

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
AFRICA CENTRE OF EXCELLENCE
(ACEII) PTRE PROJECT

FOR THE YEAR
ENDED 30 JUNE 2018



**Project Name: AFRICA CENTRE OF EXCELLENCE (ACEID)
PTRE PROJECT**

Implementing Entity: MOI UNIVERSITY

PROJECT GRANT/CREDIT NUMBER: P151847

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project

Objective: The key objective of the project is to advance technology development and innovation in Phytochemicals, Textiles and Renewable Energy through delivery of quality post graduate training and collaborative research in regional priority areas.

Address:

Moi University
Margaret Thatcher Library, Main Campus
P.O Box 3900 -- 30100
ELDORET

Contacts: The following are the project contacts

Telephone: (+254) 736 138770; 771 336911
E-mail: info@mu.ac.ke, muptraaceii@gmail.com
Website: www.mu.ac.ke

1.2 Project Information

Project Start Date:	The project start date is 1 July 2017
Project End Date:	The project end date is 30 June 2022
Project Leader:	The project manager is Prof. Ambrose Kiprop
Project Sponsor:	The project sponsor is the World Bank

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education
Project number	P151847

Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> i) To strengthen education capacity excellence in terms of quality of postgraduate training ii) To strengthen research capacity excellence and outreach service in Phytochemicals, Textile and Renewable Energy iii) To strengthen innovation and technology development in the industrial and manufacturing sectors iv) To strengthen sustainability of research and training through enhancement of facilities.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> i) Admitting and training PhD and MSc students in areas of manufacturing involving Analytical Chemistry, Textile, Industrial Engineering and Renewable Energy. ii) Enhancing learning environment by improving teaching, research facilities and ICT upgrading. iii) Re-tooling faculty on curriculum delivery and supervision. iv) Improving industrial and private sector linkage with stakeholders to offer more internship places for students. v) Offering extension and outreach services to the community. vi) Holding annual meetings with partners to discuss project progress and evaluation. vii) Undertaking joint publications with partners. viii) Organizing student and staff exchange activities. ix) Embracing use of visiting members of faculty who are based in the diaspora and other adjunct professors.
Other important background information of the project	<p>The manufacturing sector is envisaged under Kenya Vision 2030 as a key driver to economic growth with an annual growth rate of 10% projected. To make Kenya a dynamic industrial nation by year 2030, a high number of diversified skilled personnel in science, technology, engineering and mathematics (STEM) are necessary. As industrialization advances, the energy demand is expected to rise correspondingly, requiring better energy management with new technologies in energy generation and distribution. Sustainable industrialization requires highly skilled workforce capable of introducing novel manufacturing technologies and energy alternatives for sustainable development. The Centre is attempting to address the need in manufacturing technologies for textile, phytochemicals and renewable energy in the country.</p>

Current situation that the project was formed to intervene	<p>The Africa Centre of Excellence in Phytochemicals, Textile and Renewable Energy (PTRE) at Moi University, was established to focus on MSc and PhD training, mentorship, short courses and research in areas of textiles, industrial Engineering, phytochemicals and renewable Energy.</p> <p>Inadequacy in personnel with advanced training in these areas/sectors hinders fast industrialization of Kenya. These sectors are key to improving the manufacturing sector which contributes to only 10% of Kenyan Gross Domestic Product.</p> <p>This Centre shall provide Doctoral and Masters Degrees training, while conducting research focused on Textile Engineering, Industrial Engineering, Analytical Chemistry and Renewable Energy.</p>
Project duration	The project started on 1 st July 2017 and is expected to run until 30 June 2022.

1.4 Bankers

The following are the bankers for the current year:

- (i) Kenya Commercial Bank
P. O Box 560 -30100
ELDORET

1.5 Auditors

The project is audited by:

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

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Prof. Simeon Mining	Director – Research	Ph.D.	Coordinator -- IP&QA
Prof. Ambrose Kiprop	Centre Leader	Ph.D.	Centre Leader
Dr. Rose Ramkat	Deputy Centre Leader	Ph.D.	Deputy Centre Leader
Dr. Jackson Cherutoi	Coordinator	Ph.D.	Phytochemicals
Dr. Korir K. Kiptiemi	Coordinator	Ph.D.	Renewable Energy
Dr. Fredrick Nyamwala	Coordinator	Ph.D.	M&E, Ph.D./MSc. Prog
Dr. Charles Nzila	Coordinator	Ph.D.	Seminars and conferences

