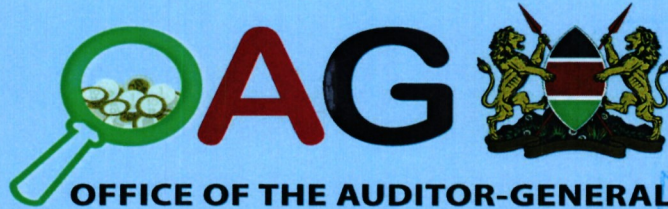
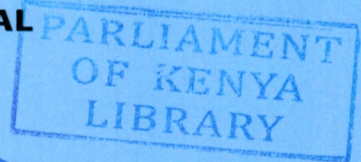


REPUBLIC OF KENYA

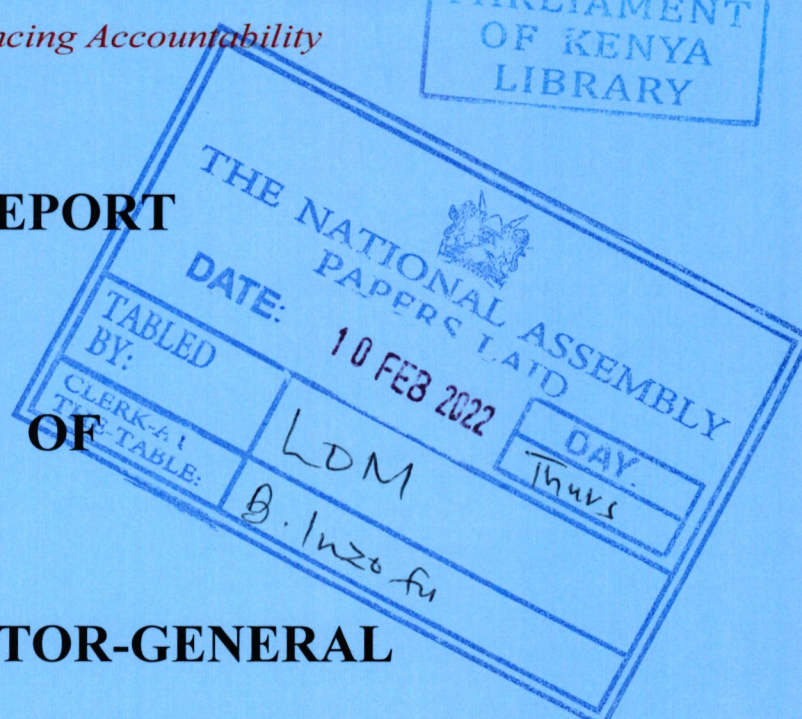


OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT



OF

THE AUDITOR-GENERAL

ON

**EASTERN AND SOUTHERN AFRICA
HIGHER EDUCATION CENTRES OF
EXCELLENCE (ACE II) PROJECT
(CREDIT NO.5798-KE)**

**FOR THE YEAR ENDED
30 JUNE, 2021**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

22 DEC 2021

RECEIVED

**PROJECT NAME: EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION
CENTERS OF EXCELLENCE (ACEII) PROJECT**

**IMPLEMENTING ENTITY: MINISTRY OF EDUCATION
STATE DEPARTMENT FOR UNIVERSITY EDUCATION**

PROJECT CREDIT NUMBER: 5798-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2021**

**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 Project Information and Overall Performance

a) Name and Registered Office

Name: The project's official name is Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) project.

Objective: The key objective of the project is to strengthen selected Eastern and Southern Africa Higher Education Institutions to deliver quality post graduate education and build collaborative research capacity in the regional priority areas. In Kenya, the selected implementing institutions are: Moi, Jaramogi Oginga Odinga and Egerton universities.

b) Address: The project headquarters office is located in

Nairobi County, Kenya.
The address of its registered office is:
Ministry of Education Headquarters,
Jogoo House 'B'
Harambee Avenue
P.O.Box 9583-00200, Nairobi.

