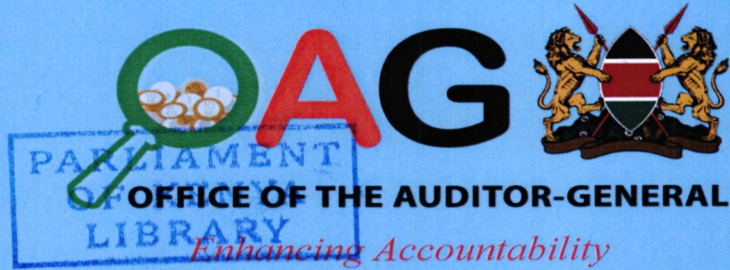


REPUBLIC OF KENYA



REPORT

OF

THE NATIONAL ASSEMBLY

DATE: 13 APR 2023

THE AUDITOR-GENERAL

THURSDAY

TABLED
BY:

THE LEADER OF THE
MAJORITY PARTY
(Hon. Kimani Ichung'uwa)

ON

CLERK AT
THE TABLE:

Joyce Lemetelle

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

**FOR THE YEAR ENDED
30 JUNE, 2022**

**STATE DEPARTMENT FOR UNIVERSITY
EDUCATION AND RESEARCH**



PROJECT NAME:

**EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTRES OF
EXCELLENCE (ACEII) PROJECT**

IMPLEMENTING ENTITY:

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

PROJECT CREDIT NUMBER: 5798-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2022

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

*Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022*

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List of Abbreviations

AIE	Authority to Incur Expenditure
CBS	Chief of The Burning Spear
CESAAM	Centre of Excellence in Sustainable Agriculture and Agribusiness Management
CPA	Certified Public Accountant
CPA(K)	Certified Public Accountant of Kenya
FY	Financial Year
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Agency of the World bank
INSEFOODS	Insects as Foods and Feeds
IPSAS	International Public Sector Accounts Standards
KE	Kenya
MDA	Ministries, Departments, and Agencies
MoUs	Memorandum of Understanding
MSC	Masters of Science
PASET	Partnership for Skills in the Applied Science, Engineering, and Technology
PFM ACT 2012	Public Finance Management Act 2012
PHD	Doctor of Philosophy
PSASB	Public Sector Accounting Standards Board
PTRE	Phytochemicals, Textiles, and Renewable Energy
USD	United States Dollar
XDR	Special Drawing Rights
Y1	Year 1

1. Project Information and Overall Performance

1.1 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.

Address

The project headquarters offices are in Nairobi city, 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

Contacts: The following are the project contacts

P.O. Box: 9583-00200

Telephone: (254) 722586164

E-mail: paul.mungai@yahoo.com

Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The project start date is 01.02.17
Project End Date:	The project end date is 31.12.23
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 and Research)
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 of strategic goals	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, 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

<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none">(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.
<p>Project duration</p>	<p>The project started on 1st February 2017 and is expected to run until 31 December 2023</p>

Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current 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 Auditors

The project is audited by the:

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 – 00100

Nairobi

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
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 Johnson Njuguna	Deputy 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

1.7 Funding summary

The Project is for duration of six years from 2017 to 2023 with an approved budget of XDR13,426,960 equivalent to Kshs. 1,917,405,000 as highlighted in the table below:

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022*

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 2022)		Undrawn balance to date	
	XDR	Kshs	XDR	Kshs	XDR	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Loan						
International Development Association of the World bank	12,800,000	1,826,100,000	9,947,246	1,481,051,914	2,852,754	345,048,086
(ii) Counterpart funds						
Government of Kenya	626,960	91,305,000	311,100	45,305,944	315,860	45,999,056
Total	13,426,960	1,917,405,000	10,258,346	1,526,357,858	3,168,614	391,047,142

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June 2022)		Cumulative amount paid to date – (30 June 2022)		Unutilised balance to date (30 June 2022)	
	XDR (A)	Kshs (A')	XDR (B)	Kshs (B')	XDR (A)-(B)	Kshs (A')-(B')
(i) Loan						
International Development Association	9,947,246	1,481,051,914	9,947,246	1,481,051,914	-	-
(ii) Counterpart funds						
Government of Kenya	311,100	45,305,944	311,100	45,305,944	-	-
Total	10,258,346	1,526,357,858	10,258,346	1,526,357,858	-	-

Project information and overall performance (continued)

1.8 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.

