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REPORT

THE TABLE:

Mainah Wanjiku

OF

THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT FOR UNIVERSITY
EDUCATION AND RESEARCH**

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



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

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)**

MINISTRY OF EDUCATION – STATE DEPARTMENT FOR UNIVERSITY EDUCATION
Reports and Financial Statements
For the year ended 30 June, 2021.

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I. KEY STATE ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

The State Department for University Education was established in June 2018 through Executive Order No. 1 of June 2018 by splitting the Ministry of Education into four State Departments. At cabinet level, the State Department is represented by the Cabinet Secretary for the Ministry of Education, who is responsible for the general policy and strategic direction of the State Department.

The State Department is mandated to oversee the implementation of activities in University Education and in Science, Technology and Innovation institutions. The specific functions of the State Department include: University Education Policy; University Education Management; Science, Technology and Innovation and; Public Universities and Constituent Colleges. The main objectives of the State Department include:

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

The **Vision** for the State Department is: *“a globally competitive education, training, research and innovation system for sustainable development”* while the **Mission** is: *“to provide, promote and coordinate the delivery of quality education, training and research and enhance integration of Science, Technology and Innovation into national production systems for sustainable development.”*

Organization of State Department for University Education

The State Department consists of the following directorates and departments:

a) Directorate of University Education (DUE)

The mandate and functions of Directorate of University Education are:

- a) Formulation and review of policies on University Education in collaboration with relevant bodies and agencies.
- b) Overseeing Governance and Management of Universities.
- c) Receiving and administration of university scholarships offered by foreign countries and agencies.
- d) Coordination of admission of students to public universities in liaison with Kenya Universities and Colleges Central Placement Service.
- e) Coordination of student’s exchange programmes.
- f) Implementing, monitoring and evaluation of various projects.
- g) Coordination of Project implementation in University education.
- h) Clearance of students going for foreign training.

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b) Directorate of Research, Science and Technology (DRST)

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

- a) Formulation and implementation of policies, strategies and programmes for research management and development;
 - b) Management and development of the national innovation system;
 - c) Development, promotion and application of science and technology;
 - d) International collaborations, partnerships and global obligations in research, science and technology;
 - e) National science, technology and innovation statistics;
 - f) Linkages between government, research, academia, industry and the society;
- c) Administration and Planning Department:** The State department has other units, which offer support services to the technical directorates. These are: Administration, Central Planning and Project Monitoring Unit, Legal Unit, Accounts Unit, Finance Department, Human Resource Management and Development Unit, ICT Section, Supply Chain Management Services and Public Communications Unit.

S/No	SAGA	Mandate
1	National Commission for Science, Technology and Innovation (NACOSTI)	To regulate and assure quality in science, technology and innovation sector and advice government in related matters.
2	Kenya National Innovation Agency (KENIA)	To scout for and nurture innovative ideas from individuals, training institutions, the private sector and similar institutions.
3	National Research Fund (NRF)	To Mobilize and channel resources for research, science, technology and innovation
4	Biosafety Appeals Board (BAB)	To make rules and regulation for appeal procedure, hear Appeals from persons aggrieved by decisions made by the National Biosafety Authority (NBA), and communicate decisions to the parties involved and public
5	Higher Education Loans Board (HELB)	To source for funds and finance Kenyan students enrolled in recognized institutions of higher learning. The Board also has the mandate of recovering all mature loans issued since 1974
6	Commission for University Education (CUE)	To accredit and quality assure university education in both public and private universities
7	Universities Funding Board (UFB)	To mobilize resources for financing university education
8	Kenya Universities and Colleges Central Placement Service Board (KUCCPS)	To coordinate placement of Government sponsored students into universities and colleges
9	Universities and Constituent Colleges	To provide university education
10	National Biosafety Authority (NBA),	To exercise general supervision and control over the transfer, handling and use of genetically modified organisms (GMOs).

In order to effectively undertake its mandate, the State Department also comprises of Semi-

Autonomous Government Agencies (SAGAs) which are charged with various responsibilities as indicated below:

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LIST OF ACCREDITED UNIVERSITIES

SNO	Name of University	Year of establishment	Year of award of Charter
Public Chartered Universities			
1	University of Nairobi (UoN)	1970	2013
2	Moi University (MU)	1984	2013
3	Kenyatta University (KU)	1985	2013
4	Egerton University (EU)	1987	2013
5	Jomo Kenyatta University of Agriculture and Technology	1994	2013
6	Maseno University (Maseno)	2001	2013
7	Chuka University	2007	2013
8	Dedan Kimathi University of Technology	2007	2012
9	Kisii University	2007	2013
10	Masinde Muliro University of Science and Technology	2007	2013
11	Pwani University	2007	2013
12	Technical University of Kenya	2007	2013
13	Technical University of Mombasa	2007	2013
14	Maasai Mara University	2008	2013
15	Meru university of Science and Technology	2008	2013
16	Multimedia University of Kenya	2008	2013
17	South Eastern Kenya University	2008	2013
18	Jaramogi Oginga Odinga University of Science and Technology	2009	2013
19	Laikipia University	2009	2013
20	University of Kabianga	2009	2013
21	Karatina University	2010	2013
22	University of Eldoret	2010	2013
23	University of Embu	2011	2016
24	Kibabii University	2011	2015
25	Kirinyaga University	2011	2016
26	Machakos University	2011	2016
27	Murang'a University of Technology	2011	2016
28	Rongo University	2011	2016
29	Taita Taveta University	2011	2016
30	The Co-operative University of Kenya	2011	2016
31	Garissa University	2011	2017
Public University Constituent Colleges			
32	Alupe University College (MU)	2015	
33	Kaimosi Friends University College (MMUST)	2015	
34	Tom Mboya University College (Maseno)	2016	
35	Turkana University College (MMUST)	2017	

(b) Key Management

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

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

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(c) Fiduciary Management

The key management personnel who held office during the reporting period and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Education	Prof. George A. O. Magoha, CBS
2.	Principal Secretary, State Department for University Education and Research	AMB. Simon Nabukwesi
3.	Ag. Director, Directorate of Research Management	Dr. Erick Mwangi
4.	Director, Directorate of University Education	Mr. Darius Ogutu Mogaka
5.	Secretary, Administration	Mr. Fredrick Ndambuki
6.	Head of Accounting Unit	CPA. Robert A. Samuel
7.	Chief Finance Officer	Mr. Samuel Mugambi

(d) Fiduciary Oversight Arrangements
Composition of the Committee Members

The various committee members within the State Department are drawn from various sectors of the economy and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

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

i. Audit and Finance Committee Activities

The committee was responsible and instrumental in:

- Improving the quality of financial reporting by ensuring the accounts are prepared in a timely and accurate manner to facilitate prompt submission of annual financial statements to the Auditor General with a copy to the National Treasury and the Controller of Budget not later than 30th September of each subsequent year as well as submission of quarterly financial statements accounts to the Cabinet Secretary with a copy to the National Treasury and the Controller of Budget not later than fifteen (15) after the end of each quarter.
- Reviewing and making recommendations on management programs established to monitor compliance with sound public financial management, internal controls, policies, laws, regulations, procedures and the code of ethics.
- Strengthening the effectiveness of the internal audit function including regular review of its capacity, review and approval of the internal audit charter and internal audit annual work plan.

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(e) State Department for University Education Headquarters

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Fax: +254-020-251991
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State Department for University Education Contacts

Tel: +254-020-3318581
Fax: +254-020-251991

(f) State Department for University Education Bankers

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

(a) 2. FORWARD BY THE CABINET SECRETARY

BUDGET PERFORMANCE

In the financial year 2020/21 the State Department of University Education and Research had a gross budget of **KShs. 92,198,406,430** which was made up of **KShs. 87,835,783,360** and **KShs. 4,362,623,070** for recurrent and development vote respectively. The State Department was to expend the gross budget of **KShs. 92,198,406,430** under the following 3 programmes: University Education; Research, Science, Technology and Innovation; and General Administration, Planning & support Services.

i. Programme 1: University Education

The objective of this programme is to enhance access, equity, quality and relevance of university education through training research and Innovation. This programme was allocated **KShs. 91,151,794,130** representing 98.8% of the total budget. A total of **KShs. 82,028,036,023.85** was spent under the following sub programmes: University Education, Quality Assurance and Standards and Higher Education Support Services

ii. Programme 2: Research, Science, Technology and Innovation

The objective of this programme is to develop, harness and integrate research, science, technology and innovation in national production system. This programme was allocated **KShs. 839,601,568** representing 0.91% of the total budget. A total of **KShs. 837,255,455.80** was spent under the following sub programme: Research Management and Development, Science & Technology Promotion Dissemination and Knowledge & Innovation Development & Commercialization.

iii. Programme 3: General Administration, Planning & support Services

The objective of this programme is to improve tracking of implementation of development policies, strategies and programmes. This programme was allocated **KShs. 207,010,732** representing 0.22% of the budget. A total of **KShs. 193,436,053.55** was spent under the General Administration, Planning & support service programme.

