: Ministry of Education
(State Department for University Education)**

PROJECT GRANT/CREDIT NUMBER.ADF/2100150027993.

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2020**

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

**SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER
EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)**

**Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020**

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SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

**Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is: Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology (HEST) Project.

Objective: The key objective of the project is to improve quality and relevance in engineering faculties in line with Kenya's Vision 2030 priorities for Science Technology and Innovation (STI).

Address: The project headquarters offices:

Teleposta Towers, 26th Floor
Kenyatta Avenue, Nairobi
P. O. Box 9583-00200 Nairobi, Kenya.

Contacts: The following are the project contacts

Telephone: (+254) 0722464696
E-mail: kiburijames@yahoo.com
Website: www.scienceandtechnology.go.ke

1.2 Project Information

Project Start Date:	January 2013
Project End Date:	31 st December 2020
Project Manager:	Mr James Mwangi Kiburi
Project Sponsor:	African Development Bank

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education, State Department of University Education.
Project number	ADF Loan No.ADF/2100150027993
Strategic goals of the project	The strategic goals of the project are as follows: (i) The project will finance the purchase of identified equipment for existing laboratories/workshops in target faculties of engineering and applied sciences in eight universities: (ii) Capacity building of existing staff in engineering and applied sciences at Master's and Doctorate levels

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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	<p>(iii) The project will support the construction of a teaching, learning and experiential centre at WMI.</p> <p>(iv) The project will support creation of a comprehensive University education database, impact evaluation/research, and linking of Kenya National Examination Council (KNEC) database to the University Joint Admission Board (JAB) data and to Higher Education Loans Board (HELB) data.</p>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) Supply equipment to University of Nairobi, Dedan Kimathi, Masinde Muliro, Meru, Multimedia, Technical University of Mombasa, Technical University of Kenya and South Eastern Kenya University.</p> <p>(ii) Training of teaching staff in engineering and applied sciences programs. A total of 750 trainees are targeted comprising 550 Masters and 200 Doctorate and 250 of all trainees must be women.</p> <p>(iii) construction of a teaching, learning and experiential centre at WMI</p> <p>(iv) Establishment of a database.</p>
Other important background information of the project	The project is jointly funded by the GOK UA 8.03 million and ADB UA 28.00 million
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) The project aims to improve quality and relevance in engineering faculties in line with Kenya's Vision 2030 priorities for Science Technology and Innovation (STI) and human resource aspirations of the East Africa Community (EAC) integration.</p>
Project duration	The project started on 22 February 2013 and is expected to run until 31 st December 2020.

1.4 Banker

The project did not have a banker in the year under review. All payments were made directly by the Donor.

1.5 Independent Auditors

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

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
James Mwangi Kiburi	Deputy Director of Education	Masters	Project Manager
Evans Mugoya Atambo	Assistant Director of Education	Masters	Project implementation unit member
Robert Asumani	Assistant Accountant General	Masters, CPA	Ensuring payments are Processed, Preparation of Final Accounts, and Responding to Audit Queries.

1.7 Funding summary

The Project was initially for a duration of six (6) years from 2013 to 2019 with an approved budget of UA36.03 million (use donor currency) equivalent to Kshs.4,724,613,900 as highlighted in the table below, however an extension was sought and granted for one more year.

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date (30 June,2020)		Undrawn balance to date (30 June, 2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
ADfB: Direct Payments (African Development Bank)	UA28.00 Million	3,671,640,000	28,184,488	3,695,831,951	(184,488)	(24,191,151)
(ii) Counterpart funds						
Government of Kenya	UA8.03 Million	1,052,973,900	3,447,461	452,104,958	4,582,239	600,868,942
Total	UA36.03	4,724,613,900	31,632,249	4,147,936,909	4,397,751	576,676,990

Exchange rate 1 UA to Kshs.131.13 as at appraisal date July 2012.

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

Annual Reports and Financial Statements For the Financial Year Ended 30 June 2020

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the year ended on 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** accept responsibility for the Project'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.