The project also has offices/branches as follows:

- Moi University- Project implementation
- Jaramogi Oginga Odinga University – Project implementation
- Egerton University- project implementation

c) Contacts: The following are the project contacts

Telephone: (+254) 722586164
E-mail: paul.mungai@yahoo.com

1.2 Project Information

Project Start Date:	The project start date is 01.02.2017
Project End Date:	The project end date is 31.12.2022
Project Manager:	The project manager is Mr Paul Mungai
Project Sponsor:	The project sponsor is International Development Association

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Education Ministry. (State Department for University Education)
Project number	IDA Credit 5798-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To strengthen selected eastern and southern Africa higher education institutions to deliver quality post graduate education and build collaborative research capacity in the regional priority areas.
Achievement strategic goals of	The project management aims to achieve the goals through the following means: (i) Build institutional capacity to provide quality post graduate education with relevance to the labour market. (ii) Develop and enhance partnerships with other academic institutions (national, regional and international) to pursue academic excellence. (iii) Develop and enhance partnerships with industry and private sector to generate greater impact.
Other important background information of the project	The project is in line with vision 2030, objectives for relevance in education to assist the country attain mid-level industrialization.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) The project was formed to address the issue of few skilled post graduates being produced in Sub Saharan Africa especially in Science & Technology in order to meet the requirements for expansion and diversifying the region's economy. (ii) Apart from addressing the issue of few numbers of graduates being produced in Science, Technology and Mathematics in the region, the project seeks to address the issue of relevance and quality of courses offered which are currently contributing to a mismatch between the graduates produced and the labour market requirements especially in science and technology courses.
Project duration	The project was effective as from 1 st February 2017 and is expected to run until 31 December 2022

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Reports and Financial Statements
For the year ended 30 June 2021**

1.4 Bankers

The following are the Bankers for the current financial year

- i. Central Bank of Kenya (for State Department of University Education)
- ii. Central Bank of Kenya (US Dollar Special Project Account for receiving donor funds)

1.5 Auditor

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

1.6 Roles and Responsibilities

The following table summarises the different people who will be working on the project. This list includes the project manager and all the key stakeholders who will be involved with the project.

Names	Title designation	Key qualification	Responsibilities
Amb. Simon Nabukwesi, CBS	Principal Secretary	Masters	Chairing of the National steering committee of the project. Overall policy direction on the management of the project.
Paul Mungai	Deputy Director of Education	Masters	Project Coordination at the Ministry.
Prof. Ambrose. K Kiprop	Professor	Professor	Center Leader-PTRE Project: Moi University.
Prof. Darius Andika	Acting Director	Professor	Center Leader- INSEFOODS Project: Jaramogi Oginga Odinga University.
Prof. George Owuor	Professor	Professor	Center Leader-CESAAM Project Egerton University.
CPA Robert A. Samuel	Assistant Accountant General	Masters;), CPA(K)	Withdrawal Application, Processing payments for disbursements from Ministry to the various project accounts. Preparation of Financial Statements.
Bernard Were	Project Accountant	Bachelors degree(Accounting Option)	Processing of payments

Funding summary

The Project duration is six years from 2017 to 2022 with an approved budget of XDR13.7 Million equivalents to Kshs. 1,917,405,000 as highlighted in the table below

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Reports and Financial Statements
For the year ended 30 June, 2021*

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June, 2021)		Undrawn balance to date –(30 June, 2021)	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A)-(B)
i. Loan						
International Development Association of the World bank	12,800,000	1,826,100,000	8,054,682	1,173,014,641	4,745,318	653,085,358
ii) Counterpart funds						
Government of Kenya	626,960	91,305,000	273,744	39,865,684	353,216	51,439,315
Total	13,426,960	1,917,405,000	8,328,426	1,212,880,325	5,098,534	704,524,675

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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For the year ended 30 June 2021*

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June, 2021)		Cumulative Amount paid to date – (30 June, 2021)		Unutilised balance to date (30 June, 2021)
	Donor currency (A)	Kshs (A')	Kshs (B')	Donor currency (A)-(B)	
(i) Loan					
International Development Association	8,054,682	1,173,014,641	1,173,014,641	4,745,318	653,085,358
(ii) Counterpart funds					
Government of Kenya	273,744	39,865,684	39,865,684	253,216	51,439,315
Total	8,328,426	1,212,880,325	1,212,880,325	4,998,534	704,524,673

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Summary of Overall Project Performance:

During the year under review the project utilised 76% of the GoK budget and 80% of donor budget provided.