1.9 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 Predetermined Objectives

Introduction

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

The key development objectives of the project'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-bound (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:

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	379 peer reviewed journals published

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			reviewed journals published	
			Direct Link Result 2.7 Externally Generated funds	Total externally generated funds USD: 4,902,012
			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 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

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	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 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

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			Direct Link Result 4.2 Timely and Satisfactory Procurement Process	This DLR was verified for Y1&2. Total disbursed USD 30,000.
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3) Environmental and Sustainability Reporting

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i) Sustainability Strategy and Profile

a) Institutionalisation

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 impact 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 centre 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) Employee Welfare

The employee welfare is guided by the Human Resources Policies and Procedures manual for the public service as developed by the Public Service Commission. The organisation

should also rely on this policy manual on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market Place Practices-

a) Responsible supply chain and supplier relations-

The project is guided by the service charter for the state department for university education and research to maintain good business practices, treat its own suppliers responsibly by honouring contracts and respecting payment practices.

b) Responsible ethical practices

The project is guided by chapter six of the Kenya constitution 2010 on how to maintain ethical and anti- corruption practices and responsible political involvement.

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights by ensuring proper disposal of waste as guided by Environmental Management and Co-ordination Act No. 8 of 1999 (EMCA)

v) Community Engagements

One of the project development objectives 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 Research, and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (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 30 June 2022.

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 Research and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (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 Research and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (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 30 June 2022, 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 Research and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (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.


***Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022***


The Principal Secretary for the Ministry of Education, State Department of University Education and Research, and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (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 Research, and the Project Coordinator for Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project on 15. 11. 2022 and signed by them.

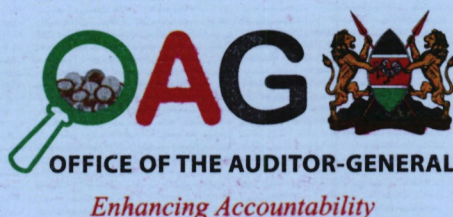

.....
Amb. Simon Nabukwesi,
CBS
Principal Secretary


.....
Paul Mungai
Project Coordinator


.....
Johnson Njuguna
Deputy Accountant General
ICPAK Member No.7626

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
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, 2022 - STATE DEPARTMENT FOR UNIVERSITY EDUCATION AND RESEARCH

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 controls, risk management, and governance systems are properly designed and were working effectively in the financial year under review.

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

Report 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, 2022 - State Department for University Education and Research

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Eastern and Southern Africa Higher Education Centres of Excellence (ACE II) Project (Credit No.5798-KE) set out on pages 1 to 24, which comprise the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Eastern and Southern Africa Higher Education Centres of Excellence (ACE II) Project (Credit No.5798-KE) as at 30 June, 2022, 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, the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.360,000,000 and Kshs.313,477,533 respectively, resulting in an under-funding of Kshs.46,522,467 (or 13%) of the budget. Similarly, the Project spent Kshs.313,477,533 against an approved budget of Kshs.360,000,000 resulting in an underperformance of Kshs.46,522,467 (or 13%) of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public for the year ended.

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 THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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 of Conclusion

Failure to Open and Maintain a Separate Project Bank Account

The Project Management did not maintain a specific project bank account as funds received were credited to the Ministry's development bank account instead of a separate project account. It was, therefore, not possible to trace the receipts to the cash book and in the bank statement. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.

In the circumstances, the Project Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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 THE 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 governance were not effective.

Basis of 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability 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 financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 December, 2022

*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022*

6) Statement of Receipts and Payments for the year ended 30 June 2022.

Note	2021-2022			2020-2021			Cumulative to-date (From inception)
	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts							
Transfer from Government entities	1	5,440,260	-	5,440,260	12,946,471	-	45,305,944
Loan from external development partners	2	308,037,273	-	308,037,273	371,699,611	-	1,481,051,914
Total receipts		313,477,533	-	313,477,533	384,646,082	-	1,526,357,858
Payments							
Purchase of goods and services	3	5,440,260	-	5,440,260	11,065,551	-	19,140,011
Acquisition of non-financial assets	4	-	-	-	1,880,920	-	26,165,933
Transfers to other government entities	5	308,037,273	-	308,037,273	371,699,611	-	1,481,051,914
Total payments		313,477,533	-	313,477,533	384,646,082	-	1,526,357,858
Surplus/ (deficit)		-	-	-	-	-	-

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


.....

Paul Mungai

Project Coordinator


.....

