

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 23 FEB 2021

DAY:

TUESDAY

OF
TABLED
BY:

CLERK-AT
THE-TABLE:

L O M

Moses Lemuna

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**ESTABLISHMENT OF KENYA ADVANCED
INSTITUTE OF SCIENCE AND
TECHNOLOGY (KAIST) PROJECT
NO. KEN-4 - MINISTRY OF EDUCATION**

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

**STATE DEPARTMENT FOR UNIVERSITY
EDUCATION**



**Project Name ESTABLISHMENT OF KENYA ADVANCED INSTITUTE OF SCIENCE AND
TECHNOLOGY PROJECT**

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

PROJECT GRANT/CREDIT NUMBER EDCF LOAN No. KEN-4

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)**

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

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

Objective: The key objective of the project is

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

Address: The project headquarters offices are in Nairobi city, Nairobi County, Kenya.

Headquarters

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

The project also has offices as follows:

Directorate of University Education
Teleposta towers
Kenyatta Avenue
Nairobi

Contacts: The following are the project contacts

Telephone: (+254722640924)
Email: evans.atambo@education.go.ke

1.2 Project Information

Project Start Date:	The project start date is 28 th December 2017
Project End Date:	The project end date is 27 th December 2020
Project Manager:	The project manager is Mr. Evans Atambo

**Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Reports and Financial Statements
For the year ended 30 June 2020**

Project Sponsor:	The project sponsor is: Export- Import Bank of Korea. (Government Agency for
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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	EDCF loan No. KEN-4
Strategic goals of the project	The strategic goals of the project are as follows: (i) To provide high quality education in science and Technology so as to generate high skilled engineers and scientists with both theory and practical knowledge. (ii) To conduct socially relevant Research and Development thereby improving national competitiveness and transform Kenya into knowledge-based economy.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Establishing and appropriately equipping of a new advanced and independent university and introduce therein, a truly innovative approach to higher education science and technology. (ii) Formulating a curriculum different from the one in existing universities in such a manner that it will emphasise on applied science and technology, problem solving skills and hands on experience.
Other important background information of the project	The project is in line with the government of Kenya long term strategic development plan outlined in Kenya Vision 2030 which aims at transforming Kenya into a newly industrialised middle-income country by 2030. Since one of the major factors in achieving the vision is the utilisation of science and technology to fast track modernisation, the project was envisioned and developed to assist in boosting of this factor.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) To fill the gap in existing institutions which have a deficiency in provision of high-quality science and technology education and research causing many students to give up on Science, Technology, Engineering and Mathematics (STEM) carriers or to leave the country for better education opportunities abroad.
Project duration	The project started on 28 th December 2017 and is expected to run until 27 th December 2020

1.4 Bankers

The project did not have a banker in the year under review. All donor payments were made directly by the donor while GoK counterpart funds were paid through the State Department of University Education's development bank account.

1.5 Auditors

Auditor- General, Kenya
Anniversary Towers
P.O. Box 30084-00100,
Nairobi

Principal Legal Advisor
The Attorney General
State Law Office
Harambee Avenue
P O Box 40112-00200
Nairobi,kenya

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
Evans M. Atambo	Assistanst Director of Education	Masters in Education	Project co-ordination at the Ministry.
Robert A.Samuel	Assistant Accountant General	Masters, CPA(K),	Ensure Processing payments for project activities, Preparation of project Financial statements.

**Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project
Reports and Financial Statements
For the year ended 30 June 2020**

1.7 Funding summary

The Project is for duration of three years from December 2017 to December 2020 with an approved budget of US\$ 136,392,000 equivalent to KShs 13,952,669,734 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	<i>Usd</i>	<i>KShs</i>	<i>(USD)</i>	<i>KShs</i>	<i>(USD)</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
The Export-Import Bank of Korea.(Government Agency of the EDCF)	94,697,000	9,687,342,115	4,913,163	461,135,997	89,783,837	9,226,206,118
(ii)Counterpart funds						
Government of Kenya	41,695,000	4,265,327,619	30,268	2,840,929	41,664,732	4,262,486,690
Total	136,392,000	13,952,669,734	4,493,431	463,976,926	131,448,569	13,488,692,808

1.8 Summary of Overall Project Performance:

- The year under review had a budget of Kshs. 230,013,096/-. Ninety three percent of the budget was utilised for project activities.
- The projects architectural and curriculum designs consultants have already been procured.
- During the year under review, payments to the consultants were made as per the contract agreement. This was to be done after final detailed design report was presented. A second milestone payment was also made upon submission of bidding documents as provided in the contract. Value for money on these payments were therefore achieved.
- The year under review was the first year for the project where activities related to payments were involved. The absorption rate during the year under review was 93%
- During the Financial year 2019/2020, a Gok counterpart funding of kshs 30,013,096 was included in the budget. It was majorly used in the purchase of goods and services category.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary of the State Department of University Education, and the Project Coordinator for the Establishment of Kenya Advanced Institute of Science and Technology project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (2019/2020) 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.

