

REPORT

OF

THE AUDITOR-GENERAL

ON

**AFRICA CENTRE OF EXCELLENCE (ACE II)
PHYTOCHEMICALS, TEXTILES AND
RENEWABLE ENERGY (PTRE) PROJECT
(IDA CREDIT NO. 5798-KE)**

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

MOI UNIVERSITY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 FEB 2021	DAY: THURSDAY
TABLED	
LOM Anne Musandu	



MOI UNIVERSITY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 FEB 2021	DAY: THURSDAY
TABLED	LOM
APPROVED	Anne Musandu

OFFICE OF THE AUDITOR GENERAL
ELDORET HUB
24 NOV 2020
RECEIVED
P. O. Box 2774 - 30100, ELDORET

Project Name:
**AFRICA CENTRE OF EXCELLENCE (ACEII) IN
PHYTOCHEMICALS, TEXTILES AND RENEWABLE ENERGY
(PTRE) PROJECT**

Implementing Entity: MOI UNIVERSITY

PROJECT GRANT/CREDIT NUMBER: IDA CREDIT 5798-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
Reports and Financial Statements
for the financial year ended June 30, 2020

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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) in Phytochemicals, Textiles and Renewable Energy 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: The project headquarters offices are in Eldoret, Uasin Gishu County, Kenya.

The address of its registered office is:

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, muptreaceii@gmail.com
 Website: www.mu.ac.ke

1.2 Project Information

Project Start Date:	The project start date is 01/07/2017
Project End Date:	The project end date is 30/06/2022
Project Leader:	The project leader 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	The strategic goals of the project are as follows: i) To strengthen education capacity excellence in terms of quality of postgraduate training

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	<ul style="list-style-type: none"> 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 the 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 and the Big Four Agenda 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 project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Phytochemicals (ii) Textiles (iii) Renewable Energy
Project duration	<p>The project started on 1st July 2017 and is expected to run until 30 June 2022</p>

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1.4 Bankers

The following are the bankers for the current year:

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, GPO 00100
Nairobi, Kenya

1.6 Roles and Responsibilities

The table below list the different people who are working on the project. This list includes the project manager and all the key stakeholders who are 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.	Conferences & Seminars
Dr. David Njuguna	Coordinator	Ph.D.	Textile and Indust. Eng
Dr. Jacqueline Makatiani	Coordinator	Ph.D.	Short courses & linkages
Ms. Naomi Nkonge	Administration and Communication Officer	Msc	Administration and communication
Mr. Julius Cheboriot	Accountant	CPA(K), BBM	Financial services
Mr. Edward Nyenze	Procurement	BBM	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 Kes 600 million as highlighted in the table below:

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Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 June 2020)		Undrawn balance to date (30 June 2020)	
	US \$	Kes	US \$	Kes	US \$	Kes
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank/Ministry of Educ	600,000	600,000,000	268,435	268,435,587	331,565	331,564,413
(ii) Attracted funds						
African Development Bank	-	-	-	38,598,900	-	-
DAAD	-	-	-	106,388	-	-
European Union	-	-	-	45,291,150	-	-
German Intern'l Devt Agency	-	-	-	1,462,280	-	-
Glasgow University	-	-	-	1,217,541	-	-
Inter University Council	-	-	-	31,162,240	-	-
KARLO	-	-	-	167,501	-	-
Kenya Education	-	-	-	1,500,000	-	-
United Nation	-	-	-	628,149	-	-
University of Cape Town	-	-	-	5,276,134	-	-
University of Edinburg	-	-	-	129,129	-	-
E. Menach	-	-	-	40,000	-	-
(iii) Internally generated						
Students' Application Fees	-	-	-	533,242	-	-
Investment income	-	-	-	1,695,342	-	-
Total	600,000	600,000,000	268,435	396,243,532	331,565	331,565,413

1.8 Summary of Overall Project Performance:

- i) During the year, the Project recorded a positive variance between the budgeted and actual expenditure, which had negative impact on the absorption rate. The lower absorption rate was mainly caused by disruptions caused by the Covid-19 pandemic, which saw the closure of the University in accordance with the Executive Order that directed the closure of all learning institutions. The curtailment of movement, cessation of local and international travel and restrictions placed on meetings meant programme activities that had been planned for Quarter 3 and Quarter 4 could not be undertaken.
- ii) The Project has planned to have all the activities to be done in FY 2020/2021 so as to achieve the all the milestones that had been set in the Project's schedule of activities.

COMPLETED ACTIVITIES DURING THE YEAR 2019/2020

i. TRAININGS

a. Soaps and Detergents making

The Centre held a Soaps and Detergents making Short Course from 24/02/2020 to 28/02/2020 at Kesses, Eldoret, Kenya. The course was offered by Moi University in partnership with KIRDI. There were 40 (39 Female and 1 Male) participants from Emgwen, Kabitoi, Chepkoiya, Ketiplong, Chumba and Lake Side villages who benefitted from training. The trainers were 4 staff from the Department of Chemistry and Bio Chemistry and two postgraduate students in Analytical Chemistry (1 PhD and 1 Masters).

