



The African Academy of Sciences (AAS)

Final Factual Findings Report

Risk Advisory | January 2021

PRIVATE & CONFIDENTIAL

18 January 2021

Professor Iqbal Parker
8 Miotoni Lane, Karen
P.O. Box 24916-00502
Nairobi, Kenya

Dear Sir,

Final Factual findings report.

We are pleased to present you with our final factual findings report following our review of the financial records and relevant documentation with respect to the areas indicated in Schedule III (scope of work) appended to the signed contract between The African Academy of Sciences (AAS) and Deloitte Consulting Limited dated 28 September 2020.

The report focuses on the following areas:

- Outlining our findings following the forensic audit aimed at identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020;
- Concluding on the pertinent issues found and highlighting their impact; and
- Making recommendations to the Governing Council (GC) with regards to our findings.

We trust that this report adequately covers your requirements. However, should you require additional information or clarification on aspects of this report, please do not hesitate to contact Julie Nyang'aya on julnyangaya@deloitte.co.ke who will be happy to provide the required information.

Yours Sincerely,



Julie Nyang'aya
Partner, Risk Advisory

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Executive Summary

Background to the Fraud Investigation

Deloitte Consulting Ltd (Deloitte) was mandated by AAS to review financial records and relevant documentation with the objective of identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020. This mandate is outlined in the contract between the 2 parties signed on 28 September 2020.

Scope of the Forensic review

The AAS engaged Deloitte to review financial records and relevant documentation with the objective of identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020.

****We did not report on the existence of fraud or lack of upon the request from Prof Iqbal Parker, Chair of the Audit and Risk Committee that we leave it to AAS lawyers to make the determination of whether or not any of the irregular actions constitutes fraud.***

The scope entailed review of the following areas (these are summarized below verbatim as requested in the terms of reference):

Table 1: Scope of the review and work done

Scope	Work Done
1. Salary increases (in particular increases of Senior Managers, Shilling dominated versus dollar dominated and percentage of increases)	<p>Reviewed the following documents:</p> <ul style="list-style-type: none"> a. Human Resources (HR) policy and procedures manual to understand the controls in place for salary reviews b. Employment contracts to establish their salaries at the time of employment c. GC minutes to determine whether the increments had been approved d. Salary review letters to determine the reviewed salaries e. Payroll from 2015 to June 2020 to determine whether the salaries paid match with the amounts specified on their contracts. f. Bank statements to confirm that the salaries paid were as per the payroll <p>Refer to Executive Summary and Section 3.1 for details</p>
2. Staff benefits:	<p>Reviewed the following documents:</p> <ul style="list-style-type: none"> a. Senior Management Team (SMT) Reports to obtain an understanding of the benefits

Scope	Work Done
<p>13th cheque (Who approved it? Where do the funds come from? How is it paid?)</p> <p>The appointment letter of the ED does not mention Housing Allowance as one of the benefits, but the Salary & Benefits Schedule used by the Secretariat, indicates a monthly housing allowance of US\$1496, since 2018. How was it implemented and who approved it? All other staff also received this allowance since 2018, is this in their letters of appointment?</p>	<p>b. Compensation and benefits paper to identify the proposed benefits</p> <p>c. Minutes and annexures of SMT, Partners’ Group (PG) and GC meetings to establish whether the benefits were approved</p> <p>d. Payroll for 2018 and 2019 to determine the benefits that were paid</p> <p>e. Employment contracts to establish benefits staff are entitled to</p> <p>Refer to Executive Summary and Section 3.2 for details</p>
<p>3. Education allowances of staff dependants - are the rules applied?</p>	<p>Reviewed the following documents:</p> <p>a. HR Policy and Procedures Manual and school fees reimbursement claim form to understand the guidelines relating to education allowance</p> <p>b. Staff employment contracts to determine whether they are entitled to this benefit</p> <p>c. Payroll for January 2016 to June 2020 and supporting documentation for 145 sampled education expenses to determine whether the education allowances had been paid as per the rules.</p> <p>Refer to Executive Summary and Section 3.3 for details</p>
<p>4. Leave approval - annual and special, who does the approval? Are there financial implications?</p>	<p>Reviewed the following documents:</p> <p>a. HR Policy and Procedures Manual to understand the leave benefit and process of leave application and approval</p> <p>b. Payroll to determine the amount staff had been paid for accrued leave during the review period</p> <p>c. Leave tracker maintained by HR for the leave balances</p> <p>d. Leave applications and approvals compliance to determine whether they are compliant with the HR Policy</p> <p>Refer to Executive Summary and Section 3.4 for details</p>
<p>5. Subsistence and Travel (S&T)</p> <p>Who does the approval? Are these consistent with international practices? Are there funds involved for travels?</p> <p>Staff airline travel classes -business and economy- what is authorized for different job groups of staff, as per the travel policy?</p>	<p>Reviewed the following documents:</p> <p>a. Corporate Travel Policy to understand the requirements of S & T as well as the approvers.</p> <p>b. S&T allowances for staff to identify the amounts advanced for different countries and cities.</p> <p>c. On a sample basis, compared the amounts advanced to international rates to check for conformity.</p> <p>d. Supporting documents for the:</p>