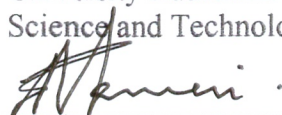
The Principal Secretary for the State Department of University Education and the Project Coordinator for Establishment of Kenya Advanced Institute of Science and Technology project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

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

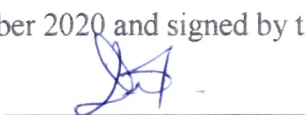
Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary State Department of University Education and the Project Coordinator for Establishment of Kenya Advanced Institute of Science and Technology on 30th September 2020 and signed by them.



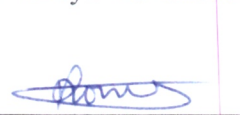
Amb. Simon Nabukwesi

Principal Secretary



Evans M Atambo

Project Manager

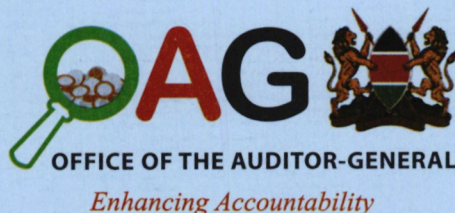


CPA Robert A. Samuel

Assistant Accountant General
ICPAK Member No. 10100

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR GENERAL ON ESTABLISHMENT OF KENYA ADVANCED INSTITUTE OF SCIENCE AND TECHNOLOGY (KAIST) PROJECT NO. KEN-4 FOR THE YEAR ENDED 30 JUNE, 2020 - MINISTRY OF EDUCATION- STATE DEPARTMENT FOR UNIVERSITY EDUCATION

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Establishment of Kenya Advanced Institute of Science and Technology Project set out on pages 1 to 15, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Establishment of Kenya Advanced Institute of Science and Technology Project as at 30 June, 2020, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the terms of Loan Agreement No.KEN-4 of 28 December, 2017 between the Republic of Korea through the Export Import Bank of Korea(Government Agency for the Economic Development Cooperation Fund, EDCF) and the Government of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Establishment of Kenya Advanced Institute of 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 Economic Development Cooperation Fund (EDCF) Loan Agreement No.KEN-4, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the 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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 Projects 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

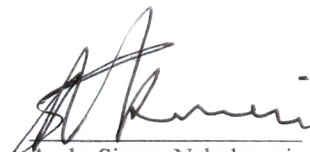
Nairobi

23 December, 2020

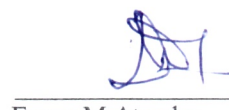
3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		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	2,840,929	-	-	-	2,840,929
Loan from external development partners	8.4	-	211,135,997	-	250,000,000	461,135,997
TOTAL RECEIPTS		2,840,929	211,135,997	-	250,000,000	463,976,926
PAYMENTS						
Purchase of goods and services	8.5	2,448,929	-	-	-	2,448,929
Acquisition of non-financial assets	8.6	392,000	211,135,997	-	250,000,000	461,527,997
TOTAL PAYMENTS		2,840,929	211,135,997	-	250,000,000	463,976,926
SURPLUS/(DEFICIT)						

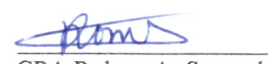
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Amb. Simon Nabukwesi

Principal Secretary


Evans M Atambo

Project Manager


CPA Robert A. Samuel

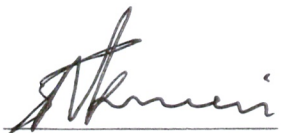
Assistant Accountant General
ICPAK Member No. 10100

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

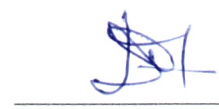
4. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.7.A	-	-
Cash Equivalents (short-term deposits)	8.7.B	-	-
Total Cash and Cash Equivalents		-	-
Accounts receivables – Imprest and Advances	8.8	-	-
TOTAL FINANCIAL ASSETS			
REPRESENTED BY			
Fund balance b/fwd	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 30th September 2020 and signed by:


Amb. Simon Nabukwesi

Principal Secretary


Evans M Atambo

Project Manager

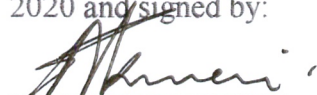

CPA Robert A. Samuel

Assistant Accountant General
ICPAK Member No. 10100

5. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019/2020	2018/2019
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating activities			
Transfer from Government entities	8.3	2,840,929	-
Payments for operating activities			
Purchase of goods and services	8.5	(2,448,929)	-
Acquisition of non Financial assets	8.6	(392,000)	
Adjustments during the year	8.10	-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM INVESTING ACTIVITIES			
Net cash flows from Investing Activities			-
CASHFLOW FROM BORROWING ACTIVITIES			
Receipts for borrowing activities			
Proceeds from Foreign Borrowings	8.4	211,135,997	250,000,000
Payments for borrowing activities			
Acquisition of Assets	8.6	(211,135,997)	(250,000,000)
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		-	-