<https://excellencecenter.mu.ac.ke/wp-content/uploads/2020/04/SOAPS-AND-DETERGENTS-REPORT.pdf>



b. Qualitative Research Methods Training

Obakiro Samuel Baker, a PhD student in Analytical Chemistry under the Centre's scholarship, attended the above training that was organised by Africa Centre of Excellence in Pharm-Biotechnology and Traditional Medicines (PHARMBIOTRAC) at Acacia Hotel in Mbarara from 9th September 2019 to 4th October 2019.

c. Liquid Chromatography – Mass Spectrometry (Lc-Ms) Training

After a competitive selection process that entailed more than 200 applicants drawn from Africa outside of South Africa applying to be trained, two PhD students in Analytical Chemistry (Moi University) were among the 15 selected to attend the training programme. The training was held at Jomo Kenyatta University of Agriculture and Technology (JKUAT) courtesy of the Royal Society of Chemistry United Kingdom (RSC-UK), Glaxosmithkline (GSK) and the Pan African Chemistry Network (PACN). The 15 delegates were drawn from different parts of Africa namely Kenya, Uganda, Botswana, Nigeria, Mauritius, Ghana and Cameroon.

d. CNC and Mechatronics at Skill Development Laboratory

ACEII – PTRE students participated in the Training on Computer Numerical Control (CNC) and Mechatronics at Skill Development Laboratory, Moi University, School of Engineering that was held as from 9/09/2019 to 4/10/2019. CNC is a system in which actions are controlled by direct insertion of data at some point; the system must automatically interrupt the portion of the data. Pneumatics is the study of air movement, mainly understood by means of application of air as a working medium in industry, especially the driving and controlling of machines and equipment. The facilitators are training staff and student of Moi University, School of Engineering offering the two courses. The facilitators come from India GKD Institute for Technological Resources, namely: Jaya Krishanan.V and Shan Mugam. S.

<https://excellencecenter.mu.ac.ke/index.php/2019/08/28/lakshmi-machine-works-sets-up-a-skills-development-center-at-the-school-of-engineering-moi-university/>

e. Postgraduate Supervision

Moi University won a European Commission Project having teamed up with South Eastern University of Kenya (SEKU), Maseno University and Vrije Universiteit, Amsterdam the Netherlands and two other Universities in South Africa. The project is titled "Creating Postgraduate Collaborations (CPC)" and it entails training of supervisors and enhancing postgraduate studies environment among other activities.

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The Postgraduate Supervision course was offered online for a month by facilitators from Rhodes University and Vrije Universiteit, Amsterdam the Netherlands among other universities in the world. We had 18 academic staff participating in the course.

List of academic staff who undertook the CPC Project training May, 2020

1. Prof. Christopher J. Odhiambo
2. Prof. Ambrose Kiprop
3. Prof. Daminah Kieti
4. Dr. Mathew Kosgei
5. Dr. Lynn Kisembe
6. Dr. Rose Ramkat
7. Prof. Tom M. Mboya
8. Prof. Jamin Masinde
9. Prof. Joseph Koech
10. Prof. Joram Kareithi
11. Dr. Jackqueline Makatiani
12. Dr. Silver Rambaei
13. Dr. Irene Moseti
14. Dr. Lydia Mwanzia
15. Dr. Esther Njeri Kiaritha
16. Prof. Ben Misigo
17. Dr. Alfred Serem
18. Dr. Kefa Chepkwony

II. INCUBATION CENTER BOOTCAMP

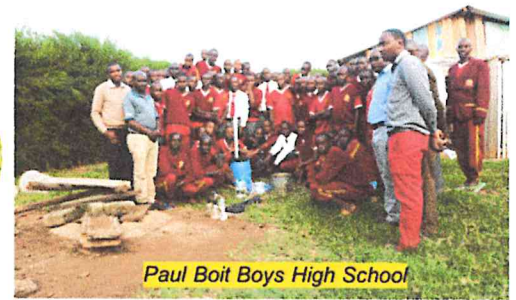
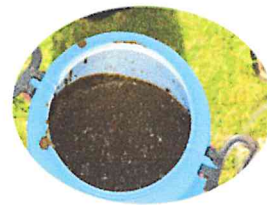
The Phytochemicals, Textile and Renewable Energy Incubator (PTRE IC) invited students and the community with ideas to participate in a boot camp held at Moi University, Main Campus from 24th – 26th September 2019. Prof. Isaac S. Kosgey, Vice Chancellor, Moi University officially opened the Entrepreneurial Boot Camp on 25th September 2019. The Facilitators of the Entrepreneurial Boot Camp included Ms. Phyllis Wanja Gitimu – Akili Mali (Social Innovator), Nairobi, Mr. Peter Githinji - Business Developer and Incubation Expert, Nairobi, Mr. Barnabas Musyoka – Entrepreneur and Entrepreneurship Scholar- Nakuru Ms. Lim Hazel – Agripreneur – Kitale, Mr. Benjamin Murithi – 1963 Group of Investors and Mr. Kamau Nyambwengi – Young Entrepreneurs Network and Manager The Garage Incubator among others. <https://excellencecenter.mu.ac.ke/>