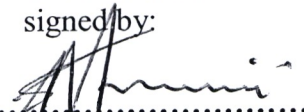
Johnson Njuguna

**Deputy Accountant General
ICPAK Member No:7626**


7) Statement of Financial Assets as at 30 June 2022

Description	Note	2021-2022	2020-2021
		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		-	-
Imprests and Advances	7	-	-
Total Financial Assets		-	-
Financial Liabilities			
Deposits and Retention monies	8	-	-
Net Assets		-	-
Represented By			
Fund Balance B/fwd.	9	-	-
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 15. 11. 2022 and signed by:


.....
Amb. Simon Nabukwesi, CBS
Principal Secretary

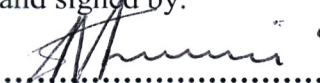

.....
Paul Mungai
Project Coordinator


.....
Johnson Njuguna
Deputy Accountant General
ICPAK Member No:7626

8) Statement of Cash flow for the year ended 30 June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	5,440,260	12,946,471
Total receipts		5,440,260	12,946,471
Payments			
Purchase of goods and services	3	(5,440,260)	(11,065,551)
Transfers to other government entities	5	(308,037,273)	(371,699,612)
Total Payments		(313,477,533)	(382,765,163)
Adjustments during the year			
Prior year adjustments	10	-	-
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
Net cash flow from operating activities		(308,037,273)	(369,818,692)
Cashflow from investing activities			
Acquisition of non-financial assets	4	-	(1,880,920)
Net cash flows from investing activities		-	(1,880,920)
Cash flow from financing activities			
Proceeds from foreign borrowings	2	308,037,273	371,699,611
Net cash flow from financing activities		308,037,273	371,699,611
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year	11	-	-
Cash and cash equivalent at end of the year	11	-	-

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 15.11.2022 and signed by:


.....
Amb. Simon Nabukwesi CBS

Principal Secretary


.....
Paul Mungai

Project Coordinator


.....
Johnson Njuguna

Deputy Accountant General
ICPAK Member No:7626


*Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022*


9) Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	10,000,000	-	10,000,000	5,440,260	4,559,740	54.40%
Proceeds from domestic and foreign grants						
Proceeds from borrowings	450,000,000	(100,000,000)	350,000,000	308,037,273	41,962,727	88.01%
Total Receipts	460,000,000		360,000,000	313,477,533	46,522,467	87.08%
Payments						
Purchase of goods and services	10,000,000	-	10,000,000	5,440,260	4,559,740	54.40%
Transfers to other government entities	450,000,000	(100,000,000)	350,000,000	308,037,273	41,962,727	88.01%
Total Payments	460,000,000		360,000,000	313,477,533	46,522,467	87.08%
Surplus or Deficit	-					

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


.....
Amb. Simon Nabukwesi, CBS
Principal Secretary


.....
Paul Mungai
Project Coordinator


.....
Johnson Njuguna
Deputy Accountant General
ICPAK Member No:7626

10) Significant Accounting Policies

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

10.1 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.

10.2 Reporting entity

The financial statements are for the Project Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project under the State Department of University Education And Research. The financial statements are for the reporting entity Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project as required by Section 81 of the PFM Act, 2012 .

10.3 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.

10.4 Recognition of receipts

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

Significant Accounting Policies (Continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when 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.

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 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 to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

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.

10.6 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.

Significant Accounting Policies (Continued)

10.7 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.

10.8 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.

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 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

Significant Accounting Policies (Continued)

- 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.

10.11 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.

10.12 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' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

10.13 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.

10.14 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, there were no loan disbursements that were received in form of direct payments from third parties.

10.15 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 are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

Significant Accounting Policies (Continued)

10.16 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.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments.

*Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June, 2022*

11) Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry of Education</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	1,028,200	-
Counterpart funds Quarter 3	124,900	475,500	-
Counterpart funds Quarter 4	5,315,360	11,442,772	-
Total (See Annex 2)	<u>5,440,260</u>	<u>12,946,471</u>	<u>45,305,944</u>

Notes to the Financial Statements (Continued)

2. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury 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	
					2021-2022	2020-2021
Loans received from Multilateral Donors (International Organizations)						
International Development Association of The World Bank	FY2021/2022	1,931,506	308,037,273	-	308,037,273	371,699,611
Total		1,931,506	308,037,273	-	308,037,273	371,699,611