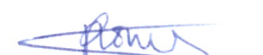
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September 2020 and signed by:


Amb. Simon Nabukwesi

Principal Secretary


Evans M Atambo

Project Manager


CPA Robert A. Samuel

Assistant Accountant General
ICPAK Member No. 10100

**6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30 JUNE 2020**

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	100,000,000	(69,986,904)	30,013,096	2,840,929	27,172,167	9.5
Proceeds from borrowings	500,000,000	(300,000,000)	200,000,000	211,135,997	11,135,997	105.6
Total Receipts	600,000,000	(369,986,904)	230,013,096	213,976,926	16,036,170	93
Payments						
Purchase of goods and services	100,000,000	(69,986,904)	29,621,096	2,448,929	27,172,167	8.3
Acquisition of non-financial assets	500,000,000	(300,000,000)	200,392,000	211,527,997	11,135,997	105.5
Total Payments	600,000,000	(369,986,904)	230,013,096	213,976,926	16,036,170	93

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



Evans M Atambo

Project Manager



CPA Robert A. Samuel

Assistant Accountant General
ICPAK Member No. 10100

7. 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 Establishment of Kenya Advanced Institute of 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.

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.

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 party deposits

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) 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.

g) 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.

h) 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 Kshs two hundred and eleven million one hundred and thirty five thousand nine hundred and ninety seven being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) 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.

k) Subsequent events

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

l) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. TRANSFER FROM GOVERNMENT OF ENTITIES

During the year under review, the project did not receive any counterpart funding from the Government.

	2019/2020	2018/2019	Cumulative to-date (from inception)
	KShs	KShs	
<i>Counterpart funding through the State department of University Education</i>			
Counterpart funds Quarter 1	522,429	-	522,429
Counterpart funds Quarter 2	746,900	-	746,900
Counterpart funds Quarter 3	657,800	-	657,800
Counterpart funds Quarter 4	913,800	-	913,800
Total	<u>2,840,929</u>	=	<u>2,840,929</u>

8.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury 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	
					2019/2020	2018/2019
Loans Received from Bilateral Donors (Foreign Governments)		USD	KShs	KShs		
Loans Received from Multilateral Donors (International Organizations)						
The Export-Import Bank of Korea. (Government Agency of the EDCF)		2,078,646	-	211,135,997	211,135,997	250,000,000
Total		2,078,646		211,135,997	211,135,997	250,000,000

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	Total Payments		
	KShs	KShs	KShs	Kshs	KShs
Domestic travel and subsistence	2,442,700	-	2,442,700	-	2,442,700
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and – information supplies & services	6,229	-	6,229	-	6,229
Total	2,448,929	=	2,448,929	=	2,448,929

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	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Construction of buildings	211,135,997	-	211,135,997	250,000,000	461,135,997
Purchase of Computers	392,000	-	392,000	-	392,000
Total	211,527,997	-	211,527,997	-	461,527,997

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank accounts (Note 8.7A)	-	-
Cash equivalents (short-term deposits) (Note 8.7B)	-	-
Total	=	

The project had no bank accounts during the year of review. All payments were made through direct payments by the donor.

8.7 A Bank Accounts

Project Bank Accounts

	2019/2020	2018/2019
	KShs	KShs
Local Currency Accounts		
Central Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	-	=
Total bank account balances	-	=

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7 B Cash equivalents (short-term deposits)

	2019/2020	2018/2019
	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 2019/2020</i>	<i>Balance 2018/2019</i>
Total	=		-	-	-

8.9. FUND BALANCE BROUGHT FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank accounts	-	
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.10. PRIOR YEAR ADJUSTMENT

	2019/2020	2018/2019
	KShs	KShs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Receivables - Outstanding Imprests	-	-
Total	=	=

9 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The year under review is the second of the project being funded and audited. There are no prior audit issues to be addressed.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A	N/A



Amb. Simon Nabukwesi

Principal Secretary



Evans M Atambo

Project Manager



CPA Robert A. Samuel

Assistant Accountant General
ICPAK Member No. 10100

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	30,013,096	2,840,929	27,172,167	9.4	The low absorption was caused by lack of funding of the development budget by the exchequer to meet the project's projected procurement plan objectives for the year.
Proceeds from borrowings	200,000,000	211,135,997	(11,135,997)	105.5	The over expenditure was caused by downward adjustment of the line item in the supplementary budget which occurred after expenditure had been incurred.
Total Receipts	230,013,096	213,976,926	16,036,170	93	
Payments					
Purchase of goods and services	30,013,096	2,448,929	27,564,167	8.3	The low absorption was caused by lack of funding of the development budget by the exchequer to meet the project's projected procurement plan objectives for the year.
Acquisition of non-financial assets	200,000,000	211,976,926	(11,976,926)	105.8	The over expenditure was caused by downward adjustment

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					of the line item in the supplementary budget which occurred after expenditure had been incurred.
Total payments	230,013,096	213,976,926	16,036,170	93	