III. REVIEW FOR MSC INDUSTRIAL ENGINEERING

This was done in Kisumu on 12th and 13th December 2019.





V. MIRET (MOBILITY IN RENEWABLE ENERGY TECHNOLOGIES) KICK OFF MEETING

Prof. Ambrose Kiprop (ACEII-PTRE Centre Leader) and Prof. Kirimi Kiriamiti (MIRET Project Coordinator) attended the Intra ACP Kick off meeting in Brussels from 6-7th February 2020. ACEII-PTRE Center submitted an application to the Intra-Africa Academic Mobility Scheme, call for proposals EACEA/03/2019 for Mobility in Renewable Energy Technologies(MIRET) and was selected for EU co-funding amounting to EUR 1.397.875. Below is a picture of Moi University team and partners from University of Zambia, Makerere University, University of SFAX, University of BUEA(Cameroon) and Technical representative from German.

<https://excellencecenter.mu.ac.ke/index.php/2020/02/07/courtesy-call-to-kenyas-ambassador-to-belgium/>

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VI. STAFF EXCHANGES

The Centre supported seven staff for exchange programmes as shown below.

<https://excellencecenter.mu.ac.ke/index.php/category/staff-exchange/>

SNO	NAME	EXCHANGE PROGRAMME
1.	Tecla Biwot 2019.	Port Harcourt, Nigeria from 5 th – 20 th November 2019
2.	Catherine Chemtai	Department of Pharmbiotrac in Mbarara University of Science and Technology in Uganda from 9 th – 20 th March, 2020
3.	Dr. Sarah Chepkwony	Department of Pharmbiotrac in Mbarara University of Science and Technology in Uganda from 9 th – 20 th March, 2020
4.	Muyoma, Paul Wanjala	Africa Centre of Excellence in Oilfield Chemicals Research at the University of Port Harcourt in Nigeria from 5 th January 2020 to 25 th January 2020
5	Manyim Scholastica a student undertaking PhD in Analytical Chemistry	Rivatex from 12 th to 26 th August 2019. The exchange was on Dyeing cotton substrate using extract from <i>Euclea divinorum</i> plant.
6	Prof. Joel Kibiiy	Athi Water Works Development Agency (AWWDA) from 16 th February, 2020 to 1 st March, 2020.
7	Prof. Ambrose Kiprop	University of Lorraine, France (3 rd – 11 th December 2019)

VII. SHORT COURSES

The Centre supported five staff for short courses as listed below.

<https://excellencecenter.mu.ac.ke/index.php/category/short-courses/>

SNO.	NAME	TRAINING PERIOD
1	Joshua Kirwa	16 th – 27 th September, 2019 at Kenya School of Government,
2	Faith Kirwa	8 th November, 2019 Kenya School of Government
3	Moses Chirchir	Kenya Institute of Highways and Building Technology (3 rd – 11 th March 2020).
4	George Aduda	Short Course organized by AAU in Rwanda from 18 th – 21 st February, 2020 on World Bank Best practices in Donor Funding.
5	Julius Cheboriot	Short Course organized by AAU in Rwanda from 18 th – 21 st February, 2020 on World Bank Best practices in Donor Funding.

VIII. VISIT BY NATIONAL STEERING COMMITTEE TO PTRE CENTRE

The ACEII – PTRE National Steering Committee visited PTRE Centre on 2nd August 2019 to appraise them on the status of the project implementation. The NSC was making a visit to all ACEs in Kenya for a mid – term evaluation.



1.9 Summary of Project Compliance:

During the year, there were no cases of non-compliance with applicable laws and regulations and essential external financing agreements/covenants.

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Introduction

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

The key development objectives of the Project's 2018-2022 Plan are to:

- 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 sector
- iv) To strengthen sustainability of research and training through enhancement of facilities.