KEY ACHIEVEMENTS

Gross Enrolment of students: During 2020/21 financial year the sub-sector enrolled 566,042 in both public and private universities. This enrolment has been possible due the increase in the enrolment capacity of both public and private universities in the country. The number of universities stands at 74 comprising of thirty-one (31) public chartered universities, seven (7) Public University Constituent Colleges, one (1) specialized degree awarding university (public) twenty-one (21) private chartered universities, eleven (11) universities operating with Letters of Interim Authority (LIA) and three (3) Private University Constituent colleges.

Placement of Government sponsored students in universities and colleges: In the financial year 2020/21, 118,822 out of 125,439 candidates who sat KCSE in 2020 and scored C+ secured placement to degree courses in universities. In the same period, 347,604 students eligible for TVET courses were placed to TVET institutions to pursue TVET programmes irrespective of the year of KCSE Examination.

Capitation to Universities: The sub-sector through the University Funding Board (UFB) continues to disburse capitation to universities on the basis of the Differentiated Unit Cost (DUC). Under DUC, the Government allocates funds to universities based on the cost of each degree program. During the

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2020/21 FY; Kshs 44,921,371,166 was disbursed as capitation to support government sponsored students in public universities and Kshs 2,729,791,600 was disbursed to private universities as a grant for Government Sponsored Students.

Students' loans, Bursaries and Scholarships: During FY 2020/2021 the number of students receiving loans in university decreased to 235,563 as well as the total amount of funds disbursed for undergraduate loans also decreased to Kes.9.872 billion in the same period. The number of postgraduate students receiving loans decreased to 2,163 and the total amount of loan funds disbursed to postgraduate students was Ksh. 301 million. The number of students receiving scholarships was 104 with an allocation amount of Ksh.31.0 million.

The sub sector has aligned the disbursement of loans to 'The Big Four' Agenda through supporting the STEMIF programs at the University and TVET institutions. The Means Testing Instrument (MTI) is tweaked to award more loans to students pursuing STEMIF courses by giving the applicants a higher weight and thus higher loan amount.

Accreditation of University Programmes: The sub-sector continued to implement the Universities Act No. 42 of 2012 Rev. 2016 (2015) to ensure maintenance of quality and relevance in all aspects of university education in Kenya. The sub sector chartered one (1) specialized degree awarding university (public), three (3) private university, granted one (1) university with a Letter of Interim Authority (LIA), inspected three constituent colleges to monitor progress towards charter and accredited twenty-five (25) ODEL campuses. During the period under review, three (3) proposed universities were inspected and four charters were awarded.

CUE accredited one hundred and eight programmes (108) during the financial year 2020/2021 most of the evaluations were done virtually. There was also training of two hundred and fifty-one (251) Quality Assurance peer reviewers. Trainings were also done online

Tracer Study: In the financial year 2020/21, the ministry commission a tracer study in engineering programmes in universities in Kenya. However, Delays in release of funds and the outbreak of COVID-19 pandemic resulting in closure of all learning institutions including universities adversely affected the implementation of the activity. The contract has been extended to end on 8th September, 2021.

Kenya Advanced Institute for Science and Technology (KAIST): KAIST is funded to the tune of Kshs 13.6 billion, it is a graduate only university of Science and Technology and is modelled on the Korea advanced institute of science and technology. During 2020/21 Financial Year, the sub-sector initiated the process of procurement of a contractor for the construction of the KAIST at the Konza technopolis. Curriculum and architectural designs have already been completed.

Pan African University Institute of Science, Technology and Innovation (PAUISTI): The government of Kenya in partnership with the African Union (AU) has set up the Pan African University Institute of Science, Technology and Innovation (PAUISTI) based at Jomo Kenyatta University of Agriculture and Technology. PAUISTI offers graduate programs at masters and PhD levels in engineering and science courses. PAUISTI has so far admitted 8 cohorts since inception. The 8th cohort has students from 40 African countries.

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Research Funding: During the period under review, a total of Kshs. 822.7 million was disbursed by the subsector through the National Research Fund (NRF) to support 157 multi-disciplinary research projects implementable in 3 years since the Financial Year 2018/19.

Promotion of Science Technology and Innovation: The sub-sector through the National Commission for Science and Technology: Issued 5,843 research licenses in 2020/21 financial year; Issued the National Research Priorities in 2019/20 to guide the focus of research activities in the Country; hosted various research findings dissemination fora which included conferences, exhibitions and symposia; facilitated STEM mentorship programs through youth camps, TV and Radio presentations; and undertook monitored and evaluation of the registered research institutions and licensed research programs.

Infrastructure to support Science Technology and Innovation: The sub-sector through the Directorate of Research, Science and Technology is implementing infrastructure programmes necessary for the development of Science, Technology and Innovation. These include development of the: National Science & Technology Park at Dedan Kimathi University of Science and Technology and a National Physical Science Research Laboratory at Konza Technopolis.

KEY IMPLEMENTATION CHALLENGES.

- i. There was a substantial increase in the number of government sponsored students. The increase did not commensurate with the increase of funds hence a decline in the DUC from 63% in the FY 2019/2020 to 53.77% in the FY 2020/2021 for public universities and 28.79% to 22.55% in private universities against the expected 80%.
- ii. University education was greatly affected by the COVID-19 pandemic. After the closure of universities in March 2020, the universities lost the income generated by fees hence the AIA collected drastically dropped.
- iii. Inadequate capacity for universities to cater for the growing demand for university education in emerging sectors such as oil, gas, earth minerals and the blue economy.
- iv. Mismatch between skills acquired by university graduates and the demands of the industry.
- v. Imbalance between the number of students studying science and arts based courses.
- vi. Poor state of infrastructure and equipment for research and higher education and training institutions, especially for physical sciences.
- vii. Despite the huge potential in research in contributing to immense socio-economic transformation and the accelerated attainment of Kenya Vision 2030 and the Big 4 Agenda, the unpredictable and often erratic funding to the National Research and non-release of exchequer for research funds has significantly affected research activities and associated research outputs. A sizeable number of projects funded by the NRF are experimental and strictly time-bound in nature and thus pose a risk of loss of previously disbursed funds.

KEY LESSONS LEARNT

- i. There is need for enhancing investment in development of the requisite ICT and digital infrastructure to facilitate effective and efficient e-learning services in University Education.
- ii. There is need to enhance capitation in order to sustain 100% transition into the universities.

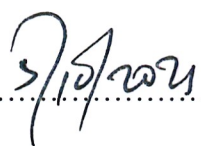
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- iii. The COVID-19 influenced emergency of e-learning which brought about the demand for e learning devices and subsequently loan demands for purchase of the same. Initial demand was analyzed to Kshs.2.5 Billion.
- iv. Continuous monitoring and evaluation is necessary to update data and information and track implementation of projects.
- v. Multi-sectoral approach through strengthened PPPs to funding is critical for implementation of programmes and projects.
- vi. Technology transfer, which is the process of transmission of results of basic and applied research to the design, development, production and commercialization of new and improved products, is relatively low in the country. There is need to create mechanisms of linking innovators with the market and the industries.
- vii. Expansion / upgrading of physical infrastructure in university education and research sub-sector will go a long way in improving quality of education, training and research.

5.0 Conclusion and Way Forward

The University Education and Research Sub-Sector will continue partnering with local and international stakeholders to implement programs aimed at enhancing access, quality, retention, completion and gender parity as well as ensuring adequate supply of human resources required for the support of competitive education, research and innovation in the Kenyan universities.

Signature 

Date..... 

Prof. George A. O. Magoha, EGH

Cabinet Secretary

Ministry of Education

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3. STATEMENT OF PERFORMANCE AGAINST MDA'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 State Department of University Education in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government State Department of University Education's performance against predetermined objectives.

The key development objectives of the National Education Sector Strategic Plan (NESSP) 2018-2022 is to: enhance access and equity; to provide quality and competency based education, training and research; to strengthen management, governance and accountability; and enhance relevance and capacities for Science, Technology and Innovation (ST&I) in education, training, and research for labour markets.