The project is progressing well and on course. All the implementing entities have since achieved various Direct linked results, have the results verified and been able to get funds on time for their activities.

The Disbursements made to the universities are as a result of having achieved results which are measurable and / verified by independent verifiers. There is therefore value for all funds disbursed for this particular project.

1.8 Summary of Project Compliance:

Since commencement of the project, it has not had any instances of non- Compliance. Implementation of the project is done by the three centres of excellence in Kenya.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVE

Introduction

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

The key development objectives of the *project's agreement/* plan are to:

- a) Build institutional capacity to provide quality post-graduate education with relevance to the labour market;
- (b) Build institutional capacity to conduct high quality applied research, relevant to addressing key development challenge/priority;
- (c) Develop and enhance partnerships with industry and the private sector to generate greater impact
- (d) Develop and enhance partnerships with other academic institutions (national, regional and international) to pursue academic excellence.
- (e) Improve governance and management of the institution and set up a role model for other higher education institutions; and
- (f) Deliver outreach, and create an impact, to society by delivering excellent teaching and producing high quality applied research.

Progress on attainment of Strategic development objectives

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

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Reports and Financial Statements
For the year ended 30 June 2021**

Project	Objective	Out Come	Indicator	Performance (20/21)
Eastern and Southern Africa Higher Education Centres of Excellence	Project meets the criteria for regional IDA allocation	Institutional readiness	Direct Link Result 1.1: Completion of Effectiveness Conditions	All the three projects achieved effectiveness in the first year. Direct Link Result for a Total USD 1,800,000
			Direct Link Result 1.2 Development of the Project Implementation Plans	All the three projects developed implementation plans. Direct Link Result for a Total USD 1,500,000
	Build institutional capacity to provide quality post-graduate education with relevance to the labor market;	Excellence in education and research capacity and development impact	Direct Link Result 2.2 Number of students (both national and regional) enrolled by the ACEs in Master's and PhD programs	Total Students Enrolled 578 Postgraduate Students (161 PhD, 417 Msc.) Total short courses Trainees : 732 trainees
			Direct Link Result 2.3 Number of accreditation of Programmes	Number of reviewed programmes accredited with Commission for University Education: 16. Number of new programmes with national accreditation: 14 Total National: 30 Number of accredited internationally: 3 PhD, 1 Msc, 2 Msc programmes awaiting accreditation. Total International: 4
			Direct Link Result 2.5 Number of peer reviewed journals published	379 peer reviewed journals published
			Direct Link Result 2.7 Externally Generated funds	Total externally generated funds USD: 4,902,012

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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			Direct Link Result 2.8 PASET Benchmarking –	PTRE Achieved Benchmarking @ USD 100,000 CESAAM (Verification successfully done in this quarter with 98% achievement). INSEFOODS (The center has met the threshold of benchmarking Exercise, with 85% of the required institutional performance data and 98% of the required institutional health data submitted and verified).
	Develop and enhance partnerships with industry, the private sector to generate greater impact	Partnerships with with industry and the private sector to generate greater impact	Direct Link Result 2.4 Number of partnerships with industry and the private sector to generate greater impact	Total number of MOUs signed: 42
	Develop and enhance partnerships with other academic institutions (national, regional and international) to pursue academic excellence.	Partnerships with other academic institutions (national, regional and international) to pursue academic excellence	Direct Link Result 2.6 Number of Staff and Student Exchange undertaken	Total Number of staff and student exchange : 195
	Improve governance and management of the institution	Timely, transparent and institutionally reviewed Financial Management	Direct Link Result 3.1: Timely withdrawal applications	The centers have achieved total withdrawal of : USD 90,000
Direct Link Result 3.2: Functioning Audit committee			The centers have Functioning Council Audit committees. Have withdrawn a total of: USD 45,000	

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Reports and Financial Statements
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			CESAAM: (Successfully verified for years 1&2, audits done for year 3-2019/2020 with unqualified opinion.
		Direct Link Result 3.3 Functioning Internal Audit unit	The centers have Functioning Internal Audit unit. Have withdrawn a total of :USD 45,000
		Direct Link Result 3.4 Transparency of Financial Management	The centers have achieved a total withdrawal of :USD 45,000
	Timely and audited Procurement	Direct Link Result 4.1 Timely procurement audit	This Direct Link Result was verified for only Y1&2. Total disbursed: USD 30,000
		Direct Link Result 4.2 Timely and Satisfactory Procurement Process	This DLR was verified for Y1&2. Total disbursed USD 30,000.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

i) Sustainability strategy.