Progress on attainment of Strategic development objectives

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

Objective	Actions to be completed	Performance
Institutional readiness	To meet conditions for effectiveness the project was to: - Open ACEII designated bank account. - Have approved Financial Management and procurement procedures and environmental and social management plans capacity.	Completed
	Development of detailed implementation plans. - Signing of funding and performance contract between the University and the Government.	Completed
Excellence in education and research capacity and development impact	Newly enrolled students in the ACE of which at least 20% must be regional (African) students.	93 students enrolled under ACE II PTRE

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	Accreditation of quality education programmes	3 academic programmes accredited by CUE
	Collaboration and partnerships for applied research and training Signing of partnership MOUs for a period of at least two years	4 MOUs developed and signed with partners (NORCART AFRICA, Biogas International (private) and University of Gezira (public))
	Peer-reviewed journal papers or peer-reviewed conference papers prepared collaboratively with regionally or international partners	1 conference paper published with a regional partner and 2 papers published in peer reviewed journal
	Faculty and PhD student exchanges to promote regional research and teaching	Faculty exchange done in University of Gezira, University of South Africa and NUST (Zimbabwe) (Regional sent 4), Regional hosted 3 (UNISA,Sudan), International sent to Ghent. National sent BioGas International, Egerton, Nyeri hospital).
Timely, transparent and institutionally reviewed Financial Management	Establishment of a functioning Audit Committee under the University Council	Audit Committee established and in place
	Functioning internal audit unit for the University.	Internal Audit Unit in place
Timely and audited procurement function	Timely submission of procurement audit report	Process is on-going
	Timely and satisfactory procurement progress report	Process is on-going

3. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Vice Chancellor and the Centre Leader for the Africa Centre of Excellence (ACEII) 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 ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Vice Chancellor and the Centre Leader for the Africa Centre of Excellence (ACEII) 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 and the Centre Leader for the Africa Centre of Excellence (ACEII) 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, 2020, and of the Project's financial position as at that date. The Vice Chancellor and the Centre Leader for the Africa Centre of Excellence (ACEII) 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.

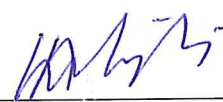
The Vice Chancellor and the Centre Leader for the Africa Centre of Excellence (ACEII) PTRE Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were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

Approval of the Project financial statements

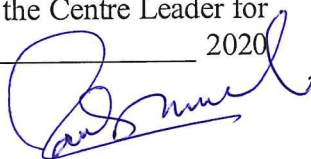
The Project financial statements were approved by the Vice Chancellor and the Centre Leader for the Africa Centre of Excellence (ACEII) PTRE Project on _____ 2020 and signed by them.



Vice Chancellor



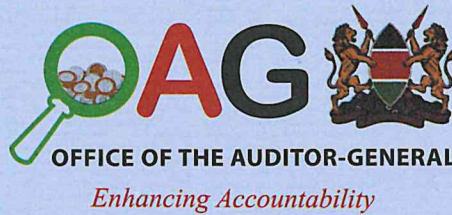
Centre Leader



Deputy Vice Chancellor:
Name: Prof. Daniel .K. Tarus
ICPAK M/No: 12230

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AFRICA CENTRE OF EXCELLENCE (ACE II) IN PHYTOCHEMICALS, TEXTILES AND RENEWABLE ENERGY (PTRE) PROJECT (IDA CREDIT NO. 5798-KE) FOR THE YEAR ENDED 30 JUNE, 2020 – MOI UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Africa Centre of Excellence (ACE II) in Phytochemicals, Textiles and Renewable Energy (PTRE) Project set out on pages 16 to 34, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of 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. 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 Africa Centre of Excellence (ACE II) in Phytochemicals, Textiles and Renewable Energy (PTRE) Project as at 30 June, 2020, 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 Subsidiary Grant Agreement for IDA Credit No. 5798-KE between the Government of Kenya and Moi University dated 27 October, 2016 and Grant Agreement No. 2019-1973/006-001 between Moi University and the European Commission dated 28 November, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inconsistencies in Notes to the Financial Statements

The following inconsistencies have been observed between the numbering of notes under account items in various financial statements and the disclosures under the notes to the financial statements:

Account Item	Number/Note as Per Financial Statements	Number/Note as Per Disclosure in the Notes to the Financial Statements
Purchase of goods & services	9.8	9.7
Acquisition of non-financial assets	9.10	9.8
Transfer to other government entities	9.11	9.9
Bank balances	9.13A	9.10
Cash balances	9.13B	-
Account receivable-imprests & advances	9.14	9.11

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) and in accordance with Section 194(1) (d) of the Public Finance Management Act, 2012.

2. Unsupported Purchase of Goods and Services

The statement of receipts and payments reflects purchase of goods and service of Kshs.53,136,693 as disclosed under Note 9.7 to the financial statements. The balance includes imprests of Kshs.22,236,807 issued to various officers on official duties. The imprests were expensed on the dates of payments before they were accounted for. Further, Management did not avail supporting documents and analysis for audit review.