Scope	Work Done
	<ul style="list-style-type: none"> a. Allowances to ensure that they are fully accounted for. b. Flight tickets for 8 staff to identify which classes they flew on and approvers <p>Refer to Executive Summary and Section 3.5 for details</p>
<p>6. Finance, Risk, Audit and Compliance Committee’s (FRACC) sitting allowances</p>	<p>Reviewed the following documents:</p> <ul style="list-style-type: none"> a. Appointment letters of ARC/FRACC members to identify current and past members as well as honorarium rates b. GC minutes to establish the approved allowances for FRACC by the board c. ARC/FRACC minutes to identify members who attended different meetings during the review period. d. Supporting documents to confirm whether the actual payments made to the FRACC members correspond to the amounts in the appointment letters and tally to attendance of the meetings. <p>Refer to Executive Summary and Section 3.6 for details</p>
<p>7. Endowment Fund - Interest earned and what it is was used for?</p>	<p>Reviewed the following documents:</p> <ul style="list-style-type: none"> a. GC minutes to establish the purpose for setting up the endowment fund and other relevant details b. Investment policy and procedures (2019) and the The AAS Endowment Fund Guidelines and Policy Document (2004) to understand the guidelines for operating the endowment fund c. Endowment fund certificates from 2013 to 2020 and any other relevant support documentation and re-computed the interest earned d. Endowment fund workings to determine how the endowment interest earned had been utilized. <p>Refer to Executive Summary and Section 3.7 for details</p>
<p>8. Overheads charged for AAS projects - how are these funds used?</p>	<p>Reviewed the following documents:</p> <ul style="list-style-type: none"> a. Grant policies to understand the controls in place for grant management. b. Finance Policy & Procedures Manual to understand the overview of the financial management system. c. Cost Allocation Policy to understand how the indirect cost are apportioned to overheads.

Scope	Work Done
	<p>d. Expense reports from 2017 to June 2020 (for 15 sampled grants) to determine the expenses charged to overheads.</p> <p>e. Supporting documents for the 610 sampled expenses from the reports to verify expense.</p> <p>Refer to Executive Summary and Section 3.8 for details</p>
<p>9. Annual budgets - clarity in presentation, transparent breakdowns. Review of the expenditures versus approved budget.</p>	<p>a. Held discussions with the personnel involved in budgeting to obtain an understanding of the budget process</p> <p>b. Reviewed the annual budgets from 2017 to 2020 to determine the clarity of presentation and transparency of breakdowns of the budget items</p> <p>c. Reviewed the budget vs actual report from 2018 to 2020 and confirmed whether expenditure incurred are in line with the approved budgets.</p> <p>d. Reviewed relevant support documents to obtain explanations for any unusual expenditure identified</p> <p>Refer to Executive Summary and Section 3.9 for details</p>
<p>10. Internal and external auditors' reports - Examine internal and external auditors' reports- check for variance and inconsistencies</p>	<p>Internal Auditor's reports</p> <p>Reviewed the following documentation</p> <p>a. Finance Policy and Procedures Manual to determine whether they are being complied with in regard to internal audit</p> <p>b. Internal audit reports for from February 2017 to March 2020 and checked on implementation of issues raised</p> <p>c. Follow up database/tracker from 2018 to March 2020 to check on remedial actions by management on issues raised</p> <p>External Auditor's reports</p> <p>a. Reviewed the audited financial statements for from 2012 to 2019 and checked on presentation in accordance with IAS and IFRS</p> <p>b. Performed comparative analysis between the system trial balance from 2016-2019 and the audited financial statements from 2016-2019 to check for inconsistencies</p> <p>c. Performed comparative review of the audited financial statements from 2012-2019 to check that the year to year comparison on the financial statements is consistent</p>

Scope	Work Done
	<p>d. Held discussions with management to understand the measures taken to address inconsistencies and variances noted</p> <p>Refer to Executive Summary and Section 3.10 for details</p>
<p>11. Management of the project funds - <i>Does the overall management of the funds from the Funding Partners adhere to their spending rules?</i></p>	<p>Reviewed the following documents:</p> <p>a. Grant contracts and award letters to understand the grant conditions and spending for each of the 15 grants sampled.</p> <p>b. Finance Policy & Procedures Manual to determine how expenditures are approved and the approval thresholds</p> <p>c. Relevant supporting documents for the sampled expenses to check for accuracy and completeness.</p> <p>Refer to Executive Summary and Section 3.11 for details</p>
<p>12. Kevin Marsh Donation - <i>How was the Donation of US\$500,000 of Kevin Marsh invested, if not invested, how was it utilised?</i></p>	<p>Reviewed the following documents:</p> <p>a. Expenditure report for KM to understand how the donation was applied;</p> <p>b. System extract (general ledger) of the transactions that arose from the donation</p> <p>c. Relevant supporting documentation for the sampled expenditure to check for accuracy and completeness</p> <p>Refer to Executive Summary and Section 3.12 for details</p>

Methodology of the Fraud Investigation

We conducted the review using a combination of techniques, methods and procedures which included:

- Conducting preliminary discussions with staff to develop an understanding of the relevant processes and procedures;
- Review of all the relevant policies and documentation;
- Analysis of relevant data;
- Discussion of findings noted with the relevant staff; and
- Performing digital forensic imaging.