The *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2020, and of the Project's financial position as at that date. The *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for the **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Education, State Department for University Education and the *Project Coordinator* for **Support To Enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) project** on 30 September 2020 and signed by them.



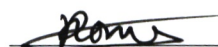
Amb. Simon Nabukwesi,

Principal Secretary



James M. Kiburi

Project Manager

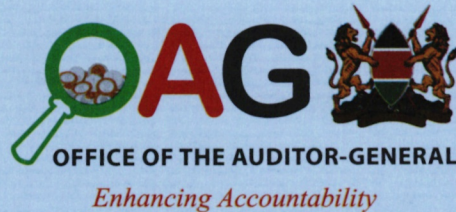


Robert A. Samuel

Assistant Accountant-General
ICPAK Member No.10100

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION, SCIENCE AND TECHNOLOGY PROJECT (ID NO. P-KE-IAD-001 - LOAN AGREEMENT NO.2100150027993) FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR UNIVERSITY EDUCATION

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology Project No. P-KE-IAD-001 set out on pages 1 to 18, which comprise the statement of financial assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology Project as at 30 June, 2020, 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 Loan Agreement No. 2100150027993 between the African Development Fund and the Republic of Kenya dated 6 December, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Defects and Delays in Plant and Equipment Supplies to Universities

As disclosed in Note 8.6 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.26,912,063 under acquisition of non-financial assets which relates to purchase of specialized plant, equipment and machinery.

Report of the Auditor-General on Support to Enhancement of Quality and Relevance in Higher Education, Science and Technology Project (No. P-KE-IAD-001 - Loan Agreement No.2100150027993) for the year ended 30 June, 2020 - State Department for University Education

As previously reported, the Project entered into supply contracts with various vendors for supply of specialized science and engineering equipment to selected public universities. Under the terms of the contracts, the vendors were to receive advance payments of 20% of their respective contract values upon submission of bank guarantees of equivalent amounts. A further 60% of the contract sum was to be paid after the equipment was shipped and relevant documents submitted to Management. The remaining 20% was to be paid upon receipt and acceptance of the items supplied.

As at 30 June, 2020, the project's cumulative expenditure on procurement of specialized plant, equipment and machinery totalled Kshs.2,751,344,354 from 2013/2014 financial year. However, records availed for audit revealed that the Project was expected to end by 31 December, 2020 and that equipment worth Kshs.119,572,617 was rejected by the respective Inspection and Acceptance Committees.

The Management explained that as a result of the delays by the suppliers in addressing the anomalies noted by the Inspection and Acceptance Committees, the Project Management through the State Department for University Education terminated the contracts and recalled the performance securities of eight (8) contracts from which Kshs.138,568,038 was recovered. This enabled the State Department to recover all the amounts that had been paid to suppliers as advance payments.

In view of the defective and unfulfilled supplies, it is not possible to confirm the accuracy of the cumulative expenditure of Kshs.2,751,344,354 reported under purchase of specialized plant, equipment and machinery as at 30 June, 2020. In addition, the Project may not be completed by the expected end date of 31 December, 2020 delaying service delivery to the citizens.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects similar figures for final budgeted and actual receipts and expenditure on comparable basis of Kshs.370,256,964

and Kshs.293,604,656 respectively resulting to under collection and under-expenditure of Kshs.76,652,308 or 21% of the budget for the year. The Project activities may not have been implemented as planned delaying service delivery to the citizens.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Fund, based on the audit procedures performed, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the 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 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 review 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

17 December, 2020


SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

**Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020**


4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/20		2018/19		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government Entities	8.3	149,044,233	-	76,656,100	-	452,104,958
Loan from Africa Development Bank	8.4	-	144,560,423	-	261,424,374	3,695,831,951
TOTAL RECEIPTS		149,044,233	144,560,423	76,656,100	261,424,374	4,147,936,909
PAYMENTS						
Purchase of goods and services	8.5	147,996,993	117,648,360	45,484,560	67,542,119	845,687,586
Acquisition of non-financial assets	8.6	1,047,240	26,912,063	31,171,540	193,882,255	3,302,249,323
TOTAL PAYMENTS		149,044,233	144,560,423	76,656,100	261,424,374	4,147,936,909
SURPLUS/DEFICIT		-	-	-	-	-