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:

Programmes	Objective	Output	Key Performance Indicators	Performance (FY 2020/2021)
University Education	To enhance access to university quality education	Access to university education increased	No. of students enrolled in universities	In the FY 2020/2021, we increased student's enrolment to university from 547,144 to 566,042 which is 3.5% increase.
			No. of Government sponsored students placed to universities	In the FY 2020/2021, a total of 125,439 KCSE candidates who scored C+ and above in 2020 were placed in different public and private universities of their choice.
			No. of Government sponsored students in Public Universities	In the FY 2020/2021, we increase te number of Government sponsored students in public universities from 241,015 to 271,446.
			No. of Government sponsored students in Private Universities	In the FY 2020/2021, we increased the number of Government sponsored students in public universities increased from 43,676 to 61,541
		Students placement to technical courses in TVET institutions enhanced	No. of students placed to technical courses in TVET institutions	In the FY 2020/2021, we increased the number of students placed to TVET increased at a rate of 31% from 94,609 in FY 2019/2020 to 137,072
		Staff trained at Masters and PhD Levels	No of staff trained for Masters and PhD	415 students underwent through trainings at various stages of research and Thesis Writing.
		KAIST established	% completion of KAIST	We were able to continue in the establishment of KAIST up to 30%

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Programmes	Objective	Output	Key Performance Indicators	Performance (FY 2020/2021)
		African Centres of Excellence (ACE II)		admit 578 students to the African Centre of Excellence from 342 in FY 2019/2020.
Quality Assurance and Standards	Enhance quality of University Education	University programmes evaluated	No. of programmes evaluated	In the FY 2020/2021, we evaluated 251 programmes in the Universities.
		University Programmes accredited	No. of Programmes accredited	In the FY 2020/2021, we accredited 108 programmes in the Universities.
		Training in Internal quality assurance conducted	No. trained in Internal Quality Assurance (IQA) at the Universities	251 trainings were undertaken in the period of reporting.
Higher Education Support Services	Enhance support to students in university education	Undergraduate students awarded loans	Number of undergraduate students awarded loans	The number of undergraduate students awarded loans decreased from 243,084 to 235,563 due to effects of covid-19 pandemic.
		Undergraduate students awarded bursaries	Number of undergraduate students awarded bursaries	The number of undergraduate students awarded bursaries decreased from 40,063 to 39,048 due to effects of covid-19 pandemic.
		Post graduate students awarded loans	Number of post graduate students awarded loans	The number of post graduate students awarded loans decreased from 2,688 to 2,163 due to effects of covid-19 pandemic.
		Post graduate students awarded scholarships	Number of post graduate students awarded scholarships	In the FY 2020/2021, we awarded scholarships to 104 post graduate students through HELB's Appropriation in Aid.
		TVET students awarded HELB loans	Number of new TVET students funded	The number of undergraduate students awarded loans decreased from 101,612 to 65,813 due to effects of covid-19 pandemic.
		Non-performing Student loans reduced	% portfolio at risk	During the FY 2020/2021, the portfolio at risk increased from 26.9% to 27% due to the effects of covid-19 to the country's economy.
SP 2.1: Research Management and Development sub programme	Enhance funding for research and development	Research licenses	No. of Licenses	In the FY 2020/2021, we enhanced research and development through awarding of research licenses to 5,863 researchers.
		National Physical Science Laboratories established	% completion of the Laboratories	In the FY 2020/2021, we continued in completion of the construction of National Physical Science Laboratories at 15% completion rate.
		Science and Technology Parks completed	% completion of the Parks	In the FY 2020/2021, we continued with completion of Science and Technology Parks at 10% completion rate.
		Innovation commercialization undertaken	No. of commercialized innovations	There were no commercialized innovations during the FY 2020/2021 due to lack of budgetary allocations.
		Biosafety Appeals regulations awareness programmes	No. of Programmes implemented	In the FY 2020/2021, we conducted 3 Biosafety Appeals regulations awareness programmes on Bt cotton.
SP 2.3: Science and Technology Development and Promotion	Enhance promotion and awareness of ST&I	Market surveillance to check presence of un-approved GMOs in the Kenyan market conducted	No of Counties surveyed	In the FY 2020/2021, the Authority surpassed market surveillance target by conducting surveillance in 25 Counties.
		GMO testing laboratory established	% of completion	In the FY 2020/2021, most of the lab items have been delivered except for those which did not meet inspection standards/specs.
S.P 3.1: General Administration, Planning and Support Services	Enhance efficiency in service delivery	Human resource capacities improved	Number of staff trained	Five (5) staff members in FY 2020/2021 were trained on: one (1) on CHRP for HRM Professionals, one (1) on Senior Management Course, Sign language for two (2) members of staff, one (1) on Diploma in Management and one (1) group
		Performance Contracting implemented	% of institutions on Performance Contract	100% of the institutions negotiated and implemented FY 2020/21 Performance Contract targets.
		Projects and	Number of quarterly Monitoring and	In the FY 2020/2021, we didn't conduct

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Programmes	Objective	Output	Key Performance Indicators	Performance (FY 2020/2021)
		programmes in the Ministry Monitored and Evaluated	Evaluation Reports	quarterly monitoring and evaluation of projects due to budget constraints.
		Policies for university education sub sector formulated	Number of policies formulated	In the FY 2020/2021, we developed a Sustainable Financing of University Education Policy and is awaiting stakeholder engagement and finalization.

4. STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

The State Department for University Education and Research has the responsibility to guide its downstream institutions by leading in putting efforts on educating the nation's life and advanced science, technology and innovations. The social responsibility of higher education institution is implemented in two aspects, namely social and environmental aspects. CSR of higher education includes education, research, innovations and community service. CSR of this institution integrates the social and environmental aspects into higher education.

Sustainable development is a principled development process that meets the needs of today without sacrificing the needs of future generations. The development includes various aspects such as land, city, business and community. In the context of society, the process of sustainable development cannot be separated in relation to the education aspect. Higher education as part of the national education system has a strategic role in educating the nation's life and advancing science and technology by observing and applying the value of humanities as well as the sustainable culture and empowerment of the Kenyan nation. The strategic role of higher education reflects CSR from higher education institutions. Existentially, CSR is not only the responsibility of the business enterprise. Higher education institution also has a social responsibility to society and the environment. These responsibilities are reflected in efforts to educate the nation and promote science and technology.

The state department Research consider the broader interests of the society by taking responsibility for the impact of our activities. We believe our responsibility extends beyond the statutory obligation to comply with legislation, to include voluntarily taking action to improve the quality of life among our employees and their families, local communities and society at large as well as protecting the environment.

We are dedicated to creating workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely. The state department fosters a workplace culture in which the rights, needs and unique contributions of each employee are respected, while supporting their professional development opportunities through offering conducive environment to support their further trainings to enhance their skills.

The state department believes in strong partnerships to enable a better and improved well-being of the society and the economy. We acknowledge this through offering special responsibility and role to play in helping the communities thrive through promoting research innovations. Through our various cross cutting activities, we participate in environmental and health initiatives to help conserve the environment and save lives. We always emphasize on the presidential directive on forest and landscape restoration under adopt a forest initiative to our employees to ensure environmental conservation and improving the country's tree cover.

The state department contributes support to its employees to endeavors which help provide for a better quality of life, including contributing sustainability to local employment, training and skills development, especially for the management staff and the support staff. In addition, our employees participate in community programmes to educate on Alcohol Drugs and Substance Abuse and HIV and AIDS prevention and other volunteer services through different committees.

We are committed to enhancing the quality of life for our employees, colleagues in the other sectors and the community in which we work with or live with by encouraging, educating, engaging and ultimately spreading good by offering leadership in volunteerism and community service.

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In the financial year 2020/2021 the State Department for University Education and Research (SDUE&R) engaged in two (2) Corporate Social Responsibility (CSR) activities as listed below:

1. Distribution of face masks to prevent spread of Covid-19 pandemic.

In March 2020 majority of citizens were unable to purchase face masks which was mandatory for the prevention of spread of the covid-19 virus. Various institutions of higher learning invited the Principal Secretary State Department for University Education and Research (SDUE&R) Amb. Simon Nabukwesi accompanied by some members of staff to participate in distribution of the facemasks produced by the institutions for donation to members of the public and vulnerable communities as way of demonstrating Corporate Social Responsibility (CSR) to the less privileged. It was observed that the State Department could have also set aside a budget for production of face masks to distribute to learners in both early learning and higher education institutions as well as staff in the Ministry and members of the public to support CSR. The Principal Secretary Amb. Simon Nabukwesi during his visits to assess the preparedness for resumption of learning in various learning institutions within the year also had an opportunity to distribute the facemasks in Central, Eastern, Nyanza and Western Kenya regions.



PS Amb. Simon Nabukwesi distributing face mask to local community members in Western Kenya.

1.0 Planting of trees to increase the Countries forest cover.

The Principal Secretary Amb. Simon Nabukwesi in the FY 2020-2021 led staff in the State Department in three (3) tree planting activities organized by Kenya Forest Service and the Ministry of Environment during the rainy season. The tree seedlings were planted in Ngong forest (Kibiku area), Mt Elgon forest and Cheptais areas. The tree planting exercise was organized to increase the countries forest cover and support the Governments initiative of environment conservation. It was observed that the State Department can organize team building activities and participants be involved in tree planting exercise as a way of supporting CSR.