Summary of the Findings from the Fraud Investigation

The findings obtained from the forensic investigation procedures conducted have been summarised in the table below:

Area of review	Summary of Findings																																																											
Salary increases	<p>Deloitte was mandated by the Governing Council (GC) to review the salaries paid to Senior Managers and determine percentage increase of shilling dominated versus dollar dominated for the period under review. For our review of the minutes of the Senior Management Team (SMT) meetings, we established that the SMT is comprised of the following staff:</p> <p>Table 2: AAS Senior Managers</p> <table border="1"> <thead> <tr> <th>Staff</th> <th>Designation</th> <th>Date of employment</th> </tr> </thead> <tbody> <tr> <td>Nelson Torto</td> <td>Executive Director</td> <td>14 August 2017</td> </tr> <tr> <td>Tom Kariuki</td> <td>Director of Programmes/ AESA Platform</td> <td>1 March 2015</td> </tr> <tr> <td>Isayvani Naicker</td> <td>Director Partnerships & Strategy</td> <td>1 May 2018</td> </tr> <tr> <td>Hannah Ngugi</td> <td>Head of Finance and Grants</td> <td>22 October 2014</td> </tr> <tr> <td>Rosemary Akinyi</td> <td>Head of Human Resources and Operations</td> <td>15 June 2017</td> </tr> <tr> <td>Juliette Mutheu - Asego</td> <td>Head of Communications and Public Relations</td> <td>1 May 2018</td> </tr> <tr> <td>Christine Kuto</td> <td>Head of Legal and Compliance</td> <td>1 April 2018</td> </tr> </tbody> </table> <p>According to the resolutions of the 31st, 32nd, and 34th as well as minutes of the 35th, 37th and 39th GC minutes, the GC had approved proposed budgets for the period 2016 to 2020 respectively. The table below provides a summary of the percentage increase for all staff as well as the basis for the increments:</p> <p>Table 3: GC Approved salary increments between 2015 and 2020</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Source of approvals</th> <th>Date minutes signed</th> <th>Percentage Increase</th> <th>Reason for increment</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>Resolutions of the 31st meeting</td> <td>Signed but not dated</td> <td>Not specified</td> <td>Following salary review done by PWC</td> </tr> <tr> <td>2016</td> <td>Resolutions of the 32nd meeting</td> <td>30 October 2015</td> <td>5%</td> <td>To cover for inflation changes</td> </tr> <tr> <td>2017</td> <td>Resolutions of the 34th meeting</td> <td>Signed but not dated</td> <td>5%</td> <td></td> </tr> <tr> <td>2018</td> <td>Minutes of 35th GC meeting</td> <td>14 June 2018</td> <td>10%</td> <td>To offset against the rising cost of living</td> </tr> <tr> <td>2019</td> <td>Minutes of 37th GC meeting</td> <td>6 April 2019</td> <td>5.6%</td> <td>To offset against the rising cost of living</td> </tr> <tr> <td>2020</td> <td>Minutes of 39th GC meeting</td> <td>Not signed</td> <td>4%</td> <td>To offset against the rising cost of living</td> </tr> </tbody> </table>	Staff	Designation	Date of employment	Nelson Torto	Executive Director	14 August 2017	Tom Kariuki	Director of Programmes/ AESA Platform	1 March 2015	Isayvani Naicker	Director Partnerships & Strategy	1 May 2018	Hannah Ngugi	Head of Finance and Grants	22 October 2014	Rosemary Akinyi	Head of Human Resources and Operations	15 June 2017	Juliette Mutheu - Asego	Head of Communications and Public Relations	1 May 2018	Christine Kuto	Head of Legal and Compliance	1 April 2018	Period	Source of approvals	Date minutes signed	Percentage Increase	Reason for increment	2015	Resolutions of the 31 st meeting	Signed but not dated	Not specified	Following salary review done by PWC	2016	Resolutions of the 32 nd meeting	30 October 2015	5%	To cover for inflation changes	2017	Resolutions of the 34 th meeting	Signed but not dated	5%		2018	Minutes of 35 th GC meeting	14 June 2018	10%	To offset against the rising cost of living	2019	Minutes of 37 th GC meeting	6 April 2019	5.6%	To offset against the rising cost of living	2020	Minutes of 39 th GC meeting	Not signed	4%	To offset against the rising cost of living
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	<p>From our review of payroll schedules, salary review letters for senior management and bank statements, we established that salaries were revised between 2015 and 2020. However, the percentage increments differed for each senior manager. The table below show the percentage increases for each senior manager from 2015 to 2020.</p> <p>Table 4: Percentage increase for SMT salaries between 2015 and 2020</p> <table border="1"> <thead> <tr> <th rowspan="2">Staff</th> <th rowspan="2">Currency</th> <th colspan="6">Percentage increase</th> </tr> <tr> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Nelson Torto</td> <td>USD</td> <td>Not employed</td> <td>Not employed</td> <td><i>*Employed on 14 August 2017</i></td> <td>29%</td> <td>5.6%</td> <td>4.0%</td> </tr> <tr> <td>Isayvani Naicker</td> <td>USD</td> <td>Not employed</td> <td>Not employed</td> <td>Not employed</td> <td><i>*Employed on 1 May 2018</i></td> <td>5.6%</td> <td>4.0%</td> </tr> <tr> <td>Tom Kariuki</td> <td>KES</td> <td><i>*Employed on 1 March 2015</i></td> <td>0%</td> <td>6%</td> <td>38%</td> <td>5.6%</td> <td>4.0%</td> </tr> <tr> <td>Hannah Ngugi</td> <td>KES</td> <td>27.6%</td> <td>28%</td> <td>5.6%</td> <td>30%</td> <td>5.6%</td> <td>11.5%</td> </tr> <tr> <td>Rosemary Akinyi</td> <td>KES</td> <td>Not employed</td> <td>Not employed</td> <td><i>*Employed on 15 June 2017</i></td> <td>29%</td> <td>5.6%</td> <td>11.5%</td> </tr> <tr> <td>Juliette Mutheu - Asego</td> <td>KES</td> <td>Not employed</td> <td>Not employed</td> <td>Not employed</td> <td><i>*Employed on 1 May 2018</i></td> <td>5.6%</td> <td>31.3%</td> </tr> <tr> <td>Christine Kuto</td> <td>KES</td> <td>Not employed</td> <td>Not employed</td> <td>Not employed</td> <td><i>*Employed on 1 April 2018</i></td> <td>11.5%</td> <td>76.3%</td> </tr> </tbody> </table>								Staff	Currency	Percentage increase						2015	2016	2017	2018	2019	2020	Nelson Torto	USD	Not employed	Not employed	<i>*Employed on 14 August 2017</i>	29%	5.6%	4.0%	Isayvani Naicker	USD	Not employed	Not employed	Not employed	<i>*Employed on 1 May 2018</i>	5.6%	4.0%	Tom Kariuki	KES	<i>*Employed on 1 March 2015</i>	0%	6%	38%	5.6%	4.0%	Hannah Ngugi	KES	27.6%	28%	5.6%	30%	5.6%	11.5%	Rosemary Akinyi	KES	Not employed	Not employed	<i>*Employed on 15 June 2017</i>	29%	5.6%	11.5%	Juliette Mutheu - Asego	KES	Not employed	Not employed	Not employed	<i>*Employed on 1 May 2018</i>	5.6%	31.3%	Christine Kuto	KES	Not employed	Not employed	Not employed	<i>*Employed on 1 April 2018</i>	11.5%	76.3%
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	<p><i>*The staff did not qualify for the salary increment in the year they were employed</i></p> <p>From our review we noted that:</p> <ol style="list-style-type: none"> i. Hannah Ngugi’s, Head of Finance and Grant (Ms Ngugi) salary was reviewed by 27.6% in 2015 following GC resolution to effect salary increment upon the completion of the salary review that had been done by PWC. ii. In 2016, Ms Ngugi’s salary increase was above the approved rate (5%) by the GC. As per the undated salary review letter that was signed by Prof Berhanu Abegaz, former Executive Director (Prof Abegaz), the increment was a result of realignment of her job profile. iii. In 2017, Tom Kariuki, Director of Programmes/ AESA Platform (Dr Kariuki) and Ms Ngugi received a salary increment of 6% and 5.6% respectively. We noted that the increments of 6% and 5.6% exceeded the approved rate of 5% by the GC by 1% and 0.6% respectively. The salary review letters communicating the salary increments were signed by Dr Kariuki. Dr Kariuki’s action of signing his own salary review letter was improper conduct. 																																																																													