Under the circumstances, the accuracy, completeness and validity of the purchase of goods and services of Kshs.53,136,693 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

3. Unsupported Acquisition of Non - Financial Assets

As disclosed under Note 9.8 to the financial statements, the statement of receipts and payments reflects acquisition of non-financial assets of Kshs.12,419,982. The balance includes an amount of Kshs.8,208,000, under strengthen research capacity excellence-quality and productivity, incurred on the procurement of a plasma enhanced chemical vapor deposition. However, the expenditure had not been budgeted for and was not included in the procurement plan for the year under review.

Management explained that the procurement relates to 2017/2018 financial year and the notification and a Local Purchase Order were issued to the supplier. However, the date of the contract, commencement and completion dates were not indicated in the contract document.

Available information indicates that notification of award was issued on 11 December, 2018 and the contract was signed on 31 January, 2019. The date of signing the contract

by the supplier was not indicated. The goods were delivered on 19 August, 2019, and a 'goods received note' was raised on 2 December, 2019, over three (3) months after delivery. In addition, inspection and acceptance certificate was not dated.

Consequently, the accuracy and validity of acquisition of non-financial assets of Kshs.9,476,886 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

4. Unsupported Accounts Receivables

The statement of financial assets reflects accounts receivables - imprests and advances balance of Kshs.5,309,330. However, imprests records made available for audit verification lacked details of the imprests issued such as warrant number, date of issue, date of surrender, surrender payment voucher number and receipt number for cash surrendered.

Under the circumstances, the accuracy, completeness and validity of accounts receivables - imprest and advances balance of Kshs.5,309,330 reflected in the statement of financial assets as at 30 June, 2020 could not be confirmed.

5. Inaccuracy of Statement of Comparative Budget and Actual Amounts

The statement of comparative budget and actual amounts for the year ended 30 June, 2020 reflects total final receipts budget of Kshs.189,628,684 which varies with the approved final receipts budget of Kshs.318,382,168, resulting in an unexplained variance of Kshs.128,753,484. The statement also reflects total final payments budget of Kshs.255,688,515 which varies with the approved total expenditure final payments budget of Kshs.318,382,168, resulting in unexplained difference of Kshs.62,693,653. Further, the budget utilization of 26% could not be confirmed.

Under the circumstances, the accuracy, completeness and validity of the statement of comparative budget and actual amounts for the year ended 30 June, 2020 could not be confirmed.

6. Unsupported Summary of Fixed Assets Register

As disclosed in Annex 2A to the financial statements the Summary of Fixed assets register reflects a balance of under office equipment, furniture and fittings of Kshs.42,751,271 which includes an opening balance of Kshs.30,331,289 which varies with the preceding financial year's audited balance of Kshs.30,221,289. The resulting variance of Kshs.110,000 has not been explained or reconciled.

Although, the Management provided a list of assets, an assets register was not made available for audit verification.

Consequently, the accuracy, completeness and existence of fixed assets with a disclosed total value of Kshs.50,151,271 as at 30 June, 2020 could not be ascertained.

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

Prior Year Matters

Several paragraphs were raised in the audit report of the previous year. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


31 December, 2020


MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

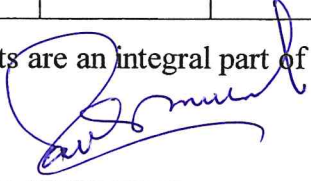
4. STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		Kes	Kes	Kes	Kes	Kes
RECEIPTS						
Transfer from Government entities	9.3	108,969,337	-	47,612,083	-	268,435,587
Proceeds from domestic and foreign grants	9.4	80,611,345	-	23,840,069	-	125,579,362
Loan from external development partners	9.5	-	-	-	-	-
Miscellaneous receipts	9.6	48,003	-	328,900	-	2,228,584
TOTAL RECEIPTS		189,628,684	-	71,781,052	-	396,243,532
PAYMENTS						
Purchase of goods and services	9.8	53,136,693	-	62,817,466	-	155,960,422
Acquisition of non-financial assets	9.10	12,419,982	-	25,641,937	-	50,151,271
Transfers to other government entities	9.11	-	-	-	-	-
Other grants and transfers and payments	9.12	-	-	-	-	-
TOTAL PAYMENTS		65,556,675	-	88,459,403	-	206,111,693
SURPLUS/(DEFICIT)		124,072,009	-	(16,678,351)	-	190,131,839

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


 Vice Chancellor
 Prof. Isaac S. Kosgey, Ph.D


 Centre Leader
 Prof. Ambrose Kiprop


 DVC - Finance
 Prof. Daniel K. Tarus
 ICPAK M/No.12230


MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
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For the financial year ended June 30, 2020