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PS Amb. Simon Nabukwesi accompanied by SDUE&R staff planting a tree in Mt Elgon region



PS Amb. Simon Nabukwesi leads locals in Kazi kwa vijani project in Bungoma County

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5. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for University Education is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for University Education accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for University Education's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for University Education further confirms the completeness of the accounting records maintained for the State Department for University Education, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

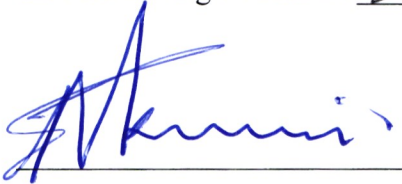
The Accounting Officer in charge of the State Department for University Education confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further

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the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for University Education's financial statements were approved and signed by the Accounting Officer on 30/09/ 2021.

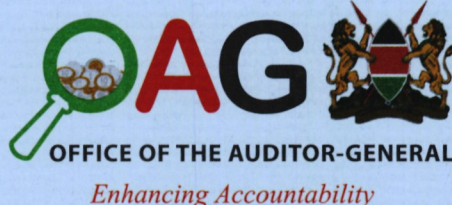


AMB. Simon Nabukwesi, CBS
Principal Secretary



Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR UNIVERSITY EDUCATION AND RESEARCH 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, 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 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, 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 ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the State Department for University Education and Research set out on pages 1 to 20, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of

receipts and payments, statement of cash flows, summary statement of appropriation recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for University Education and Research 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents – Unsupported Payments to Staff

The statement of financial assets and liabilities reflects a balance of Kshs.151,634,556 under cash and cash equivalents. However, the bank reconciliation statement as at 30 June, 2021 reflects payments in the cashbook not in bank statement amounting to Kshs.75,585,300 which includes payments to various officers made on 30 June, 2021 amounting to Kshs.7,202,480. However, the amounts have been directly expensed although it should have been included in the outstanding imprest. The activities in respect of payments were not supported by the approved work plan and no details were provided for audit review indicating when the activities being paid for were undertaken.

Further, included in the amount of Kshs.7,202,480 were payments totalling Kshs.1,827,180 being claims paid to staff for various official duties undertaken. However, the payments were not supported by approvals for officers to spend own money and submit reimbursement claims. Consequently, the validity of the payments in cash book not in bank statement amounting to Kshs.7,202,480 could not be confirmed

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.151,634,556 as at 30 June, 2021 could not be confirmed.

2.0 Unsupported Payments on Rentals of Produced Assets

The statement of receipts and payments reflects an expenditure of Kshs.171,886,718 under use of goods and services which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.46,069,098 in respect of rental of produced assets. The schedule in support of the expenditure includes an amount of Kshs.29,149,081 relating to payment of rent arrears for office space and service charge at Teleposta Towers. However, there was no signed lease agreements to support the amounts paid.

Further, a rent demand invoice dated 7 January, 2021 reflected an amount of Kshs.30,844,081 comprising of outstanding amounts of Kshs.27,409,081 and Kshs.3,435,000 in respect of rent and service charge respectively, which differs with the reported amount of Kshs.29,149,081 resulting to unexplained and unreconciled variance of Kshs.1,650,000.

Consequently, the accuracy, authenticity, occurrence, and rights and obligations of the payment made by the Management in respect of rental of produced assets amounting to Kshs.29,149,081 for the year ended 30 June, 2021 could not be confirmed.

3.0 Unauthorized Motor Vehicle Repairs

The statement of receipts and payments reflects an expenditure of Kshs.171,886,718 under use of goods and services which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.7,672,305 in respect of routine maintenance-vehicles and other transport equipment. The latter balance includes payments of Kshs.1,612,518 and Kshs.636,200 that relate to services that were delivered in the prior years. However, the paid bills were not included in the previous year pending bills and were therefore not part of the 2020/2021 budget. The Management did not provide supporting documentation for approval of the additional budget or reallocation in compliance with the Public Finance Management Act, 2012

Under the circumstances, the regularity of the expenditure of Kshs.2,248,718 included in routine maintenance-vehicle and other transport equipment for the year ended 30 June, 2021 could not be confirmed.

4.0 Unconfirmed Transfers to Private Universities

The statement of receipts and payments reflects an expenditure of Kshs.70,296,430,177 under transfers to other Government units which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.2,729,791,600 in respect of transfers to private Universities for 59,368 government sponsored students. Further, the transfers includes amounts of Kshs.28,511,777 and Kshs.48,859,704 disbursed to two (2) Universities based at Kisumu County and Machakos County, respectively. However, confirmations from the two (2) beneficiary institutions reflected amounts of Kshs.27,681,294 and Kshs.56,510,098 respectively, resulting to an unreconciled total variance of Kshs.6,819,910.

Under the circumstances, the accuracy and completeness of transfers to private Universities of Kshs.2,729,791,600 for the year ended 30 June, 2021 could not be confirmed.

5.0 Capital Grants to Government Agencies

5.1 Unsupported Disbursements

The statement of receipts and payments reflects transfers to other Government units of Kshs.70,296,430,177 which, as disclosed in Note 6 to the financial statements, includes Kshs.2,561,890,710 in respect to capital grants to Government Agencies. During the year under review, a total of Kshs.2,315,075,027 was disbursed to Universities for various projects. However, the disbursements to the projects was not supported by expenditure summaries, valuation certificates and project status report to indicate progress of the projects. Further, monitoring and evaluation reports carried out by the State Department on the implementation of the projects by the Universities were not provided for audit review.

In the circumstances, the accuracy, validity and propriety in utilization of capital disbursements totalling Kshs.2,315,075,027 for the year ended 30 June, 2021 could not be confirmed.

5.2 Wasteful and Unauthorized Legal Costs

The statement of receipts and payments for the year ended 30 June, 2021 reflects transfers to other Government units of Kshs.70,296,430,177 which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.2,561,890,710 in respect to capital grants to Government Agencies. Included in the latter balance is a payment of Kshs.2,563,452 to the State Law Office for onward transmission to an advocate in respect of accrued interest for a court judgement on case number 240 of 2015 in which the State Department defaulted in awarded payment. However, there was no evidence of inclusion of the costs in the budget for the financial year under review or justification of charging the payment under capital grants. Further, the payment had not been included as a pending bill in the financial statements for earlier years thus its validity could not be established.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.2,563,452 legal fees for the year ended 30 June, 2021 could not be confirmed.

6.0 Use of Goods and Services

The statement of receipts and payments reflects an expenditure of Kshs.171,886,718 under use of goods and services which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.3,828,346 in respect of foreign travel and subsistence. However, the entire amount Kshs.3,828,346 related to domestic travel and allowances paid to staff for non-foreign travel activities. Further, the expenditure of Kshs.171,886,718 under use of goods and services includes an amount of Kshs.6,646,753 relating to hospitality supplies and services which includes an amount of Kshs.1,898,900 paid as allowances to officers for undertaking their daily duties.

Under the circumstances, the accuracy and propriety of the expenditure totalling Kshs.5,727,246 could not be confirmed.

7.0 Other Grants and Transfers – Irregular Payment of Allowances

As disclosed in and Note 7 to the financial statements, the statement of receipts and payments reflects Other Grant and Transfers amounting to Kshs.252,156,072 which relates to scholarships awarded by the State Department. However, the amount includes payments amounting to Kshs.7,692,235 paid as allowances for other activities that are not scholarships.

Under the circumstances, the accuracy and validity of other grants and transfers amounting to Kshs.7,692,235 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for University Education and Research Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

1.1 Under Collection of Receipts

The summary statement of appropriation - recurrent and development combined indicates that the State Department budgeted for receipts amounting to Kshs.92,198,406,430. However, actual receipts amounted to Kshs.83,061,859,870 resulting in a shortfall of Kshs.9,136,546,560 or 9.9% of the budgeted amount. The shortfall was mainly attributed to low realization of the budgeted AIA which had a shortfall Kshs.8,778,039,893. The failure to realize budget receipts by Kshs.9,136,546,560 implies that the State Department did not undertake some of the planned activities during the year under review.