Dr. Inequeline Makatiani	Coordinator	Ph.D.	Short courses and linkages
Ms. Naomi Nkonge	Administration and Communication Officer	Master in Project Planning and Management	General administration and communication
Mr. Kirwa Chirchir	Accountant	BBM – Finance, CPA(K)	Financial Services
Mr. Silvester Okello	Procurement Officer	B.A, Dip Purchasing and Supplies	Procurement Services
Ms. Jane Njenga	Secretary		Secretariat Services

1.7 Funding summary

The Project is for duration of four years from 2017 to 2022 with an approved budget of US\$ 600,000 equivalent to Kshs. 600 million as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 June 2018)		Undrawn balance to date (30 June 2022)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Grant						
World Bank/Ministry of Education	US\$600,000	600,000,000	US\$111,854	111,854,166	488,166	488,166,000
(ii) Attracted Funds						
ADB Bank	-	-	-	19,299,450	-	-
GIZ – Nairobi Office	-	-	-	610,957	-	-
Glasgow University	-	-	-	486,921	-	-
Glasgow University	-	-	-	730,620	-	-
(iii) Internally generated funds						
Students' application fees	-	-	-	156,340	-	-
Investment income	-	-	-	1,695,342	-	-
Total	600,000	600,000,000	111,854	134,833,796	488,146	488,146,000

1.8 Summary of Overall Project Performance:

The Africa Centre of Excellence in Phytochemicals, Textile and Renewable Energy at Moi University was launched on 14th September 2017 at Sirikwa Hotel, Eldoret. The launch was attended by national, regional and International partners who represented the partner institution

- Dr. K. Chelule (KIRDI, Kenya),
- Prof. M. S. Elarabi (University of Gezira, Sudan),
- Dr. Baby Nyoni (National University of Science and Technology, Zimbabwe),
- Prof. Chacha Nyaigotti-Chacha (Commission for University Education, Kenya),
- Ms. Yvonne Kirema (Biogas International),
- Prof. D. K. Some (University of Eldoret),
- Dr. Ludaki Chweya (Kenya School of Government),
- Dr. Wilson Babu (Busitema University),
- Dr. Maurice Bolo (Scinnovent Center) and
- Moi University representatives from various sections. In addition,

ACTIVITIES DURING THE YEAR

- Organized a Management and Leadership workshop that involved regional and national participants on 16th – 17th October 2017.
- In October/November 2017, engaged the Schools of Engineering and Biological and Physical Sciences, to conduct a tracer study and received a positive responses from a sample size of two hundred and fifty respondent from the industry and the response will be used to develop short courses that are in demand.
- Participated in the Inter University Council for East Africa/Regional Facilitation Unit (FRU) of Eastern and Southern Africa Higher Education Centers of Excellence Project (ACEII), meeting to build and strengthen partnership between ACEII. The meeting was held in Kigali, Rwanda under the theme “**Engaging private Companies to be in the Centre Governance Advisory bodies of ACE’s Project**” on 18th to 19th October 2017 and was attended by National and Regional Higher Educations agencies, Vice-Chancellors and the host Center leaders project coordinators
- The Centre Leader, Deputy Centre Leader and the Finance Officer attended the joint ACE I&II workshop between 7th to 9th November 2017 in Accra, Ghana for collaborative networks and presentation of Project progress
- The Centre Leader attended an international Conference on Petro-Chemistry and Chemical Engineering on 13th to 14 November 2017 and presented a published paper on “**Biological Production of Bio-hydrogen from Organic Substrates**” in Atlanta U.S.A
- Organized a student orientation to familiarize the regional and national students on various University academic and social requirements on 16th November 2017
- Carried out a sensitization workshops for the University staff and the surrounding community

- on the importance of research in manufacturing sector on 13th to 14th December 2017
- Held its first Short Course programme Development and Curriculum delivery in June 2018 at Sirikwa Hotel and hosted a professional talk by Mr. Harness Mogongo of Association of Energy Professional East Africa (AEPEA)
 - The Centre entered into a collaborative Memorandum of Understanding with NOCART, AEPEA, BIOGAS International and University of Gezira, Sudan and have had a series of exchange visits by the ACEII Coordinators
 - The Centre has organized a series of training, national and international seminars, workshops for direct and support staff being the essential drivers for the success of this project.
 - The Centre has offered Scholarship in MSc and PhD in Analytical Chemistry, Material and Textile Engineering and Energy Studies. These programmes have attracted students from Kenya, Malawi, Zambia, Uganda, Ethiopia and Sudan.