Area of review	Summary of Findings						
	<p>iv. These letters were undated. At the time, Dr Kariuki had been appointed as the acting Executive Director.</p> <p>v. In 2018, the percentage increments for all the senior managers exceeded the approved limit by the GC. We established that a job grading, and structure review had been conducted by Lafayette Resources in 2017 and they issued a final report on 16 January 2018 with proposed recommendations of the organization and salary structure. From our review of the signed minutes of the 35th GC meeting that was held on 17 November 2017, the GC approved the revised Organizational Functional Structure report and hiring of key positions to be filled for the effective management of human resources. Following the approval of the revised Organizational Functional Structure report by the GC, Prof Torto approved the proposed salary adjustments on 16 February 2018 to align with the salary structure.</p> <p>vi. Christine Kuto’s, Head of Legal and Compliance Officer (Ms Kuto) salary was increased by 11.5% in 2019 while the GC had approved a 4% increase. The justification provided for Ms Kuto’s salary increment of 11.5% in the proposed payroll schedule for 2019 that was approved by Prof Torto on 16 January 2019, was that the scope of her role and risk exposure for the position was high. Ms Rosemary Akinyi, Head of Human Resources (Ms Akinyi) signed salary review letters for the other senior managers in 2019, communicating FY19 salary increment and 8% housing allowances.</p> <p>vii. In 2020, Ms Akinyi signed salary review letters two senior managers, namely Dr Kariuki and Dr Naicker communicating salary adjustment of a 4% cost of living adjustment approved by the GC. Whereas the GC had approved a 4% salary increase for all staff in 2020, Hannah Ngugi, Head of Finance and Grants (Ms Ngugi), Ms Akinyi, Juliette Mutheu Asego, Head of Communications and Public Relations (Ms Asego) and Ms Kuto had their salaries adjusted by 11.5%, 11.5%, 31% and 76% respectively in May 2020 following Prof Torto’s approval. These adjustments were inclusive of the 4% GC approved increment. The salaries were backdated to January 2020, however, the amount paid for the first four months was less the GC approved rate i.e 4% as it had been paid between January 2020 and April 2020. Prof Torto signed their salary review letters dated 19 May 2020, communicating the salary adjustments above the rate approved by the GC.</p> <p>Background – Salary review in 2020</p> <p>On 19 February 2020, Ms Ngugi shared a memo dated 8 February 2020, on 2020 salary harmonization and staff reclassification with Frederick Murunga, Chair of the Finance Risk, Audit and Compliance Committee (FRACC) (Mr Murunga) and sought for guidance on the next steps for the proposed salary increments for Ms Akinyi, Ms Asego, Ms Kuto and herself. The table below shows the justification provided for the proposed salary increments: -</p> <p style="text-align: center;">Table 5: Justification for the salary adjustments</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #333; color: white;"> <th style="width: 25%;">Staff</th> <th style="width: 55%;">Justification</th> <th style="width: 20%;">Recommendation</th> </tr> </thead> <tbody> <tr> <td>Ms Ngugi</td> <td>Her docket, roles and responsibilities have significantly expanded (from overseeing budgets of less than \$2M in 2015 to the current >\$40M for the 2019/2020 budget year)</td> <td style="text-align: center;">11.5%</td> </tr> </tbody> </table>	Staff	Justification	Recommendation	Ms Ngugi	Her docket, roles and responsibilities have significantly expanded (from overseeing budgets of less than \$2M in 2015 to the current >\$40M for the 2019/2020 budget year)	11.5%
Staff	Justification	Recommendation					
Ms Ngugi	Her docket, roles and responsibilities have significantly expanded (from overseeing budgets of less than \$2M in 2015 to the current >\$40M for the 2019/2020 budget year)	11.5%					