To ensure operational sustainability, of the project, the following are areas of focus;

a) Institutionalization

The centres are designed to be part of the higher education institutions whereby the bulk of the staff are employees of the universities. The project complements with the facilities of the university such as library, offices, laboratories and equipment among others. University management provide an enabling environment for the centres to operate effectively and efficiently. Assets from the project will form part of university infrastructure and they will be utilized appropriately and well-maintained using university resources.

b) Capacity building

The project has highly skilled human resource who will be involved in implementation of the project. This expertise will be instrumental in capacity building, operation of the equipment as well as maintenance. The centres will also continue to offer short-courses targeting business community, industry and other higher education institutions, which will be a source of revenue.

c) Resource mobilization

Performance based financing model makes the universities attract more resources, whereby the record of accomplishment of the milestones makes the project to attract more funding. The centres will continue develop fund-raising capacity and innovative ways to generate revenue to support their development needs. Moreover, the innovations from the incubation will earn the centres royalties where they will own some equity from the start-ups in the incubation hub. The core team members of the project could also form a consortium, which will be involved in consultancies to attract funds for the centre. Accredited programmes by the project is open for self-sponsored students both local and international students who could enrol, fee paying hence earn the university income and increase its visibility.

d) Partnerships and collaboration

The project aims to strengthen institutions through a strong focus on building collaborations and networks among the participating project and their host institutions, as well as partnerships with other public institutions and the private sector. The existing partnerships and collaborations between private and public institutions will be strengthened and new ones established. This will enhance sharing of resources, complementarity of service delivery, knowledge sharing and revenue generation.

e) Stakeholder involvement

Engagement of stakeholders promotes continuity of services and goods from research undertakings. Stakeholders will form a key role in product development and uptake thus enhances commercialization.

ii) Environmental Performance.

The project primarily focused on quality enhancements of the faculty skills, curriculum development and improvement of learning resources. Environmental impacts of the project is low since there is no new land acquisition for the project. The centres are located within the existing institutions. However, some of the project undertook some rehabilitation and extensions of the facilities in the institution. Construction capped at a maximum of 25 percent of the funding. Each selected center prepared an Environmental and Social Management Plan (ESMP) that was reviewed by the Bank Safeguards specialist and cleared. The ESMPs have been disclosed in each institution in the country, and by the Bank. Safe disposal of Asbestos removed from graduate student's hostels during renovation was undertaken through National Environment Management Authority (NEMA) approval at Egerton University.

iii) Community engagement

One of the project development objective was to deliver outreach, and create an impact, to the society by delivering excellent teaching and producing high quality applied research. This has been achieved through involvement in the community activities and trainings. For instance, PTRE has conducted 2 outreach activities to Small Medium Enterprises (SMEs) to improve the cottage textile industry through application of natural dyes and installation biogas unit at the community level. At Egerton University, the seeds of gold program help in the knowledge dissemination.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Education, State Department of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellent (ACEII) 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 ended on June 30, 2021. 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 of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centers of Excellent (ACEII) 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 of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centers of Excellent (ACEII) 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 June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Education, State Department of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centers of Excellent (ACEII) 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 of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centers of

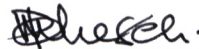
Excellent (ACEII) Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

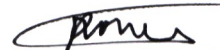
The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of University Education and the Project Coordinator for Eastern and Southern Africa Higher Education Centers of Excellent (ACEII) Project on **30 September, 2021** and signed by them.