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


Amb. Simon Nabukwesi,

Principal Secretary


James M. Kiburi

Project Manager


Robert A. Samuel

Assistant Accountant-General
ICPAK Member No.10100

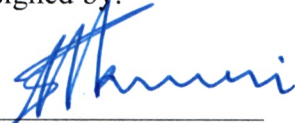
SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

*Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020*

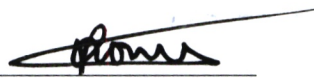
5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2020

	Note	2019/20	2018/19
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.7	-	-
Cash Balances	8.7	-	-
Cash Equivalents (Short Term Deposits)	8.7		
Total Cash and Cash Equivalents		-	-
Accounts receivables – Imprest and Advances	8.8	-	-
TOTAL FINANCIAL ASSETS		-	-
REPRESENTED BY			
Fund balance brought forward	8.9	-	-
Prior year adjustments	8.10	-	-
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2020 and signed by:


Amb. Simon Nabukwesi,


James M. Kiburi


Robert A. Samuel

Principal Secretary

Project Manager

Assistant Accountant-General
ICPAK Member No.10100

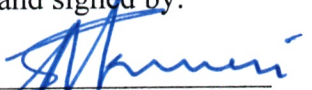
SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)


**Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020**


6. STATEMENT OF CASHFLOW AS AT 30 JUNE 2020

		2019/20	2018/19
	Note	Kshs	Kshs
Receipts for operating activities			
Transfer from Government entities	8.3	149,044,233	76,659,100
Proceeds from domestic and foreign grants		-	-
Payments for operating activities			
Purchase of goods and services	8.5	147,996,993	45,484,560
Social security benefits		-	-
Acquisition of Non-Financial Assets	8.6	1,047,240	31,171,540
Adjustments during the year		-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.4	144,560,423	261,424,374
Payments from foreign borrowings			
Purchase of goods and services	8.5	117,648,360	67,542,119
Acquisition of non-financial assets	8.6	26,912,063	193,882,255
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2020 and signed by:


Amb. Simon Nabukwesi,
Principal Secretary


James M. Kiburi
Project Manager


Robert A. Samuel
Assistant Accountant-General
ICPAK Member No.10100

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

*Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020*


7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from government entities	230,000,000	(59,743,036)	170,256,964	149,044,233	21,212,731	88%
Loan from A/DB	200,000,000	-	200,000,000	144,560,423	55,439,577	72%
Total Receipts	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%
Payments						
Purchase of goods and services- GoK	180,000,000	(10,790,276)	169,209,724	147,996,993	21,212,731	87%
Acquisition of non-financial assets- GoK	50,000,000	(48,952,760)	1,047,240	1,047,240	-	100%
Purchase of goods and Services- Donor	173,087,937	-	173,087,937	117,648,360	55,439,577	68%
Acquisition of non-Financial Assets- Donor	26,912,063	-	26,912,063	26,912,063	-	100%
Total Payments	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%

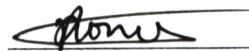
Note: The significant budget utilization/performance differences in the last column are explained in **Annex 1** to these financial statements.



Amb. Simon Nabukwesi
Principal Secretary



James M. Kiburi
Project Manager



Robert A. Samuel
Assistant Accountant-General
ICPAK Member No.10100


SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

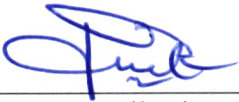
**Annual Reports and Financial Statements
For the Financial Year Ended 30 June 2020**

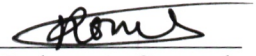
6. STATEMENT OF CASHFLOW AS AT 30 JUNE 2019

		2019/20	2018/19
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	8.3	149,044,233	76,659,100
Proceeds from domestic and foreign grants		-	-
Payments for operating activities			
Purchase of goods and services	8.5	147,996,993	45,484,560
Social security benefits		-	-
Acquisition of Non-Financial Assets	8.6	1,047,240	31,171,540
Adjustments during the year		-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.4	144,560,423	261,424,374
Payments from foreign borrowings			
Purchase of goods and services	8.5	117,648,360	67,542,119
Acquisition of non-financial assets	8.6	26,912,063	193,882,255
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2020 and signed by:


Amb. Simon Nabukwesi,
Principal Secretary


James M. Kiburi
Project Manager


Robert A. Samuel
Assistant Accountant-General
ICPAK Member No.10100


SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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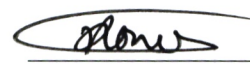
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from government entities	230,000,000	(59,743,036)	170,256,964	149,044,233	21,212,731	88%
Loan from AfDB	200,000,000	-	200,000,000	144,560,423	55,439,577	72%
Total Receipts	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%
Payments						
Purchase of goods and services- GoK	180,000,000	(10,790,276)	169,209,724	147,996,993	21,212,731	87%
Acquisition of non-financial assets- GoK	50,000,000	(48,952,760)	1,047,240	1,047,240	-	100%
Purchase of goods and Services- Donor	173,087,937	-	173,087,937	117,648,360	55,439,577	68%
Acquisition of non-Financial Assets- Donor	26,912,063	-	26,912,063	26,912,063	-	100%
Total Payments	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%

Note: The significant budget utilization/performance differences in the last column are explained in **Annex 1** to these financial statements.


Amb. Simon Nabukwesi
Principal Secretary


James M. Kiburi
Project Manager


Robert A. Samuel
Assistant Accountant-General
ICPAK Member No.10100

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

***Annual Reports and Financial Statements
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8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

8.1.2. Reporting entity

The financial statements are for the Project Support of Enhancement of Quality and relevance in Higher Education science and Technology under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

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

• **Transfers from the Exchequer**

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

• **External Assistance**

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

***SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER
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***Annual Reports and Financial Statements
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Significant Accounting Policies (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• Other receipts

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

b) Recognition of payments

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

• Compensation of employees

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

• Use of goods and services

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

• Interest on borrowing

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

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***Annual Reports and Financial Statements
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Significant Accounting Policies (Continued)

• **Repayment of borrowing (principal amount)**

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

• **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 consolidated financial statements.

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

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**Annual Reports and Financial Statements
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Significant Accounting Policies (Continued)

a) 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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

b) 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 Project 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.

c) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

d) Third party payments

Included in the receipts and payments, are payments made on its behalf by 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 column in the statement of receipts and payments. During the year, an equivalent of kshs 144,560,423 being loan disbursements were received in form of direct payments from third parties.

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Significant Accounting Policies (Continued)

a) Exchange rate differences

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

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2020.

d) 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.

**SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. TRANSFER FROM GOVERNMENT ENTITIES

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

	2019/20	2018/19	Cumulative
	Kshs.	Kshs.	to-date
Counterpart funding through Ministry of Education	149,044,233	76,656,100	452,104,958

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS - AfDB

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury from donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY 2019/20	FY 2018/19
			Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)						
			--	-	-	-
Loans Received from Multilateral Donors (International Organizations)						
Africa Development Bank		UA 1,102,421	-	144,560,423	144,560,423	261,424,374
Total		UA 1,102,421		144,560,423	144,560,423	261,424,374

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5. PURCHASE OF GOODS AND SERVICES

	2019-2020		2018-2019		Cumulative to date
	Payments made by the Entity in Cash	Payments made by third parties	Payments made by the Entity in Cash	Payments made by third parties	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	6,785,020	-	-	-	15,246,120
Consultancy	-	-	-	-	122,490,363
Training Payments	137,414,176	117,648,360	45,484,560	67,542,119	637,666,778
Printing Advertisement & Information supply services	-	-	-	-	1,361,416
Other operating payments	3,797,797	-	-	-	68,923,009
Total	147,996,993	117,648,360	45,484,560	67,542,119	845,687,586

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
8.6. ACQUISITION OF NON-FINANCIAL ASSETS**