1.2 Under Expenditure

The summary statement of appropriation - recurrent and development combined also indicates that the State Department had budgeted to spend Kshs.92,198,406,430. However, actual payments amounted to Kshs.83,058,727,533 resulting in an under expenditure of Kshs.9,139,678,897 or 9.9%. The under expenditure mainly occurred under use of goods and services. The under absorption of Kshs.9,139,678,897 implies that the State Department's planned activities were not realized in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Compensation of Employees

1.1 Irregular Payment of Special Duty Allowance

The statement of receipts and payments reflects an expenditure of Kshs.209,477,209 under compensation of employees which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.68,378,859 being personal allowances paid as part of salary. Included in personal allowance paid as part of salary is an amount of

Kshs.1,264,120 paid as special duty allowance to twenty-four (24) officers between February and June, 2021. However, thirteen (13) of the twenty-four (24) officers were paid the special duty allowance for six months starting March, 2020. This is contrary to Section C.15 of the Public Service Human Resource Policies and Procedures Manual, 2016, which states that the payment of special duty allowance will not be payable to an officer for more than six (6) months.

Under the circumstance, the regularity of special duty allowance of Kshs.1,264,120 for the year ended 30 June, 2021 could not be confirmed.

1.2 Entertainment Allowance

The expenditure of Kshs.68,378,859 in respect of personal allowances paid as part of salary includes an amount of Kshs.172,800 paid to two (2) officers' in job group "R" and "S" as entertainment allowance. This is contrary to Paragraph C.12 of the Public Service Human Resource Policies and Procedures Manual, 2016 which states that entertainment allowance is payable to officers in job group "T", "U", and "V". Further, the payment of the entertainment allowance was not approved by the Salaries and Remuneration Commission (SRC).

Under the circumstances, the State Department is inbreach of the Human Resource Policies and Procedure.

1.3 Unapproved Positions in the Establishment

A review of the staff establishment record made provided for audit review, indicated that the State Department had a staff strength of 163 officers placed in the 70 different designations/positions. However, a comparison with the Public Service Commission approved establishment for the State Department revealed that 31 designations/positions held by 131 officers were not approved by the Public Service Commission. This is contrary to Paragraph 5.0 of the Public Service Commission, circular referenced PSC/SEC/93/37/Vol. IV/37 dated 30 July, 2018 which states that the Commission should establish and abolish offices in the public service. Proposals on review of the staff establishment should all be approved by the Commission in consultation with the Authorized Officer.

Under the circumstances, the salaries and benefits paid to the 131 officers for the period they occupied those unauthorized positions did not constitute a proper charge to public funds.

2.0 Proposed Construction of Design and Manufacturing Block at Dedan Kimathi University of Technology

The statement of receipts and payments reflects transfers to other Government units of Kshs.70,296,430,177 which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.2,561,890,710 in respect to capital grants to Government Agencies. Included in the latter balance is an amount of Kshs.90,000,000 paid to a contractor implementing the Project. The project duration was twenty-four (24) months commencing on 5 July, 2020 and ending on 5 July, 2022. However, only one certificate for work done of Kshs.113,881,398 or about 12.25% has been approved an indication that the project has delayed and its completion by 5 July, 2022 is doubtful. The project delay has also denied services to the intended users.

3.0 Delayed Completion of Projects

Review of records revealed that sixty-one (61) Projects with a cost of Kshs.56,505,466,339 were being funded by the State Department. The planned completion dates for six (6) projects was 30 June, 2019, eighteen (18) projects had a completion date of 30 June, 2020 while nine (9) projects had a completion date of 30 June, 2021. However, all the thirty-three (33) projects with a cumulative expenditure of Kshs.7,524,206,477 had not been completed by December, 2021.

Under the circumstances, the intended users have not obtained any benefits from the projects.

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 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 for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

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

27 January, 2022

MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION
Reports and Financial Statements
For the year ended 30, June 2021.

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

	Note	2020-2021	2019-2020
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	57,923,899,583	68,809,365,234
Proceeds from Foreign Borrowings	2	1,444,490,927	355,696,420
Proceeds from Sale of Assets	3	23,693,469,361	33,976,423,480
TOTAL REVENUES		83,061,859,870	103,141,485,134
PAYMENTS			
Compensation of Employees	4	209,477,209	217,595,888
Use of goods and services	5	171,886,718	482,720,504
Transfers to Other Government Units	6	70,296,430,177	91,852,932,337
Other grants and transfers	7	252,156,072	190,926,166
Social Security Benefits	8	-	2,410,241
Acquisition of Assets	9	12,128,777,356	10,393,500,811
TOTAL PAYMENTS		83,058,727,533	103,140,085,947
SURPLUS/DEFICIT		3,132,337	1,399,187

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/ 2021 and signed by:



AMB. Simon Nabukwesi, CBS
Principal Secretary



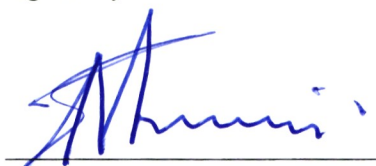
Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION
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For the year ended 30 June, 2021.

8. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE, 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10A	151,634,556	140,832,123
Cash Balances	10B	-	61,440
Total Cash And Cash Equivalents		151,634,556	140,893,563
Accounts Receivables - Outstanding Imprest and Clearance Accounts	11	-	17,500
TOTAL FINANCIAL ASSETS		151,634,556	140,911,063
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	12	148,423,278	139,423,278
NET FINANCIAL ASSETS		3,211,278	1,487,785
REPRESENTED BY			
Fund balance b/fwd	13	1,487,786	529,676
Surplus/de ficit		3,132,337	1,399,187
Prior year adjustments	14	(1,408,845)	(441,076)
NET FINANCIAL POSITION		3,211,278	1,487,787

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2021 and signed by:



AMB. Simon Nabukwesi, CBS
Principal Secretary



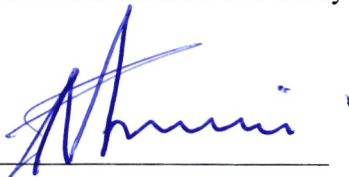
Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION
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For the year ended 30 June, 2021.

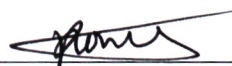
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	57,923,899,583	68,809,365,234
		57,923,899,583	68,809,365,234
Payments for operating expenses			
Compensation of Employees	4	209,477,209	217,595,888
Use of goods and services	5	171,886,718	482,768,437
Transfers to Other Government Units	6	70,296,430,177	91,852,913,435
Other grants and transfers	7	252,156,072	190,897,167
Social Security Benefits	8	-	2,410,241
		70,929,950,177	92,746,585,168
Adjusted for:			
Changes in receivables		17,500	(17,500)
Changes in payables		9,000,000	139,423,278
Adjustments during the year	14	(1,408,845)	(441,076)
Net cashflow from operating activities		(12,998,441,939)	(23,798,255,232)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	23,693,469,361	33,976,423,480
Acquisition of Assets	9	(12,128,777,356)	(10,393,500,811)
Net cash flows from Investing Activities		11,564,692,005	23,582,922,669
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	1,444,490,927	355,696,450
Net cash flow from financing activities		1,444,490,927	355,696,450
NET INCREASE IN CASH AND CASH EQUIVALENT		10,740,992	140,363,887
Cash and cash equivalent at BEGINNING of the year		140,893,563	529,676
Cash and cash equivalent at END of the year		151,634,555	140,893,563

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2021 and signed by:



AMB. Simon Nabukwesi, CBS
Principal Secretary



Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION

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10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED FOR THE YEAR

ENDED 30 JUNE, 2021

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	22,000,000	-	22,000,000	-	22,000,000	0%
Exchequer releases	29,410,760,123	28,671,137,053	58,081,897,176	57,923,899,583	157,997,593	100%
Proceeds from Foreign Borrowings	1,623,000,000	-	1,623,000,000	1,444,490,926.55	178,509,073	89%
Proceeds from Sales of Assets	7,264,067,034	25,207,442,221	32,471,509,254	23,693,469,361	8,778,039,893	73%
Total Receipts	38,319,827,157	53,878,579,274	92,198,406,430	83,061,859,870	9,136,546,560	90%
Payments						
Compensation of Employees	109,000,000	102,000,000	211,000,000	209,477,209	1,522,791	99%
Use of goods and services	294,289,968	76,486,822	370,776,790	171,886,718	198,890,072	46%
Transfers to Other Government Units	30,359,386,958	45,338,442,221	75,697,829,178	70,296,430,177	5,401,399,001	93%
Other Grants and Transfers	126,000,000	126,000,000	252,000,000	252,156,072	(156,072)	100%
Social Security Benefits	(1,250,000)	1,250,000	-	-	0	0%
Acquisition of Assets	7,432,400,231	8,234,400,231	15,666,800,462	12,128,777,356	3,538,023,106	77%
Grand Total	38,319,827,157	53,878,579,274	92,198,406,430	83,058,727,533	9,139,678,897	90%
Surplus/Deficit	-	-	-	3,132,337	(3,132,337)	

The entity financial statements were approved on 30/09 2021 and signed by



A.M.B. Simon Nabukwesi, CBS
Principal Secretary



Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

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For the year ended 30 June, 2021.