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

	2021/2022		2020/2021		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	5,340,260	-	5,340,260	2,596,700	10,571,160
Fuel for transport	100,000	-	100,000	-	100,000
Printing, advertising, and information supplies	-	-	-	864,620	864,620
Training payments	-	-	-	475,600	475,600
Conference facilities	-	-	-	345,100	345,100
Purchase of Tyres	-	-	-	396,294	396,294
Purchase of Tonners	-	-	-	337,500	337,500
Routine maintenance – vehicles and other transport equipment	-	-	-	6,049,737	6,049,737
Total	5,440,260	=	5,440,260	11,065,551	19,140,011

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	2021-2022		2020-2021		
Purchase of buildings	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	22,180,900
Purchase of office furniture & general equipment	-	-	-	475,500	2,579,613
Purchase of computers	-	-	-	1,405,420	1,405,420
Total	=	=	=	1,880,920	26,165,933

Notes to the Financial Statements (Continued)

5. Transfers to other Government Entities

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	2021-2022		2021-2020		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities					
Ministry ABC Sustainable use of insects as food and Feeds project. (INSEFOODS) Implementing entity: Jaramogi Oginga Odinga University	87,051,520	-	87,051,520	89,654,925	394,896,622
Project XYZ Center of Excellence in phytochemicals, Textiles and Renewable Energy project.(PTRE) Implementing entity: Moi University	140,701,511	-	140,701,511	149,355,234	558,492,333
Center of Excellence in Sustainable Agriculture & Agribusiness Management project. (CESAAM). Implementing entity: Egerton University.	80,284,242		80,284,242	132,689,452	527,662,959
Total	<u>308,037,273</u>	=	<u>308,037,273</u>	<u>371,699,611</u>	<u>1,481,051,914</u>

(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).

Notes to the Financial Statements (Continued)

6. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 6A)	-	-
Cash in hand (Note 6B)	-	-
Cash equivalents (short-term deposits) (Note 6C)	-	-
Total	=	=

The Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) 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.

6. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya Development [A/c No 1000302712]	-	-
Total Foreign Currency balances	=	=
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Total local currency balances	=	=
Total bank account balances	=	=

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June 2022

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30 June 2022 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

Description	2021-2022	2020-2021
	USD	USD
(i) A/C Name [A/c No. 1000331704]		
Opening balance	51,589.83	51,589.83
Total amount deposited in the account	2,708,496.20	3,379,572.19
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>(2,708,496.20)</u>	<u>(3,379,572.19)</u>
Closing balance (as per SDA bank account reconciliation attached)	<u>51,589.83</u>	<u>51,589.83</u>

(The Special Deposit Account reconciliation statement has been attached as an Appendix to support these closing balance.

Notes to the Financial Statements (Continued)

6 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash in hand balances	=	=

6 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Total	=	=

7. Accounts Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June 2022

Notes to the Financial Statements (Continued)

8. Payables - Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

9. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

10. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June 2022

12) Other Important Disclosures

1. External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as loans	308,037,273	371,699,611
Total	308,037,273	371,699,611

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	308,037,273	371,699,611
Total	308,037,273	371,699,611

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
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Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans	To strengthen selected Eastern & Southern Africa Higher Education Institutions to deliver quality post graduate education	345,048,186	653,085,358
Total		345,048,186	653,085,358

c) Classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
International assistance organization	308,037,273	371,699,611
Total	308,037,273	371,699,611

d) Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Transfers to other Government entities	308,037,273	371,699,611
Total	308,037,273	371,699,611

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13) Prior Year Auditor-General's Recommendations

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.

Guidance Notes:

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


.....

**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 for FY 2021-2022

	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	10,000,000	5,440,260	4,559,740	54.40%	The project is in its twilight stage and hence there was no need to incur capital expenditures at this period.
Proceeds from borrowings	350,000,000	308,037,273	41,962,727	80.01%	Verification process was still ongoing and therefore the request for disbursement from the independent verifier had not yet been received by the ministry
Total Receipts	360,000,000	313,477,533	46,522,467	87.08%	
Payments					
Purchase of goods and services	10,000,000	5,440,260	4,559,740	54.40%	There were no capital expenditures at the headquarters because the project is nearing its final phase
Transfers to other government entities	350,000,000	308,037,273	41,962,727	80.01%	Verification process was still ongoing and therefore the request for disbursement from the independent verifier had not yet been received by the ministry
Total payments	360,000,000	315,653,433	46,522,467	87.08%	