Area of review	Summary of Findings																											
	Ms Akinyi	Her role as envisioned during the hiring has been dynamic and has absorbed other operational responsibilities. Her salary should reflect the changes in roles and responsibilities.	11.5%																									
	Ms Asego	AAS visibility. In addition, when Juliette was recruited, she accepted a slightly lower pay with the promise that her situation would be reviewed upon her being confirmed to the position	31%																									
	Ms Kuto	The role has strategically expanded, and it is at a much higher level in the organization and therefore the need for reclassification upward both in title and grade.	76%																									
	<p>Mr Murunga shared FRACC's comments on the proposed salary increments and alignments with Prof Torto on 16 March 2020. One of the observations made by FRACC was that <i>"There is no sound justification for the wide variations in increases that are being proposed in this rationalization exercise except in one where there is a movement to a higher grade"</i></p> <p>In his response to the observations made by FRACC via email dated 17 March 2020, Prof Torto proposed that the adjustments should be implemented as per the memo. There was no further communication (availed to us) with FRACC on this matter. On 19 May 2020, Prof Torto approved the May 2020 payroll with the above increments for implementation in the same month.</p> <p>The table below details the salaries that were reviewed beyond the approved GC rate:</p> <p>Table 6: Salary increment beyond approved GC rate</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Approved GC rate</th> <th>Percentage of salary review and staff</th> <th>Deviation</th> <th>Justification provided</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>5%</td> <td>28% - Ms Ngugi</td> <td>17%</td> <td>Realignment of her job profile</td> </tr> <tr> <td>2017</td> <td>5%</td> <td>6% - Dr Kariuki 5.6% - Ms Ngugi</td> <td>1% 0.6%</td> <td>None</td> </tr> <tr> <td>2019</td> <td>5.6%</td> <td>11.5% - Ms Kuto</td> <td>5.9%</td> <td>Scope of her role, and risk exposure for the position was high</td> </tr> <tr> <td>2020</td> <td>4%</td> <td>11.5% - Ms Ngugi 11.5% - Ms Akinyi 31% - Ms Asego 76% - Ms Kuto</td> <td>7.5% 7.5% 27% 72%</td> <td> <ul style="list-style-type: none"> ● Significant expansion of docket, roles and responsibilities ● Changes in roles and responsibilities since time of employment ● AAS visibility. Also, received a lower pay at time of employment ● Upward reclassification both in title and grade </td> </tr> </tbody> </table> <p><i>*The 2018 increments are not included in the table above since they were implemented to align with the salary structure following the approval of the revised Organizational Functional Structure report by the GC.</i></p>			Year	Approved GC rate	Percentage of salary review and staff	Deviation	Justification provided	2016	5%	28% - Ms Ngugi	17%	Realignment of her job profile	2017	5%	6% - Dr Kariuki 5.6% - Ms Ngugi	1% 0.6%	None	2019	5.6%	11.5% - Ms Kuto	5.9%	Scope of her role, and risk exposure for the position was high	2020	4%	11.5% - Ms Ngugi 11.5% - Ms Akinyi 31% - Ms Asego 76% - Ms Kuto	7.5% 7.5% 27% 72%	<ul style="list-style-type: none"> ● Significant expansion of docket, roles and responsibilities ● Changes in roles and responsibilities since time of employment ● AAS visibility. Also, received a lower pay at time of employment ● Upward reclassification both in title and grade
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Area of review	Summary of Findings						
	<p>Executive Director</p> <p>We established that Prof Nelson Torto’s, former Executive Director (Prof Torto) salary was increased between 2018 and 2020 by 38.6%. Section 11.4.6 of the AAS constitution states that the ED’s remuneration is determined by the GC. We noted from the review of the GC minutes that the salary increments had not been approved by the GC.</p> <p>On 19 February 2018, Ms Akinyi shared the standard job grading letter for Prof Torto dated 16 February 2018 with Prof Felix Dakora, AAS President (Prof Dakora) for his signature. Prof Dakora proposed a few edits on the letter and shared with Ms Akinyi on the same day. Prof Dakora’s electronic signature was affixed on the letter.</p> <p>Prof Torto’s salary review letters for 2019 and 2020 were signed by Ms Akinyi. However, we noted that the increment was as per the approved rate by the GC. The letters communicated the following:</p> <p>Table 7: Prof Torto's salary review letters for 2019 and 2020</p> <table border="1" data-bbox="472 754 2042 967"> <thead> <tr> <th data-bbox="472 754 663 791">Date</th> <th data-bbox="663 754 2042 791">Contents</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 791 663 927">18 January 2019</td> <td data-bbox="663 791 2042 927">FY19 Salary Adjustment following a survey conducted by PwC to determine AAS competitiveness within the market. The letter communicated the following: <ul style="list-style-type: none"> • Salary increment • 10% housing allowance. </td> </tr> <tr> <td data-bbox="472 927 663 967">20 January 2020</td> <td data-bbox="663 927 2042 967">FY20 salary adjustment following AAS GC approval of a 4% cost of living adjustment.</td> </tr> </tbody> </table> <p>Recommendations</p> <p>AAS should ensure that:</p> <ol style="list-style-type: none"> i. The ED’s pay increments are minuted when approved by the GC. ii. Staff salary increments should be in line with the rate approved by the GC. iii. Salary review letters are signed by the staff’s immediate supervisor. 	Date	Contents	18 January 2019	FY19 Salary Adjustment following a survey conducted by PwC to determine AAS competitiveness within the market. The letter communicated the following: <ul style="list-style-type: none"> • Salary increment • 10% housing allowance. 	20 January 2020	FY20 salary adjustment following AAS GC approval of a 4% cost of living adjustment.
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<p>Staff Benefits - 13th cheque benefit and housing allowance</p>	<p>January 2018</p> <p>As per the minutes AESA Partners’ Group (PG) Meeting held in January 2018, the PG discussed the new organisational structure following the job grading, and structure review had been conducted by Lafayette Resources in 2017 as well as the benefits package. As part of the preamble to the discussion, it was minuted that the Chair asked the group to note that PG was advisory and while it can provide a strong steer, it cannot approve the structure or the benefits package.</p>						