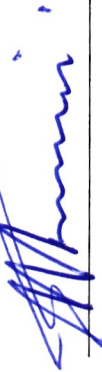
SUMMARY STATEMENT OF APPROPRIATION: RECURRENT FOR THE YEAR ENDED 30 JUNE, 2021

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Exchequer releases	26,693,137,053	28,671,137,053	55,364,274,106	55,357,774,106	6,500,000	100%
Proceeds from Sales of Assets	7,264,067,034	25,207,442,221	32,471,509,254	23,693,469,361	8,778,039,893	73%
Total Receipts	33,957,204,087	53,878,579,274	87,835,783,360	79,051,243,467	8,784,539,893	90%
PAYMENTS						
Compensation of Employees	109,000,000	102,000,000	211,000,000	209,477,209	1,522,791	99%
Use of goods and services	52,655,358	76,486,822	129,142,180	112,818,741	16,323,439	87%
Transfers to Other Government Units	27,636,398,498	45,338,442,221	72,974,840,718	67,734,539,467	5,240,301,251	93%
Other Grants and Transfers	126,000,000	126,000,000	252,000,000	252,156,072	(156,072)	100%
Social Security Benefits	(1,250,000)	1,250,000	-	-	0	0%
Acquisition of Assets	6,034,400,231	8,234,400,231	14,268,800,462	10,731,263,588	3,537,536,874	75%
Grand Total	33,957,204,087	53,878,579,274	87,835,783,360	79,040,255,078	8,795,528,282	90%
Surplus/Deficit	-	-	-	10,988,389	(10,988,389)	

Notes:

- The under collection of Proceeds from Sale of Assets by 27% is due to under collection of AIA which was caused by closure of Universities due to COVID19 pandemic.
- The underutilization of use of goods and services by 13% is due to effects of COVID 19 pandemic.
- The underutilization of Acquisition of Assets by 27% is due to under collection of HELB loans due to effects of COVID 19 pandemic.
- Changes between the original and final budget relating to social security benefits are as a result of budget revisions on the supplementary budget.

The entity financial statements were approved on 30/09/2021 and signed by:



A.M.B. Simon Nabukwesi, CBS
Principal Secretary



Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

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For the year ended 30 June, 2021.

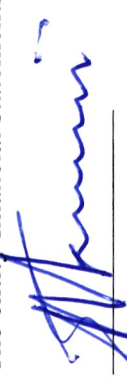
11. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2021

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	22,000,000	-	22,000,000	-	22,000,000	0%
Exchequer releases	2,717,623,070	-	2,717,623,070	2,566,125,477	151,497,593	94%
Proceeds from Foreign Borrowings	1,623,000,000	-	1,623,000,000	1,444,490,926.55	178,509,073	89%
Total Receipts	4,362,623,070	-	4,362,623,070	4,010,616,403	352,006,667	92%
Payments						
Use of goods and services	241,634,610	-	241,634,610	59,067,977	182,566,633	24%
Transfers to Other Government Units	2,722,988,460	-	2,722,988,460	2,561,890,710	161,097,750	94%
Acquisition of Assets	1,398,000,000	-	1,398,000,000	1,397,513,768	486,232	100%
Grand Total	4,362,623,070	-	4,362,623,070	4,018,472,455	344,150,615	92%
Surplus/Deficit	-	-	-	(7,856,052)	7,856,052	

Notes:

- i. Non-utilization of proceeds from domestic and foreign grants by 11% is due to suppliers not meeting terms of the contract.
- ii. The underutilization of use of goods by 76% is due to suppliers not meeting terms of the contract.

The entity financial statements were approved on 30/09/2021 and signed by:



A.M.B. Simon Nabukwesi, CBS
Principal Secretary



Robert Asumani Samuel
Assistant Accountant General
ICPAK Member Number: 10100

MINISTRY OF EDUCATION - STATE DEPARTMENT FOR UNIVERSITY EDUCATION

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12. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR THE YEAR ENDED 30 JUNE, 2021

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
504000000		University Education	91,151,794,130.00	82,028,036,023.85	9,123,758,106.15
	504010000	University Education	75,594,844,145.00	70,024,000,945.10	5,570,843,199.90
	504020000	Quality Assurance and Standards	341,050,487.00	329,175,886.00	11,874,601.00
	504030000	Higher Education Support Services	15,215,899,498.00	11,674,859,192.75	3,541,040,305.25
506000000		Research, Science, Technology and Innovation	839,601,568.00	837,255,455.80	2,346,112.20
	506010000	Research Management and	593,883,801.00	591,537,688.80	2,346,112.20
	506020000	Knowledge and Innovation	42,875,963.00	42,875,963.00	0
	506030000	Science and Technology Development	202,841,804.00	202,841,804.00	0
508000000		General Administration, Planning and Support Services	207,010,732.00	193,436,053.55	13,574,678.45
	508010000	Headquarters Administrative Services	207,010,732.00	193,436,053.55	13,574,678.45
		Grand Total	92,198,406,430.00	83,058,727,533.20	9,139,678,896.80

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13. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

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

- i. Support for Higher Education Science and Technology (HEST) Project.
- ii. Establishment of Kenya Advanced Institute of Science and Technology (KAIST) Project.
- iii. Eastern and Southern Africa Higher Education Centers of Excellence (ACE II) Project.

Reporting Currency

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

3. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

ii) Transfers from the Exchequer

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

iii) External Assistance

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

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

iv) Other receipts

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

b) Recognition of payments

The State Department for University Education recognises all payments when the event occurs, and the related cash has been paid out.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

iii) Interest on Borrowing

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

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 financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity 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.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

6. Cash and Cash 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.

a) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2021, this amounted to Kshs 148,423,278 compared to Kshs 139,423,278 in prior period as indicated on note 12. There were no other restrictions on cash during the year

7. Accounts Receivable

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

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

10. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2020 to 30th June 2021 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

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

11. Comparative Figures

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2021.

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

14. Related Party Transactions

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

15. Contingent Liabilities

Section 148 (9) of the PFM Act regulations 2015 requires the Accounting officer of a National Government entity to report on the payments made, or losses incurred, by the National Government entity to meet contingent liabilities as a result of loans during the financial year.

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.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The State Department for University Education 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.

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14. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description	2020-2021	2019-2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	16,244,051,158	13,972,549,399
Total Exchequer Releases for quarter 2	10,623,718,147	18,057,089,891
Total Exchequer Releases for quarter 3	14,472,071,692	13,679,505,518
Total Exchequer Releases for quarter 4	16,584,058,586	23,100,220,426
TOTAL	57,923,899,583	68,809,365,234

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

	2020-2021	2019-2020
	Kshs	Kshs
Foreign Borrowing - Direct Payments	1,444,490,927	355,696,420
Foreign Currency and Foreign Deposits		
TOTAL	1,444,490,927	355,696,420

3. PROCEEDS FROM SALE OF ASSETS

	2020-2021	2019-2020
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities (AIA from Universities)	21,707,856,235	32,078,443,943
Repayments from Domestic Loans to Individuals and Households (HELB)	1,985,613,126	1,897,979,537
TOTAL	23,693,469,361	33,976,423,480

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMPENSATION OF EMPLOYEES

	2020-2021	2019-2020
	Kshs	Kshs
Basic salaries of permanent employees	141,098,350.85	121,357,914
Personal allowances paid as part of salary	68,378,858.50	96,237,974
TOTAL	209,477,209	217,595,888

5. USE OF GOODS AND SERVICES

	2020-2021	2019-2020
	Kshs	Kshs
Utilities, supplies and services	5,180,463	13,096,042
Communication, supplies and services	4,014,399	11,055,820
Domestic travel and subsistence	9,150,228	18,317,902
Foreign travel and subsistence	3,828,346	10,908,100
Printing, advertising and information supplies & services	1,519,449	3,935,390
Rentals of produced assets	46,069,098	56,952,026
Training expenses	13,520,879	299,770,062
Hospitality supplies and services	6,646,753	23,945,458
Specialized materials and services	51,913,517	5,431,698
Office and general supplies	3,815,733	9,403,174
Fuel Oil and Lubricants	4,633,821	8,202,837
Other operating expenses	9,581,745	5,107,166
Routine maintenance – vehicles and other transport equipment	7,672,305	9,352,360
Routine maintenance – other assets	4,339,982	7,242,469
TOTAL	171,886,718	482,720,504

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6. TRANSFERS TO OTHER GOVERNMENT ENTITIES