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Annex 2: Reconciliation of inter-entity transfers

Project Name:		Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project		
Break down of transfers from the State Department of University Education and Research				
a. Government Counterpart funding	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
Total		-		
B. Direct payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
Total		-		
C. Others	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
Moi University		140,701,511		FY2021/2022
Jaramogi Oginga Odinga		87,051,520		FY2021/2022
Egerton University		80,284,242		FY2021/2022
Total		308,037,273		
Total (A+B+C)		308,037,273		

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
Paul Mungai



Sign

Head of Accounting Unit
State Department University Education and Research



Sign-----

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project Reports and Financial Statements
For the financial year ended 30 June 2022

Annex 3 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22	Donations in form of assets (KShs) 2021/22	*Purchases/ Additions in the Year (KShs) 2021/22	**Disposals in the Year (KShs) 2021/22	Transfers in/(out) Kshs 2021/22	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Transport equipment	22,180,900	-	-	-	-	22,180,900
Office equipment, furniture and fittings	2,579,613	-	-	-	-	2,579,613
ICT Equipment	1,405,420	-	-	-	-	1,405,420
Total	26,165,933	-	-	-	-	26,165,933

Annex 4. Signed confirmations from beneficiaries in Transfers to Other Government Entities

a. Egerton University



EGERTON UNIVERSITY
CENTRE OF EXCELLENCE IN SUSTAINABLE
AGRICULTURE AND AGRIBUSINESS MANAGEMENT

P.O. Box 536 - 20115,
Egerton Kenya

Email: cesaam@egerton.ac.ke
Website: www.cesaam.egerton.ac.ke



Our Ref: EU/RE/ACE-II/CESAAM/03

DATE: 1st September, 2022

The Principal Secretary,
Ministry of Education,
State Department for University Education
Jogoo House B, Harambee Avenue
P. O. Box 30040- 00100
NAIROBI
Email: es@education.go.ke

ATT. ACE II Project Coordinator

Dear Sir,

RE: ACKNOWLEDGEMENT OF THE RECEIPT OF FUNDS

The Centre of Excellence in Sustainable Agriculture and Agribusiness Management (CESAAM) wish to acknowledge the receipt of funds to CESAAM project account as follows;

S/NO	DESCRIPTION	DATE	AMOUNT RECEIVED (KSHS)
1.	STATE DEPT UNIVERSITY EDUCATION /REC/00	24 th March 2022	75,000,000.00
2.	STATE DEPT UNIVERSITY EDUCATION /REC/00	21 st April 2022	5,284,241.75
	TOTAL		80,284,241.75

We are most grateful for your continued support towards the realization of the ACE II Project.

Yours faithfully,

Prof. George Owuor
Centre Leader
CESAAM

b. Moi University

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MU/FIN/PS/6/VOL.7(56)

5th May, 2022

The Principal Secretary,
State Department for University Education and Research,
Ministry of Education,
P.O. Box 30040 – 00100,
NAIROBI.

Dear

RE: MOI UNIVERSITY ACE II WORLD BANK PROJECT FUNDS

We acknowledge with thanks receipt of Kshs.65,701,510.75 (Kenya Shillings Sixty Five Million Seven Hundred and One Thousand five Hundred and Ten Cents Seventy Five Only) being ACE II World Bank Project funds received on 21st April, 2022 in respect of the ACE II, PTRE Project activities.

Enclosed please find our official receipt No.KB17 – 000241 for your records.

Yours faithfully,

Prof. Isaac S. Kosgey, Ph.D.

PROF. ISAAC S. KOSGEY, Ph.D.
VICE - CHANCELLOR

sem

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
Annual Report and Financial Statements for the financial year ended 30 June 2022



MOI UNIVERSITY
OFFICE OF THE VICE - CHANCELLOR

Tel: (051) 4100-0799/940508
0771 236911/0736 138770
Email: vc@mou.ac.ke
vc@mou.ac.ke

P.O. Box 5900, 00100
ELDORET
Kenya

MUCHN/PS/6/VOL.7(52)

6th April, 2022

The Principal Secretary,
State Department for University Education and Research,
Ministry of Education,
P.O. Box 30046 - 00100,
NAIROBI.