	2019-2020		2018-2019		Cumulative to date
	Payments made by the Entity in Cash	Payments made by third parties	Payments made by the Entity in Cash	Payments made by third parties	
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of buildings	1,047,240	-	31,171,540	43,851,630	535,580,354
Purchase of vehicles & other transport equipment	-	-	-	-	11,716,188
Purchase of computers & office equipment	-	-	-	-	2,853,603
Purchase of office furniture & general equipment	-	-	-	-	754,824
Purchase of specialised plant, equipment and machinery	-	26,912,063	-	150,030,625	2,751,344,354
Total	1,047,240	26,912,063	31,171,540	193,882,255	3,302,249,323

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 8.7A)	-	-
Cash equivalents (short-term deposits) (Note 8.7B)	-	-
Total	=	

The project had no dedicated bank accounts during the year of review. Direct payments were made directly by the donor while GoK counterpart funding payments were made through the State Department's main development account.

8.7 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	-	=
Total bank account balances	-	=

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7B Cash equivalents (short-term deposits)

	2019/20	2018/19
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
	-	-
Total	=	=

8.8. OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
Total	=		-	-	-

8.9. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

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EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8. PRIOR YEAR ADJUSTMENT

	2019/20	2018/19
	KShs	KShs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Receivables - Outstanding Imprests	-	-
Total	=	=

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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9. 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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Equipment not delivered/installed	Equipment worth Kshs.42,670,715.50 delivered/installed inspected and accepted by inspection and acceptance committee in February and October 2020	Mr James Kiburi, Project Manager.	Awaiting review/feedback on review by the office of the Auditor General.	TBD by OAG
1.2	Equipment with missing parts/accessories	Missing parts and accessories for Equipment worth Kshs. 24,674,775.32 were supplied and accepted by the inspection Committee in February and October 2020.	Mr James Kiburi, Project Manager.	Awaiting review/feedback on review by the office of the Auditor General	TBD by OAG
1.3	Equipment not as per user specifications	Equipment worth Kshs. 10,991,558.69 were inspected and accepted by the inspection and acceptance	Mr James Kiburi, Project Manager.	Awaiting review/feedback on review by the	TBD by OAG

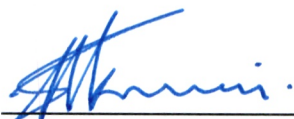
SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		committee after replacement of those that did not meet specifications.		office of the Auditor General	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Amb. Simon Nabukwesi
Principal Secretary



James M. Kiburi
Project Manager

SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER EDUCATION SCIENCE AND TECHNOLOGY (HEST PROJECT)

**Annual Reports and Financial Statements
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10. ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from government entities	230,000,000	(59,743,036)	170,256,964	149,044,233	21,212,731	88%
Loan from AfDB	200,000,000	-	200,000,000	144,560,423	55,439,577	72%
Total Receipts	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%
Payments						
Purchase of goods and services-GoK	180,000,000	(10,790,276)	169,209,724	147,996,993	21,212,731	87%
Acquisition of non-financial assets-GoK	50,000,000	(48,952,760)	1,047,240	1,047,240	-	100%
Purchase of goods and services- Donor	173,087,937	-	173,087,937	117,648,360	55,439,577	68%
Acquisition of Non-financial assets - Donor	26,912,063	-	26,912,063	26,912,063	-	100%
Total Payments	430,000,000	(59,743,036)	370,256,964	293,604,656	76,652,308	79%

The budget herein comprises of the two budget lines for the HEST Project i.e vote 1065-1001-01 Support for Enhancement of Quality higher Education in Science and Technology and vote 1065-1041-04-Construction of Wangari Maathai Institute of peace and Environmental studies which is part of the HEST Project.

The total actual on comparable basis figure of Kshs.293,604,308 is made up of GoK counterpart payments of Kshs.149,044,233 plus direct payments by the donor of Kshs.144,560,423. The significant budget utilisation/performance differences in the last column are explained below:

***SUPPORT TO ENHANCEMENT OF QUALITY AND RELEVANCE IN HIGHER
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***Annual Reports and Financial Statements
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The variance between budget and actual on purchase of goods and services is because payments were made on the basis of invoices produced upon delivery of services. As at the end of the period being reported only those invoices which had been presented were processed for payment.