5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		Kes	Kes
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank balances	9.13.A	184,822,509	65,748,438
Cash balances	9.13.B	-	-
Cash Equivalents (short-term deposits)	9.13.C	-	-
Total Cash and Cash Equivalents		184,783,575	65,748,438
Accounts receivables – Imprest and Advances	9.14	5,309,330	311,392
TOTAL FINANCIAL ASSETS		190,131,839	66,059,830
REPRESENTED BY			
Fund balance b/fwd	9.12	66,059,830	82,738,181
Prior year adjustments	9.16	-	-
Surplus/(Deficit) for the year		124,072,009	(16,678,351)
NET FINANCIAL POSITION		190,131,839	66,059,830

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


 Vice Chancellor
 Date:


 Centre Leader
 Date:


 DVC-Finance
 Date:
 ICPAK M/No. 12230


MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
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6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Note	Kes	Kes
Receipts from operating activities			
Transfer from Government entities	9.3	108,969,337	47,612,083
Proceeds from domestic and foreign grants	9.4	80,611,345	23,840,069
Internally generated funds	9.6	48,003	328,900
		189,628,685	71,781,052
Payments from operating activities			
Purchase of goods and services	9.8	(53,136,693)	(62,817,466)
Acquisition of non-financial assets	8.9	-	-
Transfers to other government entities	9.11	-	-
Other grants and transfers	9.12	-	-
Adjustments during the year			
(Increase)/decrease in accounts receivable: (outstanding imprest)	9.17	(4,997,938)	1,731,208
Increase/(decrease) in accounts payable: (deposits and retention)	9.18	-	-
Prior Year Adjustments	9.16	-	-
Net cash flow from operating activities		131,494,053	10,694,794
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9.8	(12,419,982)	(25,641,937)
Net cash flows from Investing Activities		(12,419,982)	(25,641,937)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	9.5	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		65,748,438	80,695,581
Cash and cash equivalent at END of the year	9.10	184,822,509	65,748,438

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project financial statements were approved on 29/10 2020 and signed by:


 Vice-Chancellor
 Date


 Centre Leader
 Date

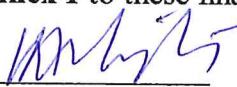

 DVC-Finance
 Date
 ICPAK M/No: 12230

MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
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For the financial year ended June 30, 2020

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjs	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	108,969,337	-	108,969,337	108,969,337	-	100
Proceeds from domestic and foreign grants	80,611,345	-	80,611,345	80,611,345	-	100
Proceeds from borrowings						
Miscellaneous receipts	48,003	-	48,003	48,003	-	100
Total Receipts	189,628,684	-	189,628,684	189,628,684	-	100
Payments						
1.0 Set-up institutional framework for commencement of ACE	22,792,438	-	22,792,438	12,908,674	9,883,764	57
2.0 Strengthen education capacity excellence - quality and productivity	22,895,171	1,198,034	24,093,205	17,356,677	6,736,528	72
3.0 Education capacity & development impact	14,300,125	1,270,318	15,570,443	1,416,362	14,154,082	9
4.0 Strengthen Research Capacity excellence	48,926,357	31,068,015	79,999,372	21,530,049	58,469,323	27
5.0 Observation of best practices in ACE in Financial Operations	51,625	51,625	103,250	-	103,250	-
6.0 Observation of best practices in ACE in procurement Operations	51,625	51,625	103,250	38,200	65,050	37
7.0 Donor attracted research expenses	80,611,345	32,420,213	113,012,491	12,306,714	100,724,843	11
Total Payments	189,628,685	66,059,830	255,688,515	65,556,675	190,131,840	26

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


 Centre Leader

8. NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

9.1.2. Reporting entity

The financial statements are for the Africa Centre of Excellence (ACEII) PTRE Project under the Ministry of Education (National Government of Kenya). The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. Reporting currency

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

9.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

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

Undrawn external assistance

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

• Other receipts

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

b) Recognition of payments

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

• Use of goods and services

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

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by the Project and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Cash and cash equivalents

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

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Project does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

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

h) Pending bills

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

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partner, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

Third party receipts and payment are payments made on behalf of the Project by third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no disbursements were received in form of direct payments from third parties.

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Comparative figures

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

m) 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 June 30, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to-date(from inception)
	Kes	Kes	
<i>Ministry of Education/World Bank</i>			
Funds received Quarter 1	45,749,425	-	157,603,592
Funds received Quarter 2	-	47,612,083	47,612,083
Funds received Quarter 3	48,024,527	-	48,024,527
Funds received Quarter 4	15,195,385	-	15,195,385
	<u>108,969,337</u>	<u>47,612,083</u>	<u>268,435,587</u>
<i>Other transfers from government entities</i>	-	-	-
	-	-	-
Appropriations-in-Aid	-	-	-
Total	<u>108,969,337</u>	<u>47,612,083</u>	<u>268,435,587</u>