In addition to the above, the project has renovated few of the University houses to be used by the supported students and laboratories to improve on research and other academic uses



From left: Partners during the ACE launch (Philippe GERARDIN, Professor from Université de Lorraine and Prof. S. Elarabi from University of Gezira), Prof. Ambrose Kiprop (Center Leader) and Dr. Rose Ramkat (Deputy Center Leader)



Participants during PTRE Launch at Sirikwa Hotel 13th and 14th September 2018



University Management, Partners, ACEII PTRE Team and other participant during training on Programme Development and Curriculum Delivery

i) STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Vice Chancellor for the University and the Centre Leader for the Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Vice Chancellor for the University and the Centre Leader for Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

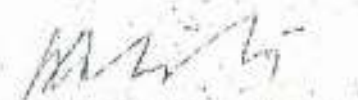
The Vice Chancellor for the University and the Centre Leader for Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2018, and of the Project's financial position as at that date. The Vice Chancellor for the University and the Centre Leader for Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Vice Chancellor for the University and the Centre Leader for Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Vice Chancellor for the University and the Centre Leader for Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project on _____ 2018 and signed by them


Vice Chancellor


Centre Leader

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Africa Centre of Excellence (ACEII) Phytochemicals, Textiles and Renewable Energy (PTRE) Project set out on pages 10 to 22 which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 and the Financing Agreement dated 27 October 2016 between the Government of Kenya and Moi University. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Africa Centre of Excellence (ACEII) PTRE Project as at 30 June 2018, 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 enabling Act.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Africa Centre of Excellence (ACEII) PTRE Project in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Africa Centre of Excellence (ACEII) for the year ended 30 June 2018

Other Matter

1.1. Budgetary Control and Performance

1.2. Budget Absorption

During the year under review, Africa Centre of excellence (ACE II) PTRE-Project had a total budget of Kshs. 119,769,567 against actual expenditure of Kshs 52,095,618 resulting in under absorption of Kshs. 82,486,634 as summarized below:

Item	Budget 2017-2018 (Kshs)	Actuals 2017-2018 (Kshs)	Under Expenditure (Kshs)
Set up institutional framework for commencement of the ACE	27,227,025	14,939,503	12,287,522
Strengthen education capacity excellence-quality and productivity	28,256,944	15,577,486	12,679,458
Education capacity and development impact	2,798,075	159,700	2,638,375
Strengthen research capacity excellence-quality and productivity	55,069,007	15,193,660	39,875,347
Observation of best practice in ACE financial operation	51,625		51,625
Observation of best practices in ACE procurement operation	51,625		51,625
Donor attracted research expenses	21,127,948	6,225,266	14,902,682
Total	119,769,567	52,095,618	82,486,634

The under expenditure of the approved budget is likely to have negative impact on delivery of goods and services and the overall achievement of project objectives and goals.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Receipts

1.1 Term Deposits

The statement of receipts and payments for the year ended 30 June 2018 reflects total receipts figure of Kshs 134,833,796 which includes miscellaneous receipts figure of Kshs. 1,851,681 out of which an amount of Kshs 1,695,342 as disclosed under note 2.3 to the financial statement is in respect of interest income. Available information revealed that the interest income of Kshs.1,695,342 was interest in respect of payment by Kenya Commercial Bank on a term deposits of Kshs. 80,000,000 invested in the Kenya Commercial Bank by the University contrary to article II Section 2.05 of the subsidiary grant agreement between the government of Kenya and Moi University dated 27 October 2016 which states that the proceeds of the Grant shall be applied exclusively for the financing of Moi University's respective part of the project in accordance with this Grant Agreement.

In addition, no procurement records were availed for audit review to confirm that the investment was competitively sourced and the University got the best interest. Further, no evidence was provided for audit review to confirm that the investment was approved by the University Council.