Area of review	Summary of Findings
	<p>Lafayette recommended that AAS be positioned at the 50th percentile in the job market. Simon Kay, Chair of the Partners’ Group (Mr Kay) proposed that AAS comes up with an alternative option, with a higher position in the market together with the budget implications. This paper should take into account the cost of recruitment and impact on productivity of current rates of turnover. It was also minuted that PWC be contracted to undertake an annual salary survey.</p> <p><u>July 2018</u></p> <p>Salary and benefits survey</p> <p>In July 2018, AAS contracted PWC to carry out salary and benefits survey with selected comparators. As per the report dated 6 November 2018, PWC noted that AAS was remunerating her staff competitively against the market average in most of the positions and recommended that AAS may consider introducing some additional cash benefits especially for the hard to find skills (include but not limited to: Research Scientists, Communication Specialists, Monitoring & Evaluation Experts, Development Officers, Policy Analysts and Gender Specialists) in order to attract, motivate and retain top talent. The allowances highlighted in the report were, house allowance, transport allowance, security allowance, telecoms allowance and other allowances such as car, hardship, leave and school fees.</p> <p>Discussions on HR Benefits</p> <p>i. SMT</p> <p>On 11 July 2018 via an email communication, Ms Akinyi shared the compensation and benefits paper with Prof Torto, Ms Ngugi and Dr Kariuki. The paper included following proposed benefits:</p> <ul style="list-style-type: none">i. The 13th Month Cheque calculated at 75% of employee monthly salary; andii. Housing/Accommodation for Expatriate Staff at 10% of total monthly pay <p>ii. Partner’s Group</p> <p>The HR benefits paper was presented by Ms Ngugi to the Partners during the meeting that was held on 27 July 2018. We reviewed the paper and noted that it proposed to adopt the salary structure below:</p> <ul style="list-style-type: none">i. <i>Monthly Pay at 75% percentile</i>ii. <i>Performance based 13th Month Cheque at 75%</i>iii. <i>Housing/Accommodation for Staff as 10%</i>iv. <i>Pension contribution at 12%</i> <p>From our review of the minutes of the PG meeting held on 27 July 2018 and approved in January 2019, it was minuted that the PG was supportive that the salaries should be set at the right level to enable recruitment and retention of high performing staff.</p> <p><u>August 2018</u></p>