	2020-2021	2019-2020
	Kshs	Kshs
Transfers to National Government entities		
Current Grants to Government Agencies and	65,004,747,867	83,562,532,863
Capital Grants to Government Universities	2,561,890,710	5,790,399,475
	2,729,791,600	2,499,999,999
TOTAL	70,296,430,177	91,852,932,337

7. OTHER GRANTS AND OTHER PAYMENTS

	2020-2021	2019-2020
	Kshs	Kshs
Scholarships and other educational benefits	252,156,072	190,926,166
Total	252,156,072	190,926,166

8. SOCIAL SECURITY BENEFITS

	2020-2021	2019-2020
	Kshs	Kshs
Government pension and retirement benefits	-	2,410,241
TOTAL	-	2,410,241

9. ACQUISITION OF ASSETS

	2020-2021	2019-2020
	Kshs	Kshs
Non Financial Assets		
Construction of Buildings	1,397,513,768	211,175,897
Purchase of Office Furniture and	-	107,531
Sub Total	1,397,513,768	211,283,428
Financial Assets		
Domestic Lending and On-Lending	10,731,263,588	10,182,217,383
Sub Total	10,731,263,588	10,182,217,383
TOTAL	12,128,777,356	10,393,500,811

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10A. BANK ACCOUNTS

Name of Bank, Account No. & currency	2020-2021	2019-2020
	Kshs	Kshs
Central Bank of Kenya, 1000302698- Recurrent, KShs	677,368	1,390,845
Central Bank of Kenya, 1000302771- CBK 165, KShs	-	-
Central Bank of Kenya, 1000302712- Development, KShs	2,533,910	18,000
Central Bank of Kenya, 1000302747- Deposit, KShs	148,423,278	139,423,278
Total	151,634,556	140,832,123

10.B CASH IN HAND

	2020-2021	2019-2020
	Kshs	Kshs
Cash in Hand – Held in domestic currency	-	61,440
Cash in Hand – Held in foreign currency	-	
TOTAL	-	61,440

11. ACCOUNTS RECEIVABLES

Description	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	
Salary Advances		17,500
Suspense & Clearance accounts	-	
TOTAL	-	17,500

12. ACCOUNTS PAYABLE

	2020-2021	2019-2020
	Kshs	Kshs
Deposits	148,423,278	139,423,278
TOTAL	148,423,278	139,423,278

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13. BALANCES BROUGHT FORWARD

	2020-2021	2019-2020
	Kshs	Kshs
Bank accounts	140,832,123	441,076
Cash in hand	61,440	88,600
Receivables - Outstanding Imprests	17,500	
Payables - Deposits	(139,423,278)	
TOTAL	1,487,785	529,676

14. PRIOR YEAR ADJUSTMENTS

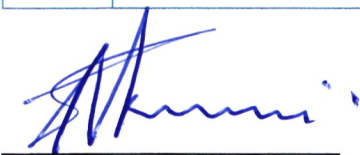
	Balance b/f FY 2019/2020 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	140,832,123.00	(1,408,845)	139,423,278
Total	140,832,123.00	(1,408,845)	139,423,278

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15. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)
369	Grants and Transfers to Other Government Entities			
369.1	Capital grants to Universities.	Funds are transferred to various universities in accordance with Public Finance Management Act and Treasury circulars. All the transfers have been supported	Not Resolved	2021
369.2	Capital Grants with no Specific Projects:	Capital Grants with no specific projects have been supported.	Not Resolved	2021
369.3	Current Grants to Government Agencies and Other Levels of Government.	The transfers to universities has been explained and supported.	Not Resolved	2021
371	Delay of Exchequer Release	Release of funds is the responsibility of the National Treasury and it depends on Revenue collection.	Not Resolved	2021
372	Pending Bills	The pending bills have been settled.	Not Resolved	2021
373	Unresolved Prior Year Matters	Responses are with Public Accounts Committee of Parliament awaiting recommendations.	Not Resolved	2021



Principal Secretary



Assistant Accountant General

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16. ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020/2021	Outstanding Balance 2019/2020	Comments
Supply of goods						
Dechtech Solutions				-	247,500	Paid
Specicom Technologies Limited				-	254,000	Paid
Safepoint Limited				-	284,500	Paid
Kenmat Ventures Limited				-	337,500	Paid
Eurocom Systems Limited				-	47,800	Paid
Sub-Total	-		-	-	1,171,300	
Supply of services						
Machalos University				-	195,000	Paid
Parklane Construction Ltd				21,493,325		
Kenya Institute of Curriculum Development (KICD)				-	24,000	Paid
Sub-Total	-		-	21,493,325	219,000	
Grand Total	-		-	21,493,325	1,390,300	

ANNEX 2 – FIXED ASSETS SCHEDULE

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Buildings and structures	4,841,057,062	1,397,513,768	-	6,238,570,830
Transport equipment	2,778,600		-	2,778,600
Office equipment, furniture and fittings	1,171,431	-	-	1,171,431
Machinery and Equipment	7,269,390	-	-	7,269,390
Intangible assets	-	-	-	0
Domestic Lending and On-Lending		10,731,263,588	-	10,731,263,588
Total	4,852,276,483	12,128,777,356	-	16,981,053,839

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

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Support To Enhancement Of Quality And Relevance In Higher Education	(i) To Finance the purchase of identified equipment for existing laboratories/workshops in target faculties of engineering and applied sciences in eight universities: (ii) Capacity building of existing staff in engineering and applied sciences at Master's and Doctorate levels (iii) The project will support the construction of a teaching, learning and experiential centre at WMI.	AMB. Simon Nabukwesi	YES
2	Construction of Centres of Excellence (ACE II)	(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. Develop and enhance partnerships with industry and private sector to generate greater impact.	AMB. Simon Nabukwesi	YES
3	Construction of KAIST at Konza Technopolis	To promote relevant Research and Development through promotion of industrial- academic collaboration for stimulating of technological and industrial transformation. This aims at making Kenya industrially competitive in the globe by transforming it into an industrializing middle-income country as envisioned in the Kenya vision 2030.	AMB. Simon Nabukwesi	YES

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

Ref	SC, SAGA or Public Fund's Name	Principal Activity of Entity	Accounting Officer	Amount transferred during the year 2020-2021	Inter-Entity Reconciliations Done?(Yes/No)
1	Technical University of Kenya	Provide University Education	Vice Chancellor	1,907,155,754	Yes
2	Technical University of Mombasa	Provide University Education	Vice Chancellor	922,640,671	Yes
3	University of Nairobi	Provide University Education	Vice Chancellor	5,309,314,546	Yes
4	Mariane Research Institute	Provide University Education	Vice Chancellor	80,000,000	Yes
5	Koitalel Samoei UC	Provide University Education	Principal	151,876,249	Yes
6	University of Embu	Provide University Education	Vice Chancellor	674,115,975	Yes
7	Kenyatta University	Provide University Education	Vice Chancellor	3,155,353,003	Yes
8	Machakos University	Provide University Education	Vice Chancellor	1,040,291,376	Yes
9	Egerton University	Provide University Education	Vice Chancellor	2,270,666,824	Yes

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10	Jomo Kenyatta University of Agriculture and Technology	Provide University Education	Vice Chancellor	2,853,118,982	Yes
11	Pan African University	Provide University Education	Vice Chancellor	63,465,215	Yes
12	Kirinyaga University	Provide University Education	Vice Chancellor	391,721,288	Yes
13	Murang'a University of Technology	Provide University Education	Vice Chancellor	596,868,664	Yes
15	Taita Taveta University	Provide University Education	Vice Chancellor	428,226,598	Yes
16	Co-operative University	Provide University Education	Vice Chancellor	343,531,892	Yes
17	Maseno University	Provide University Education	Vice Chancellor	1,739,877,327	Yes
18	Kabianga University	Provide University Education	Vice Chancellor	852,076,633	Yes
19	Tom Mboya UC	Provide University Education	Principal	447,927,250	Yes
20	Moi University	Provide University Education	Vice Chancellor	3,469,887,190	Yes
21	Gatundu UC	Provide University Education	Principal	208,079,479	Yes
22	Bomet UC	Provide University Education	Principal	357,515,705	Yes
23	Garissa University	Provide University Education	Vice Chancellor	408,130,791	Yes
24	Rongo University	Provide University Education	Vice Chancellor	613,597,585	Yes
25	Alupe UC	Provide University Education	Principal	226,731,264	Yes
26	Masinde Muliro University	Provide University Education	Vice Chancellor	1,742,820,785	Yes
27	Kibabii University	Provide University Education	Vice Chancellor	691,254,907	Yes
28	Kaimosi UC	Provide University Education	Principal	495,554,224	Yes
29	Turkana UC	Provide University Education	Principal	190,844,661	Yes
30	South Eastern Kenya University	Provide University Education	Vice Chancellor	954,536,494	Yes
31	Pwani University	Provide University Education	Vice Chancellor	772,077,183	Yes
32	Chuka University	Provide University Education	Vice Chancellor	1,345,582,431	Yes
33	Kisii University	Provide University Education	Vice Chancellor	1,153,851,053	Yes
35	Laikipia University of Technology	Provide University Education	Vice Chancellor	893,146,819	Yes
36	Dedan Kimathi University	Provide University Education	Vice Chancellor	919,656,192	Yes
37	Meru University of Technology	Provide University Education	Vice Chancellor	846,513,942	Yes
38	Multimedia University	Provide University Education	Vice Chancellor	631,067,283	Yes