Amb. Simon Nabukwesi, CBS
Principal Secretary



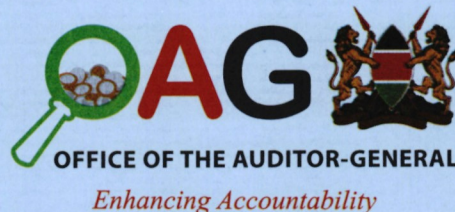
Paul Mungai
Project coordinator



CPA Robert A. Samuel
Assistant Accountant General
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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTRES OF EXCELLENCE (ACE II) PROJECT (CREDIT NO.5798-KE) FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Eastern and Southern Africa Higher Education Centers of Excellence (ACE II) Project (Credit No.5798-KE) set out on

pages 1 to 27, which comprise the statement of receipts and payments for the year ended 30 June, 2021, statement of financial assets as at 30 June, 2021, statement of cash flow for the period 30 June, 2021, statement of comparative budget and actual amounts, significant accounting policies, other important disclosures, progress on follow up of prior year's auditors recommendations, annexes and appendices 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 Eastern and Southern Africa Higher Education Centers of Excellence (ACE II) Project as at 30 June, 2021, 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 Financing Agreement No.5798-KE dated 4 July, 2016 between the International Development Association and the Republic of Kenya.

In addition, in my opinion, the accompanying special account statement present fairly, in all material respects, the funds received and disbursements made from the special account of the Project for the period ended 30 June, 2021.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Eastern and Southern Africa Higher Education Centres of Excellence 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Loss of Project Vehicle

As previously reported, and as disclosed in Annex 2- the Summary of Fixed Assets to the financial statements reflects a balance of Kshs.26,165,933 in respect of acquisition of non-financial assets on page 25, out of which Kshs.22,180,900 relates to purchase of vehicles and other transport equipment. Available information indicates that the Management acquired a Project vehicle - Toyota Fortuner Registration No. GK B193V at a cost of Kshs.8,355,900 in May, 2019. However, physical verification and motor vehicle records revealed that the vehicle was missing.

The Project Management explained that the vehicle was stolen, within days after purchase, in a carjacking incident and this was reported to the police.

In the circumstances, the Accounting Officer may not have put adequate measures to safeguard Project assets and consequently the citizens will not derive value from this vehicle.

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.

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, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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 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 Article 111.B of the Project appraisal report dated 5 May, 2016 and the Credit No.5798-KE dated 4 July, 2016 between the International Development Association and the Republic of Kenya, 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 annual report and 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 annual report and financial statements, Management is responsible for assessing the Projects' ability to continue to sustain 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 annual report and 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 Eastern and Southern Africa Higher Education Centres of Excellence financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December, 2021

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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For the year ended 30 June, 2021**

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2021.

Note	2020/2021		2019/2020		Cumulative to-date (From inception) KShs	
	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Total KShs	Receipts and payment controlled by the entity KShs		Payments made by third parties KShs
RECEIPTS						
1	12,946,471	-	12,946,471	1,305,600	1,305,600	39,865,684
2	371,699,611	-	371,699,611	185,752,531	185,752,531	1,173,014,641
TOTAL RECEIPTS	384,646,082	-	384,646,082	187,058,131	187,752,531	1,212,880,325
PAYMENTS						
3	11,065,551	-	11,065,551	1,305,600	1,305,600	13,699,750
4	1,880,920	-	1,880,920	-	-	26,165,933
5	371,699,611	-	371,699,611	185,752,531	185,752,531	1,173,014,641
TOTAL PAYMENTS	384,646,082	-	384,646,082	187,058,131	187,058,131	1,212,880,325
SURPLUS/(DEFICIT)	-	-	-	-	-	-

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

approved on **30 September, 2021** and signed by:



Paul Mungai
Project coordinator



CPA Robert A. Samuel
Assistant Accountant General
ICPAK NO. 10100

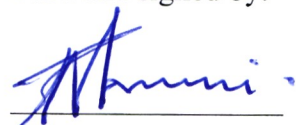


Amb. Simon Nabukwesi, CBS
Principal Secretary

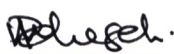
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6.A	-	-
Cash Balances	6. B	-	-
Cash Equivalents (short-term deposits)	6.C	-	-
Total Cash and Cash Equivalents		-	-
Accounts Receivables	7	-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	8	-	284,628
NET ASSETS			-
REPRESENTED BY			
Fund balance b/fwd	9	-	(284,628)
Prior year adjustments	10	-	-
Surplus/(Deficit) for the year			-
NET FINANCIAL POSITION			-