Consequently, the management was in breach of subsidiary grant agreement and the general disbursement guidelines for World Bank Projects.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015 based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

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.

In preparing the financial statements, management is responsible for assessing the Africa Centre of Excellence (ACEII) PTRE Project 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 either intends to liquidate the Africa Centre of Excellence (ACEII) PTRE Project or to cease

operations, or have no realistic alternative but to do so. 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Africa Centre of Excellence (ACEll) PTRE Project 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in

the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement

and maintain professional skepticism throughout the audit. I also:

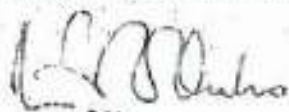
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Africa Centre of Excellence (ACEI) PTRE Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

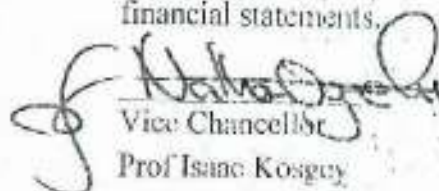
Nairobi


28 December 2018

ii) **STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	2017/18		2016/17		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	2.1	111,854,166	-	-	-	111,854,166
Proceeds from domestic and foreign grants	2.2	21,127,948	-	-	-	21,127,948
Miscellaneous receipts	2.3	1,851,682	-	-	-	1,851,682
TOTAL RECEIPTS		134,833,796	-	-	-	134,833,796
PAYMENTS						
Purchase of goods and services	2.4	40,006,263	-	-	-	40,006,263
Acquisition of non-financial assets	2.5	12,089,352	-	-	-	12,089,352
TOTAL PAYMENTS		52,095,615	-	-	-	52,095,615
SURPLUS		82,738,181	-	-	-	82,738,181

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


 Vice Chancellor
 Prof Isaac Kosgey

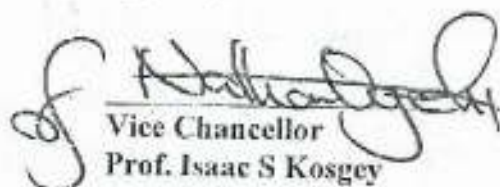

 Centre Leader
 Prof Ambrose Kiprop

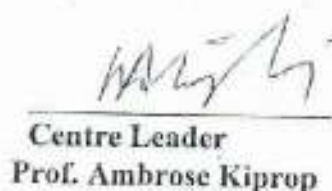

 Deputy Vice Chancellor, Finance
 Prof. Daniel Tarus
 ICPAK Member No. 12230

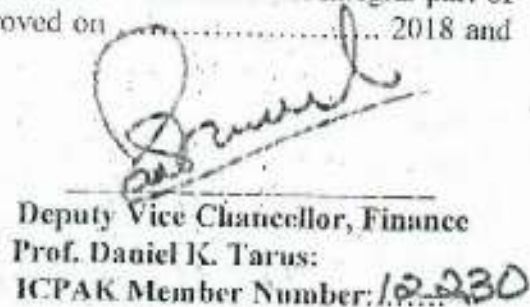
iii) STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2018

FINANCIAL ASSETS	NOTE	2017-2018	2016-2017
Cash and Cash Equivalents			-
Cash and Bank Balances	2.6	80,695,581	-
Imprests and Advances	2.7	2,042,600	-
		82,738,181	-
REPRESENTED BY:			
Funds Balances B/fwd		-	-
Prior Year Adjustments		-	-
Surplus for the Year		82,738,181	-
			-
NET FINANCIAL POSITION	2.8	82,738,181	

The Accounting policies and explanatory notes to these financial statements form an integral part of the Financial Statement. The Financial Statements were approved on 2018 and signed by:


 Vice Chancellor
 Prof. Isaac S Kosgey


 Centre Leader
 Prof. Ambrose Kiprop


 Deputy Vice Chancellor, Finance
 Prof. Daniel K. Tarus:
 ICPAK Member Number: 12230

2.3 MISCELLANEOUS RECEIPTS

	FY 2017/18			FY 2016/17
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	
	KShs	KShs	KShs	
Application Fees	156,339	-	156,339	-
Interest Income	1,695,342		1,695,342	
Total	1,851,681	-	1,851,681	-