Area of review	Summary of Findings
	<p>Ms Ngugi communicated to Ms Akinyi and Dr Thomas Kariuki, Director, Programmes (Dr Kariuki) via email correspondence on 2 August 2018, that the PG had approved the HR Benefits paper. Dr Kariuki responded by proposing that the benefits could be approved at the SMT level and implemented over time.</p> <p>On 22 August 2018, as per the SMT minutes, the SMT approved the 13th month benefit at 75% to be implemented effective December 2018 and housing accommodation benefit effective January 2019 (Executive Director at 10% and other positions at 8%). They agreed that the benefits review paper would not be presented in any other forum for adoption, but that the figures would be factored in the proposed budget.</p> <p><u>November 2018</u></p> <p>ARC Approval</p> <p>The ARC Minutes of 30 November 2018 Paragraph 3.6 indicates the following: <i>Regarding review of staff benefits, it was reported that the Academy benchmarked with organizations such as ILRI, AGRA, WT Kilifi and ICIPE. From the benchmarking exercise, recommendation was made to introduce 8% - 10% Housing Allowance on basic salary, and a 13th month cheque at 75% of the gross salary.</i></p> <ul style="list-style-type: none">a) <i>Having discussed purpose, percentage and frequency of the 13th cheque, ARC recommended that the benefit be named appropriately since it is not a full month's salary, is not an incentive for performance, and its percentage may vary each year subject to Management's discretion.</i>b) <i>It was also recommended that the introduced benefits should be included in the relevant policy documents after approval by the GC.</i> <p>The ARC approved the proposed budget during the 11th ARC meeting held on 30 November 2018 and recommended the same to the GC for adoption.</p> <p><u>December 2018</u></p> <p>GC Approval</p> <p>As per the minutes of the 37th meeting of the GC held on 8 and 9 December 2018, there was no record of discussion on the 13th Cheque benefit and house allowance.</p> <p>However, the GC approved the budget for the year 2019 for a total amount of \$44,690,613 during the 37th GC meeting that was held on 8 and 9 December 2018 as indicated below:</p> <p><i>"Resolution Six: After much deliberation, the GC approved the budget for the year 2019 for a total amount of \$44,690,613."</i></p>

Area of review	Summary of Findings
	<p>From our review of Report of the Audit, Risk & Compliance (ARC) committee (Document 10) as well as the annexes 10.2, 10.2A & 10.2B, we noted that \$ 4,720,116 representing 11% of the budget related to personnel costs. The narration provided supporting the figure stated that the budgeted amount included:</p> <ul style="list-style-type: none"> • 13th month benefit to be paid as a 75% of monthly basic salary in the month of December every year; • Housing allowance benefit, consistent with the market to staff starting in January 2019 at the rate of 8-10%. <p>Communication of the benefits to the staff The benefits were communicated to all AAS staff by Prof Torto on via a memo dated 12 December 2018.</p> <p><u>January 2019</u> At the PG Meeting of 16-17 January 2019, the AESA Director gave an update on the benefits package as follows:</p> <p>Benefit Package Revision</p> <ul style="list-style-type: none"> • Delay of reporting by grantees slows down payments, which factors into the 43% underspent. • Additional benefits, added after benchmarking exercise to stay competitive, factored into budget in 2019 (housing allowance, increase in pension, etc.). <ul style="list-style-type: none"> ○ Housing allowance – discussion on weighing the need to attract and retain staff (standard practice in Kenya, Nairobi is expensive to live, etc.) vs. using the funds to incentivize current staff and/or increase hiring. ○ Benefit of a 13th month cheque paid at 75% of the basic salary to all staff. In future the AAS HR department is considering making this a performance-based bonus after it is put in place a good performance management system. ○ The 4 components of increases this year will not be sustainable. If giving people this level of increase, it must come with an increase in performance. • Burn rate excludes programmatic funding. Need to ensure that the structure and capacity is enough to grow those programs. • Budget deficit is \$758,911. Need to look at what will need to be cut if additional funds to cover the deficit are not secured. Ideas were proposed to delay pay increases by 6 months and/or take a critical look at new hires. Big risk for this size of organization and need to have a plan in place for how to mitigate <p>Action per Minutes: AAS to develop contingency plan of what to cut if do not receive additional money to cover the deficit. This was noted by the PG as a strategic risk to AESA and should be reflected in the risk register.</p> <p>i. <u>13th Cheque Benefits</u> We reviewed staff contracts and salary review letters to determine the staff salaries then recomputed the 13th cheque benefit. We established that \$ 255,795.15 was paid for 13th cheque benefit in December 2018 and December 2019. From our review of the bank statements, we noted that the</p>