MOI UNIVERSITY AFRICA CENTRE OF EXCELLENCE (ACEII) PTRE PROJECT
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For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount in Kes	
						2019/20	2018/19
			Kes	Kes	Kes	Kes	Kes
Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)							
African Development Bank	27/05/2019	-	-	-	-	-	19,299,400
DAAD	31/05/2019	-	-	-	-	-	106,388
European Union	15/01/2020	-	-	-	-	45,291,150	-
German International Devt Agency	06/02/2018	-	-	-	-	-	851,323
Inter University Council	16/09/2019	-	-	-	-	25,000,000	-
Inter University Council	24/09/2019	-	-	-	-	473,760	-
Inter University Council	06/02/2020	-	-	-	-	1,440,000	-
Inter University Council	23/06/2020	-	-	-	-	485,520	-
Inter University Council	23/06/2020	-	-	-	-	977,280	2,785,680
United Nation	05/02/2018	-	-	-	-	-	628,149
University of Cape Town	22/10/2019	-	-	-	-	1,034,816	-
University of Cape Town	27/01/2020	-	-	-	-	117,405	-
University of Cape Town	19/06/2020	-	-	-	-	19,066	-
University of Cape Town	15/01/2020	-	-	-	-	2,980,481	-
University of Cape Town	29/06/2020	-	-	-	-	1,124,366	-
Grants Received from Local Individuals and organisations							
KARLO	18/06/2020	-	-	-	-	167,501	-
Kenya Education	22/06/2020	-	-	-	-	1,500,000	-
E. Menach	31/05/2019	-	-	-	-	-	40,000
Total						80,611,345	23,840,069

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 the Project did not receive any funding from development partners in form of loans negotiated by the National Treasury:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			Kes	Kes	2019/20	2018/19
Loans Received from Bilateral Donors (Foreign Governments)						
	-	-	-	-	-	-
Loans Received from Multilateral Donors (International Organisations)						
	-	-	-	-	-	-
Total					-	-

9.6. MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	Kes	Kes	Kes		
Application & Accommodation Income	48,003	-	48,003	328,900	533,242
Interest Income	-	-	-	-	1,695,342
	48,003	=	=	328,900	2,228,584

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9.7. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments		
	Kes	Kes	Kes	Kes	Kes
1.0 Set up Institutional Framework for Commencement of the ACEII	12,032,745	-	12,032,745	16,810,689	40,335,564
2.0 Strengthen Educational Capacity Excellence - Quality and Productivity	15,327,710	-	15,327,710	22,766,640	51,169,856
3.0 Education Capacity and Development Impact	1,416,361	-	1,416,361	1,894,724	3,470,785
4.0 Strengthen Research Capacity Excellence - Quality and Productivity	12,053,163	-	12,053,163	14,729,535	33,836,359
8.0 Donor Attracted Research Expenses	12,306,714	-	12,306,714	6,615,878	25,147,858
Total	<u>53,136,693</u>	<u>-</u>	<u>53,136,693</u>	<u>62,817,466</u>	<u>155,960,422</u>

9.8. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments		
	Kes	Kes	Kes	Kes	Kes
1.0 Set up Institutional Framework for Commencement of the ACEII	875,929	-	875,929	4,988,856	9,312,158
2.0 Strengthen Educational Capacity Excellence - Quality and Productivity	2,028,967	-	2,028,967	3,167,357	5,698,304
3.0 Education Capacity and Development Impact	-	-	-	15,338,664	15,338,664
4.0 Strengthen Research Capacity Excellence - Quality and Productivity	9,476,886	-	9,476,886	2,147,060	19,763,945
7.0 Procurement Report Audit	38,200	-	38,200	-	38,200
Total	<u>12,419,982</u>	<u>-</u>	<u>12,419,982</u>	<u>25,641,937</u>	<u>50,151,271</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.9. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, the Project did not transfer funds to reporting government entities:

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kes	Kes	Kes	Kes	Kes
Transfers to National Government entities	-	-	-	-	-
Transfers to County Government	-	-	-	-	-
TOTAL	=	=	=	=	=

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.10. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	Kes	Kes
Bank account (Note 9.10A)	184,822,509	65,748,438
Total	<u>184,822,509</u>	<u>65,748,438</u>

The project has one project account as listed below:

9.10 A Bank Account

Project Bank Account

	2019/2020	2018/2019
	Kes	Kes
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No 1202447163]	184,822,509	65,748,438
Total local currency balances	184,822,509	65,748,438
Total bank account balance	<u>184,822,509</u>	<u>65,748,438</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balance in the Project's Special Deposit Account as at 30th June 2020 is not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Account Movement Schedule