2.4 PURCHASE OF GOODS AND SERVICES

	2017/18	2016/17
	Kshs	Kshs
1.0 Set Up and Institutional Framework	11,492,130	-
2.0 Strengthening Educational Capacity Excellence	15,075,506	-
3.0 Education Capacity and Development	159,700	-
4.0 Strengthening Research and Capacity Excellence	7,053,661	-
5.0 Donor attracted research expenses	6,225,266	-
Total	40,006,263	-

2.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2017/18	2016/17
	Kshs	Kshs
1.0 Set Up Institutional Framework	3,447,373	-
2.0 Strengthening Educational Capacity Excellence	501,980	-
4.0 Strengthening Research and Capacity Excellence	8,139,999	-
	12,089,352	-

2.6 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2017/18	2016/17
	Kshs	Kshs
Bank accounts	80,695,581	111,595,000
Imprest and advances	2,042,600	-
Total	82,738,181	111,595,000

Project Bank Accounts

	2017/18	2016/17
	Kshs	Kshs
Kenya Commercial Bank [A/c No. 1202447163]	80,695,581	111,595,000
Total bank account balances	80,695,581	111,595,000

2.7 OUTSTANDING IMPRESTS AND ADVANCES

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2018
NYAMWALA FREDERICK	551,800	30.06.2018	551,800	551,800
NYAMWALA FREDERICK	551,800	30.06.2018	551,800	551,800
NJUGUNA DAVID	410,500	30.06.2018	410,500	410,500
KEINO MONICA	221,200	30.06.2018	221,200	221,200
PROF STANLEY SITATI	57,600	30.06.2018	57,600	57,600
MAKOKHA AUGUSTINE	28,100	30.06.2018	28,100	28,100
MILTON MUTHONI	160,800	30.06.2018	160,800	160,800
KIPROICH CHERUIYOT	60,800	30.06.2018	60,800	60,800
Total	2,042,600		2,042,600	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.8 FUND BALANCE BROUGHT FORWARD

	2017/18	2016/17
	Kshs	Kshs
Bank accounts	80,695,581	111,595,000
Outstanding imprests and advances	2,042,600	-
Total	82,738,519	111,595,000

SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2017/18	Purchases/Additions in the Year (KShs) 2017/18	Disposals in the Year (KShs) 2017/18	Closing Cost (KShs) 2017/18
	(a)	(b)	(c)	(d) = (a) + (b) - (c)
Motor Vehicle	-	7,400,000	-	7,400,000
Office equipment, furniture and fittings	-	4,689,352	-	4,689,352
Total	-	12,089,352	-	12,089,352

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There is no follow up of Auditors' recommendations, since this is the first time the Project Financial Statements have been audited.

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget a	Actual on Comparable Basis b	Budget Utilisation Variance c=a-b	% of Utilisation Variance to Final Budget d=c/a %	Comments on Variance
RECEIPTS DURING THE YEAR/PERIOD					
Transfer from Government entities	111,854,166	111,854,166	-	-	-
Proceeds from domestic and foreign grants	21,127,948	21,127,948	-	-	-
Miscellaneous receipts	1,851,682	1,851,682	-	-	-
Total receipts	111,854,166	111,854,166	-	-	
PAYMENTS DURING THE YEAR/PERIOD					
Set-up institutional framework for commencement of the ACE	27,327,025	14,939,503	12,287,522	45	
Strengthen education capacity excellence quality and productivity	28,256,944	15,577,486	12,679,458	44	
Education capacity & development impact	2,798,075	159,700	2,638,375	94	(i)
Strengthen Research Capacity excellence quality and productivity	55,069,007	15,193,660	39,875,347	72	(ii)
Observation of best practices in ACE financial operation	51,625	-	51,625	100	(iii)
Observation of best practices in ACE procurement operation	51,625	-	51,625	100	(iv)
Total payments	113,454,301	113,454,301	67,582,952		

Explain all variance beyond 50%

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- (i) Benchmarking with partnership of Applied Sciences, Engineering and Technology (PASET) and partners agreed with the Donor will be carried out next financial year.
- (ii) Equipment ordered for the Textile laboratory and phytochemical research laboratory, renewable energy from overseas had not been delivered by year-end, hence the spending variance.
- (iii) and (iv) These activities will be completed in the FY 2018/19