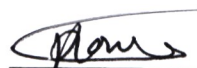
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **30 September, 2021** and signed by:



Amb. Simon Nabukwesi, CBS
Principal Secretary



Paul Mungai
Project coordinator



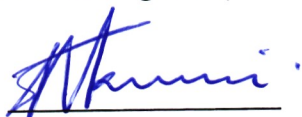
CPA Robert A. Samue\
Assistant Accountant General
ICPAK NO. 10100

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Reports and Financial Statements
For the year ended 30 June 2021**

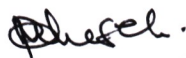
8. STATEMENT OF CASHFLOWS FOR THE PERIOD 30 JUNE, 2021

		2020-2021	2019-2020
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Transfer from Government entities	1	12,946,471	1,305,600
Payments from operating activities			
Purchase of goods and services	6	(11,065,551)	(1,305,600)
Transfers to other government entities	5	(371,699,612)	(185,752,531)
Adjustments during the year			
Prior Year Adjustments	10	-	(284,628)
Decrease/(Increase) in Accounts Receivable		-	-
Increase/(Decrease) in Accounts Payable:		-	-
Net cash flow from operating activities		(369,818,692)	(185,752,531)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	4	(1,880,920)	-
Net cash flows from Investing Activities		(1,880,920)	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	371,699,611	185,752,351
Net cash flow from financing activities		371,699,611	185,752,351
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalent at BEGINNING of the year	-	-	284,628
Cash and cash equivalent at END of the year	-	-	-

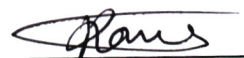
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **30th September 2021** and signed by:



Amb. Simon Nabukwesi, CBS
Principal Secretary



Paul Mungai
Project coordinator




CPA Robert A. Samuel
Assistant Accountant General
ICPAK NO. 10100

**Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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9. STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2021

Receipts/Payments Item	Original Budget a (Kshs)	Adjustments b (Kshs)	Final Budget c=a+b (Kshs)	Actual on Comparable Basis d (Kshs)	Budget Utilization Difference e=c-d (Kshs)	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	30,000,000	(13,000,000)	17,000,000	12,946,471	4,053,528	76%
Proceeds from borrowings	450,000,000	12,000,000	462,000,000	371,699,611	90,300,388	80%
Total Receipts	480,000,000	(1,000,000)	479,000,000	384,646,082	94,353,916	80%
Payments						
Purchase of goods and services	30,000,000	(13,000,000)	17,000,000	12,946,471	4,053,528	76%
Acquisition of non-financial assets	450,000,000	12,000,000	462,000,000	371,699,611	90,300,388	80%
Total payments	480,000,000	(1,000,000)	479,000,000	384,646,082	94,353,916	80%

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements. The financial statements were approved on **30 September, 2021** and signed by:



Amb. Simon Nabukwesi, CBS
Principal Secretary



Paul Mungai
Project coordinator



CPA Robert A. Samuel
Assistant Accountant General
ICPAK NO. 10100

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 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.

10.3 Reporting entity

The financial statements are for the Project Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1.1 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.

10.4 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.

i) Transfers from the Exchequer

Transfer from Exchequer is be 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.

ii) External Assistance

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

iii) 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 recognized in the financial statements the time associated cash is received.

b) 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.

c) 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.

Significant Accounting Policies (Continued)

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) 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.

Significant Accounting Policies (Continued)

v) 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.

f) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes 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.

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

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.

h) 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.

i) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,
The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent

Significant Accounting Policies (Continued)

liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) Contingent Assets

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

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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, 2021

q) 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.