Dear

RE: MOI UNIVERSITY ACE II WORLD BANK PROJECT FUNDS

We acknowledge with thanks receipt of Kshs.75,000,000.00 (Kenya Shillings Seventy Five Million or Only) being ACE II World Bank Project funds received on 24th March, 2022 in respect of the ACE II, FIRE Project activities

Enclosed please find our official receipt No KB17 -- 000253 for your records

Yours faithfully,

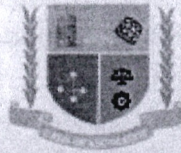

for **PROF. ISAAC NJOROGE, Ph.D.**
VICE - CHANCELLOR

050



ISO 9001:2015 Certified Institute

c. Jaramogi Oginga Odinga University of Science and Technology



**JARAMOGI OGINGA ODINGA
 UNIVERSITY OF SCIENCE AND TECHNOLOGY
 OFFICE OF THE VICE-CHANCELLOR**

P.O. Box 210-40601 BONDO
 Tel.: 057-2501804/ 2058000
 Fax: 057-2523851

Email: vc@jooust.ac.ke
 Website: www.jooust.ac.ke

When replying please quote our ref:

Our Ref: JOOUST/PAF/FIN/C/3(6)26
 Your Ref:

Date: 09.09. 2022

The Principal Secretary
 State Department for University Education and Research
 Ministry of Education Science and Technology
 Jogoo House "B" Harambee Avenue
 P. O. Box 9583 – 00200
NAIROBI

Dear Sir

RE: INTER-ENTITY TRANSFERS FY 2021/2022

Enclosed, please find the breakdown from the State Department of University Education FY 2021/2022 and a copy of the same sent to fridahkonoti4@gmail.com and kinjomukundi@gmail.com and cc to Njuguna johnston@yahoo.com.

Thank you.

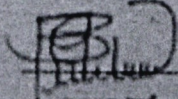
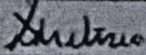
Yours Sincerely,

Prof. Stephen G. Agong', PhD, FAAS
VICE CHANCELLOR

Donor Receipts	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
World Bank	3/24/2022	75,000,000	2021 2022
World Bank	4/1/2022	12,051,520	2021 2022
USAID-Kenya	8/17/2021	144,503,066	2021 2022
USAID-Kenya	10/13/2021	203,896,232	2021 2022
USAID-Kenya	2/10/2022	138,093,891	2021 2022
USAID-Kenya	3/29/2022	105,278,614	2021 2022
USAID-Kenya	5/19/2022	104,955,894	2021 2022
USAID-Kenya	5/19/2022	104,153,643	2021 2022
NRF-SA	3/12/2021	4,297,313	2021 2022

Eastern and Southern Africa Higher Education Centres of Excellence (ACEII) Project
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Annex 5. Special Deposit Account reconciliation statement
1. Bank statement

SPECIAL ACCOUNT STATEMENT	
For period ending	30th JUNE, 2022
Account No.	1000331704
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	ESAHECE ACE II CR NO. 5798
Credit Agreement	
Currency	USD
<u>Part A - Account Activity</u>	
Beginning balance of 1st July, 2021 as per C.B.K. Ledger Account	51,589.83
Add:	
Total Amount deposited by World Bank	2,708,496.20
Total Interest earnings if deposited in account	
Total amount refunded to cover ineligible expenditure	
Deduct:	
Total amount withdrawn	2,708,496.20
Total service charges if not included above in amount withdrawn	
Ending balance on 30th June, 2022	51,589.83
AUTHORISED REPRESENTATIVE CENTRAL BANK OF KENYA	SIGNATURE: 
	DATE: 14.07.2022
AUTHORISED REPRESENTATIVE EXTERNAL RESOURCES DEPARTMENT-TREASURY	SIGNATURE: 
	DATE: 01/08/2022

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June 2022 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

15) Special deposit account bank reconciliation statement

EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTRES OF EXCELLENCE - ACE II
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2022

Credit No.: IDA CREDIT NO. 57980-KE

Bank Account No.: 1000331704 held with CENTRAL BANK OF KENYA

	NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA		13,946,762.02
	Less:		
2	Total amount documented		13,946,762.02
3	Outstanding amount to be documented		-
	Represented by:		
4	Ending Special account Balance as at 30 June 2022		51,589.83
5	Amounts claimed but not credited as at 30 June 2022		-
6	Amounts withdrawn and not claimed		(51,589.83)
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		-
9	Total advance to Special Account Year ended 30 June 2022		-

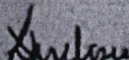
Discrepancy between total appearing on line 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by World Bank and shall be documented in subsequent IFRs


AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY

DATE: 01/08/2022