	2019/2020	2018/2019
	USD	USD
(i) A/C Name [A/c No 1000331704]		
Opening balance	154,690.33	38,834.00
Total amount deposited in the account	1,672,441.30	2,897,103.30
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>(1,775,541.80)</u>	<u>(2,781,247.00)</u>
)	
Closing balance (as per SDA bank account reconciliation attached)	<u>51,589.83</u>	<u>154,690.30</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.11. OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
Keter Abraham Kimanyur	182,200	17.7.2020	182,200	182,200	-
Letting Lawrence Kiprono	407,460	12.8.2020	407,460	407,460	-
Omolo Edwens Ogutu	585,660			585,660	-
Kimuyu Edward Nyenze	747,252			747,252	-
Kipkorir Daniel Kibett	62,000			62,000	-
Chepkwony Kefa Chesire	220,000	27.8.2020	220,000	220,000	-
Kipkorir Paul	500,000	17.7.2020	500,000	500,000	-
Mecha Cleophas Achisa	700,000	27.7.2020	700,000	700,000	-
Oduor Elton Dickens	68,200	5.8.2020	68,200	68,200	-
Maritim Esther Jeptum	250,053	27.8.2020	250,053	250,053	-
Ramkat Rose Chepchirchir	238,230	21.8.2020	238,230	238,230	-
Mwanzi Obadiah Maube	593,675	25.8.2020	593,675	593,675	-
Cheruiyot Kiprotich	294,300	12.7.2020	294,300	294,300	-
Makatiani Jacqueline Kubochi	154,100	3.9.2020	154,100	154,100	-
Chirchir Moses Kipkosgei	306,200	22.7.2020	306,200	306,200	
Stephen Mumo	63,392	30.6.2019	63,392	-	63,392
Makatiani Kibochi	248,000	30.6.2019	248,000	-	248,000
Total	5,620,722		4,225,810	5,309,330	311,392

9.12. FUND BALANCE BROUGHT FORWARD

	2018/2019	2017/2018
	Kes	Kes
Bank account	65,748,438	80,693,581
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	311,392	2,042,600
Total	66,059,830	82,736,519

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS (The financial statements for FY 2019 have not yet been received. This note will be updated once the audit report is received).

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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



Centre Leader

Date

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	108,969,337	108,969,337	-	100	
Proceeds from domestic and foreign grants	80,611,345	80,611,345	-	100	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	48,003	48,003	-	100	
Total Receipts	189,628,684	189,628,684	-		
Payments					
1.0 Set-up institutional framework for commencement of ACE	22,792,438	12,908,674	9,883,764	57	(i)
2.0 Strengthen education capacity excellence - quality and productivity	24,093,205	17,356,677	6,736,528	73	(ii)
3.0 Education capacity & development impact	15,570,443	1,416,362	14,154,082	9	(iii)
4.0 Strengthen Research Capacity excellence	79,994,372	21,530,049	58,464,323	27	(iv)
5.0 Observation of best practices in ACE in Financial Operations	103,250	-	103,250	-	
6.0 Observation of best practices in ACE in procurement Operations	103,250	38,200	65,050	37	(v)
7.0 Donor attracted research expenses	113,031,558	12,306,714	100,724,843	11	(vi)
Total Payments	255,688,515	65,556,675	190,131,840		

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- (i) *The procurement of items budgeted for was affected by the Covid-19 pandemic due to non-responsiveness of floated quotations and curtailment of movement across the country. Self-evaluation seminars and annual partners meetings similarly could not be held (budgeted at Kes 8 million) could not be held due to cessation of movement and ban on meetings.*
- (ii) *Budgeted programmes on sensitization of staff and students were not held following the closure of the University due to Covid-19. There was a slow-down in MSc and PhD. research programme activities that was mainly caused by closure of the University and restrictions of movements of the researchers. Internal and external short courses that had been planned were not held due to closure of the institution and cessation of movements*
- (iii) *Internal and external short courses that had been planned were not held due to closure of the institution and cessation of movements.*
- (iv) *There was a delay in procurement of specialized laboratory equipment from overseas suppliers. These equipment will be received in FY 2020/2021*
- Some procurement of laboratory consumables was not done due to closure of the laboratories. Staff mobility and staff exchange programmes was hampered by travel restrictions and closure of participating institutions. This also had a negative effect on research activities being undertaken by staff and students.*
- (v) *External procurement audit not undertaken due to Covid-19 pandemic and closure of the University.*
- (vi) *The planned activities (MIRET, Incubation, AfDB) budgeted at Kes 45 million, Kes 25 million and Kes 25 million respectively that involved staff exchange and mobility were substantially affected by movement restrictions for both local and international travel.*

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ANNEX 2A - SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (Kes) 2019/2020	*Purchases/Additions in the Year (Kes) 2019/2020	** Disposals in the Year (Kes) 2019/2020	Transfers in/(out) Kes 2019/2020	Closing Cost (Kes) 2020
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Motor vehicle	7,400,000	-	-	-	7,400,000
Office equipment, furniture and fittings	30,331,289	12,419,982	-	-	42,751,271
Total	37,731,289	12,419,982	-	-	50,151,271

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APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