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/2021	2019/2020	
	KShs	KShs	Cumulative to-date(from inception)
<i>Counterpart funding through Ministry of Education</i>			
Quarter 1	-		
Quarter 2	1,028,200		
Quarter 3	475,500		
Quarter 4	11,442,772		
Total	<u>12,946,471</u>	<u>1,305,600</u>	<u>39,865,684</u>

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June, 2021 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
			2020/2021	Total KShs		
Loans Received from Multilateral Donors (International Organisations)						
International Development Association of the World Bank	FY 2020/2021	2,550,377	371,699,611	371,699,611	-	185,752,531
Total		2,550,377	371,699,611	371,699,611	-	185,752,531

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PURCHASE OF GOODS AND SERVICES

	2020/2021		2019/2020		Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
Domestic travel and subsistence	KShs 2,596,700	KShs -	KShs 2,596,700	KShs 1,305,600	KShs 5,230,900
Printing, advertising and information supplies	864,620	-	864,620	-	864,620
Training payments	475,600	-	475,600	-	475,600
Conference facilities	345,100	-	345,100	-	345,100
Purchase of tyres	396,294	-	396,294	-	396,294
Purchase of tonners	337,500	-	337,500	-	337,500
Routine maintenance – vehicles and other transport equipment	6,049,737	-	6,049,737	-	6,049,737
Total	<u>11,065,551</u>	=	<u>11,065,551</u>	<u>1,305,600</u>	<u>13,699,751</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/2021		2019/2020		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment	-	-	-	-	22,180,900
Purchase of office furniture & general equipment	475,500	-	475,500	-	2,579,613
Purchase of computers	1,405,420	-	1,405,420	-	1,405,420
Total	<u>1,880,920</u>	=	<u>1,880,920</u>	=	<u>26,165,933</u>

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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For the year ended 30 June 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)
5. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2021, we transferred funds to reporting government entities as shown below:

	2020/2021		2019/2020		Cumulative to-date KShs
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	
Transfers to Other Government entities					
Sustainable use of insects as food and Feeds project. (INSEFOODS) Implementing entity: Jaramogi Oginga Odinga University	89,654,925	-	89,654,925	56,946,321	307,845,102
Center of Excellence in phytochemicals, Textiles and Renewable Energy project.(PTRE) Implementing entity: Moi University	149,355,234	-	149,355,234	63,219,912	417,790,822
Center of Excellence in Sustainable Agriculture & Agribusiness Management project. (CESAAM). Implementing entity: Egerton University.	132,689,452	-	132,689,452	65,586,298	447,378,717
TOTAL	371,699,611	-	371,699,611	185,752,531	1,173,014,641

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	KShs	KShs
Bank accounts (Note 6.A)	-	-
Cash in hand (Note 6.B)	-	-
Cash equivalents (short-term deposits) (Note 6.C)	-	-
Total	=	=

6.A Bank Accounts

The project has no dedicated bank account. All transaction related to the project at the Ministry are done through the state department of university education's main development account at the central bank of Kenya.

	2020/2021		2019/2020
	USD	KSHS	USD
<u>Foreign Currency Accounts (USD)</u>			
Central Bank of Kenya development account number 1000302712	-	-	-
Total Foreign Currency balances	-	-	-
Central Bank of Kenya			
Total local currency balances	-	-	-
Total bank account balances	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2020/2021		2019/2020
	USD	KSHS	USD
(i) A/C Name [A/c No.1000331704]			
Opening balance	51,589.83	5,674,067.21	154,690.33
Total amount deposited in the account	3,379,572.19	371,699,611	1,672,441.30
Total amount withdrawn (as per Statement of Receipts & Payments)	(3,379,572.19)	(371,699,611)	(1,775,541.80)
Closing balance (as per SDA bank account reconciliation attached)	51,589.83	5,674,067.21	51,589.83

The Special Deposit Account(s) reconciliation statement(s) has been attached as Appendix 1 to support these closing balances.

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
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6. B Cash In Hand

	2020/2021	2019/2020
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash balances	-	-

6. C Cash equivalents (short-term deposits)

	2020/2021	2019/2020
	KShs	KShs
Central Bank of Kenya Development Account	-	-
Total	-	-

NOTE 7 – ACCOUNTS RECEIVABLES

Description	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

NOTE 8 – ACCOUNTS PAYABLES – DEPOSITS & RETENTIONS

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	-	-
Deposits	-	284,628
Total	-	284,628

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NOTE 9 – FUND BALANCE BROUGHT FORWARD

	2020-2021	2019-2020
	KShs	KShs
Bank accounts	-	(284,628)
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	(284,628)

NOTE 10 – PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances		-	-
Cash in hand		-	-
Accounts Payables		-	-
Receivables		-	-
Others (<i>specify</i>)		-	-
Total		-	-