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39	Maasai Mara University	Provide University Education	Vice Chancellor	1,012,886,901	Yes
40	University of Eldoret	Provide University Education	Vice Chancellor	1,925,161,291	Yes
41	Karatina University	Provide University Education	Vice Chancellor	751,232,400	Yes
42	Jaramogi Oginga Odinga University	Provide University Education	Vice Chancellor	1,259,017,535	Yes
43	Tharaka UC	Provide University Education	Principal	425,582,881	Yes
44	KUCCPS	Placement of students in universities & colleges	CEO	16,468,585	Yes
45	NACOSTI	Regulate and assure quality in science, technology & innovation centre	CEO	172,841,804	Yes
46	Commission for University Education	Accredit and quality assure in university education	CEO	143,050,488	Yes
47	HELB	Source for funds and finance students enrolled in recognised institutions of learning.	CEO	9,134,248,542	Yes
48	National Research Fund	Mobilise and channel resources for research, science, technology and innovation	Ag. CEO	303,037,923	Yes
49	Kenya National Innovation Agency	Scout for and nurture innovative ideas	CEO	42,875,963	Yes
50	University Funding Board	Mobilise resources for financing education	CEO	42,525,812	Yes
51	African Institute for Capacity and Development	Provide University Education	CEO	56,000,000	Yes
52	Biosafety Appeals Board	Hear Appeals from persons aggrieved by decisions made by the National Biosafety Authority	Ag. CEO	25,710,764	Yes
53	National Biosafety Authority	Supervision and control of genetically modified organisms	CEO	134,900,000	Yes
54	AIA			23,693,469,361	Yes
	Grand-total			78,288,086,482	

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ANNEX 5 – OTHER CURRENT TRANSFERS (TRANSFERS TO PRIVATE UNIVERSITIES)

Ref	University / University College/SAGA	Amount Transferred Recurrent - FY 2020-2021
1	Africa International University	35,363,697
2	Africa Nazarenne University	86,009,446
3	Catholic University Of East Africa	196,923,940
4	Daystar University	57,536,637
5	Great Lakes University of Kisumu	28,511,777
6	Gretsa University	42,440,766
7	International Leadership University	253,294
8	Kabarak University	357,903,990
9	Kca University	223,714,619
10	Kenya Assemblies Of God East University	6,449,247
11	Kenya Highlands Evangelical University	38,240,853
12	Kenya Methodist University	266,590,531
13	Kiriri Womens University Of Science & Technology	16,587,490
14	Lukenya University	48,859,704
15	Management University Of Africa	15,476,894
16	Marist International University College	12,469,843
17	Mount Kenya University	552,331,796
18	Pan Africa Christian University	16,403,473
19	Pioneer International University	43,417,137
20	Presbyterian University Of East Africa	113,854,433
21	Raf International University	2,455,000
22	Riara University	11,729,446
23	Scott Christian University	34,040,941
24	St Pauls University	84,400,923
25	Tangaza University College	15,028,759
26	The East African University	41,211,101
27	Umma University	24,277,226
28	United States International University	6,271,725
29	University Of Eastern Africa, Baraton	183,308,863
30	Uzima University College	52,353,858
31	Zetech University	115,374,195
	TOTAL	2,729,791,604

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ANNEX 6 – ANALYSIS OF DEPOSITS HELD IN DEPOSIT BANK ACCOUNT AS AT 30TH JUNE 2021

NO.	NAME OF SUPPLIER	2020 - 2021	2019 - 2020
1	Sony Commercial Agencies	3,500,000	3,500,000
2	Sony Commercial Agencies	3,800,000	3,800,000
3	Eva Top Agencies	3,800,000	3,800,000
4	Rocky Africa Limited	4,268,038	4,268,038
5	Aerospace Aviation	4,800,000	4,800,000
6	Madujey Global Services	7,000,000	7,000,000
7	Beta Trading Company Limited	7,700,000	7,700,000
8	Beta Trading Company	8,300,000	8,300,000
9	Beta Trading Company	95,400,000	95,400,000
10	Parkline Construction Limited (Retention money)	9,000,000	-
	Sub Total	147,568,038	138,568,038
11	Net Proceeds from disposal of idle assets	855,240	855,240
	Total	148,423,278	139,423,278

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ANNEX 7- FY 2020/2021 AIA COLLECTION FOR SAGAS

STATE DEPARTMENT FOR UNIVERSITY EDUCATION AND RESEARCH				
FY 2020/2021 AIA COLLECTION FOR SAGAS				
S/NO	INSTITUTION	Budget	Actual	Variance
1	Technical University of Kenya	540,484,215	540,484,215	-
2	Technical University of Mombasa	369,010,010	369,010,010	-
3	University of Nairobi	6,178,413,520	4,481,400,880	1,697,012,640
4	Koitalel Samoei University College	13,691,420	2,536,530	11,154,890
5	University of Embu	428,341,518	418,811,563	9,529,955
6	Kenyatta University	2,746,433,113	1,716,069,897	1,030,363,216
7	Machakos University	330,340,111	316,632,395	13,707,716
8	Egerton University	870,894,670	706,290,972	164,603,698
9	Jomo Kenyatta University of Agriculture & Technology	3,178,274,469	2,237,028,903	941,245,566
10	Kirinyaga University	230,867,093	230,867,093	-
11	Murang'a University	198,087,787	198,087,787	-
12	Taita Taveta University	109,184,632	86,889,238	22,295,394
13	Co-operative University of Kenya	471,582,960	421,845,900	49,737,060
14	Maseno University	904,120,717	904,120,717	-
15	Tom Mboya University College	94,836,972	80,631,115	14,205,857
16	Moi University	1,996,765,884	1,478,971,212	517,794,672
17	Bomet University College	46,865,068	41,594,956	5,270,112
18	Garissa University	121,649,743	121,649,743	-
19	Rongo University	349,611,873	345,442,276	4,169,597
20	Alupe University College	28,150,085	28,150,085	-
21	Masinde Muliro University	1,283,178,255	1,103,362,662	179,815,593
22	Kibabii University	241,147,838	241,147,838	-
23	Kaimosi Friends University College	135,648,000	131,912,000	3,736,000
24	Turkana University College	40,422,453	40,422,453	-
25	South Eastern Kenya University	231,011,361	216,574,982	14,436,379
26	Pwani University	345,825,750	345,825,750	-
27	Chuka University	589,607,863	555,345,692	34,262,171
28	Kisii University	1,141,999,000	918,840,000	223,159,000
29	Laikipia University of Technology	302,621,968	193,790,413	108,831,555
30	Dedan Kimathi University	470,213,183	470,213,183	-
31	Meru University of Science & Technology	308,867,665	295,318,371	13,549,294
32	Multimedia University	307,817,061	284,059,327	23,757,734
33	Maasai Mara University	254,233,158	195,242,542	58,990,616
34	University of Kabianga	292,949,835	261,231,249	31,718,586
35	University of Eldoret	458,013,245	450,493,033	7,520,212
36	Karatina University	336,655,708	288,744,803	47,910,905
37	Jaramogi Oginga Odinga University of Science and Technology	387,191,051	387,191,051	-
39	Higher Education Loans Board	5,523,000,000	1,985,613,126	3,537,386,874
40	Commission for University Education	198,000,000	186,125,399	11,874,601
41	Kenya Universities and Colleges Central Placement Service	385,500,000	385,500,000	-
42	National Commission for Science Technology and Innovation	30,000,000	30,000,000	-
	TOTAL	32,471,509,254	23,693,469,361	8,778,039,893

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ANNEX 8- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes

APPENDICES

The following appendices have been attached to the annual report and financial statements.

- i. Certificate of Balances as at 30Th June 2021
- ii. Board of Survey Report on Cash and Bank Balances as at 30Th June 2021
- iii. Bank Statement Extracts on Closing Bank Balances as at 23Rd July 2021
- iv. Cashbook Extracts on Closing Cashbook Balances as at 1St July 2021
- v. Summary of Exchequer Issues for the Financial Year Ended 30Th June 2021
- vi. Summary of Compensation of Employees for the Financial Year Ended 30Th June 2021