12. OTHER IMPORTANT DISCLOSURES

1. EXTERNAL ASSISTANCE

	2020/2021	2019/2020
Description	Kshs	Kshs
External assistance received as loans	371,699,611	185,752,531
Total	371,699,611	185,752,531

a). External assistance relating loans and grants

	2020/2021	2019/2020
Description	Kshs	Kshs
External assistance received as loans	371,699,611	185,752,531
Total	371,699,611	185,752,531

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2020/2021	2019/2020
Description		Kshs	Kshs
Undrawn external assistance - loans	To strengthen selected Eastern & Southern Africa Higher Education Institutions to deliver quality post graduate education	653,085,358	1,024,784,969
Total		653,085,358	1,024,784,969

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c) Classes of providers of external assistance

Description	2020/2021	2019/2020
	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	371,699,611	185,752,531
NGOs	-	-
National Assistance Organization	-	-
Total	371,699,611	185,752,531


d. Purpose and use of external assistance

Payments Made by Third Parties	2020/2021	2019/2020
	Kshs	Kshs
Transfers to Other Government Units	371,699,611	185,752,531
TOTAL	371,699,611	185,752,531

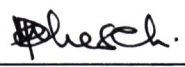
13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Loss of project Motor vehicle	Issue under investigation by the Kenya Police. Awaiting report of the investigation.	Not resolved.	To be determined by the report of ongoing police investigations.



Amb. Simon Nabukwesi, CBS
Principal Secretary



Paul Mungai
Project Coordinator

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14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	17,000,000	12,946,471	4,053,528	76%	The underutilization was caused by Covid 19 pandemic which slowed down implementation of some planned activities mainly physical monitoring of the project.
Proceeds from borrowings	462,000,000	371,699,611	90,300,388	80 %	The underutilization was caused by delay in approval of supplementary 2 budget which was uploaded in IFMIS at the closing of the financial year.
Total Receipts	479,000,000	384,646,082	94,353,916	80%	
Payments					
Purchase of goods and services	17,000,000	12,946,471	4,053,528	76%	The underutilization was caused by Covid 19 pandemic which slowed down implementation of some planned activities mainly physical monitoring of the project.
Transfer to Government entities	462,000,000	371,699,611	90,300,388	80%	The underutilization was caused by delay in approval of supplementary 2 budget which was uploaded in IFMIS at the closing of the financial year
Total payments	479,000,000	384,646,082	94,353,916	80 %	

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ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost (KShs) 2020/2021 (a)	Donations in form of assets (KShs) 2020/2021 (b)	*Purchases/ Additions in the Year (KShs) 2020/2021 (c)	**Disposals in the Year (KShs) 2020/2021 (d)	Transfers in/(out) Kshs 2020/2021 (d)	Closing Cost (KShs) 2021 (e)= (a)+ (b)+c)-(d)+(-)d
Purchase of Vehicles and other transport equipment	22,180,900	-	-	-	-	22,180,900
Purchase of office furniture and general equipment	2,104,113	-	475,500	-	-	2,579,613
Purchase of computers	-	-	1,405,420	-	-	1,405,420
Total	24,285,013		1,880,920			26,165,933

ANNEX 3 - RECONCILIATION OF INTER ENTITY TRANSFERS

I PROJECT NAME:		EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II) PROJECT		
Break down of Transfers from the State Department of University Education				
a.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	2020-2021
		Total	-	
b.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	2020-2021
		Total	-	
c.	Others			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Moi University	24 Feb 2021	149,070,605.35	2020-2021
	Moi University	1 Dec 2020	284,628.00	2020-2021
	Jaramogi Oginga Odinga University of Science and Technology	18 Feb 2021	89,654,925.35	2020-2021
	Egerton University.	18 Feb 2021	132,689,451.95	2020-2021
		Total	371,699,611.00	
		TOTAL(a+b+c)	371,699,611.00	

15. APPENDICES

- i. Special Deposit Account(s) reconciliation statement(s)
- ii. GOK IFMIS comparison Trial Balance 2021
- iii. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- iv. Board of Survey Report
- v. Bank Reconciliations statement as at 30 June,