Area of review	Summary of Findings																																																
	<p>benefit was paid together with the salary for December 2018 and December 2019. The table below shows the summary of the funders for the payment of the benefits and the allocated amounts:</p> <p>Table 8: Source of funds for the 13th Cheque Benefit</p> <table border="1"> <thead> <tr> <th style="background-color: #333; color: white;">Source of Funds</th> <th style="background-color: #333; color: white;">Amount paid in 2018 (\$)</th> <th style="background-color: #333; color: white;">Amount paid in 2019 (\$)</th> </tr> </thead> <tbody> <tr> <td>The African Academy of Sciences Capital and Operating Requirements (AAS CORE)</td> <td>12,724.16</td> <td>16,036.28</td> </tr> <tr> <td>African Institute for Development Policy (AFIDEP)</td> <td>-</td> <td>1,811.15</td> </tr> <tr> <td>Bill & Melinda Gates Foundation (BMGF)</td> <td>10,557.87</td> <td>19,138.31</td> </tr> <tr> <td>Carnegie Corporation of New York (CC)</td> <td>1,990.80</td> <td>1,649.10</td> </tr> <tr> <td>Department for International Development (DFID)</td> <td>-</td> <td>5,780.69</td> </tr> <tr> <td>G-BMBF</td> <td>-</td> <td>3,455.21</td> </tr> <tr> <td>IKEA Foundation (IKEA)</td> <td>-</td> <td>3,891.99</td> </tr> <tr> <td>Kevin Marsh (KM)</td> <td>1,749.46</td> <td>-</td> </tr> <tr> <td>Medical Research Council (MRC)</td> <td>2,680.03</td> <td>-</td> </tr> <tr> <td>The U.S. National Institutes of Health (NIH)</td> <td>1,556.65</td> <td>2,477.85</td> </tr> <tr> <td>Royal Society (RS)</td> <td>2,347.89</td> <td>6,879.30</td> </tr> <tr> <td>The Swedish International Development Cooperation Agency (SIDA)</td> <td>5,959.04</td> <td>7,118.88</td> </tr> <tr> <td>United Nation Economic Commission for Africa (UNECA)</td> <td>-</td> <td>3,721.10</td> </tr> <tr> <td>Wellcome Trust (WT)</td> <td>65,810.74</td> <td>78,458.65</td> </tr> <tr> <td>Total</td> <td>105,376.64</td> <td>150,418.51</td> </tr> </tbody> </table> <p>ii. Housing Allowance</p> <p>From our review of the staff contracts, salary review letters and payroll schedule, we established the following:</p> <ol style="list-style-type: none"> i. The housing allowance benefit was included in the salary review letters for 2019. ii. Prof Torto received housing allowance at 12% of monthly pay in January 2019 and at 10% from February 2019 to June 2020. At the time of this report, we had not been provided with the explanation as to why Prof Torto received housing allowance at 12% of monthly pay in January 2019 yet only 10% had been approved. iii. All other staff received 8% of their monthly pay as housing allowance during the same period. iv. The employment contracts for staff who were employed from 2019 include housing allowance as one of the benefits. <p>Recommendation</p> <p>When implementing benefits, AAS should ensure that all benefits are capped at the rate approved by the GC.</p>	Source of Funds	Amount paid in 2018 (\$)	Amount paid in 2019 (\$)	The African Academy of Sciences Capital and Operating Requirements (AAS CORE)	12,724.16	16,036.28	African Institute for Development Policy (AFIDEP)	-	1,811.15	Bill & Melinda Gates Foundation (BMGF)	10,557.87	19,138.31	Carnegie Corporation of New York (CC)	1,990.80	1,649.10	Department for International Development (DFID)	-	5,780.69	G-BMBF	-	3,455.21	IKEA Foundation (IKEA)	-	3,891.99	Kevin Marsh (KM)	1,749.46	-	Medical Research Council (MRC)	2,680.03	-	The U.S. National Institutes of Health (NIH)	1,556.65	2,477.85	Royal Society (RS)	2,347.89	6,879.30	The Swedish International Development Cooperation Agency (SIDA)	5,959.04	7,118.88	United Nation Economic Commission for Africa (UNECA)	-	3,721.10	Wellcome Trust (WT)	65,810.74	78,458.65	Total	105,376.64	150,418.51
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Area of review	Summary of Findings
<p>Education allowances of staff dependants</p>	<p>Section 6.5 of the Human Resources Policy and Procedures Manual states that the reimbursement of education expenses for up to four dependent children under the age of 24 of staff members will be subject to an annual limit determined by the management on an annual basis.</p> <p>Education allowance is included as one of the benefits in all the staff employment contracts. The allowance as per employment contracts is up to a maximum of 5% of annual basic pay for the spouse and/or legal dependents.</p> <p>We made the following observations from our review of sampled education expenses:</p> <ul style="list-style-type: none"> i. Education allowance was capped at 5% of the annual basic pay for all staff. ii. The reimbursement claims made were for legal dependent children under the age of 24 and for spouses. iii. 17 out of the 145 sampled claims were not adequately supported. These claims related to purchase of school uniform and had receipts for the purchases. However, the list of requirements from the respective schools was missing. The guidelines require that a list of requirement from the school be attached to the claim for other reimbursable i.e. uniform, building fund, mandatory tuition materials, boarding, transport, examination fees, enrolment/registration fees, or any other mandatory fee. The remaining 128 claims were adequately supported with original payment receipts and up-to-date statements from applicable educational institutions. iv. During the review period, Anne Kimari, Former Chief Operating Officer (Ms Kimari) approved all her claims for reimbursement of education expenses. <p>Prof Torto’s education allowance</p> <p>From various email correspondences in 2017 and 2018 between Prof Torto and Ms Ngugi, Prof Torto requested for an advance to pay for school fees. We reviewed supporting documents and established that in 2018, Prof Torto received education allowance in advance. This was non-compliant with the Human Resources policy that stipulates that education allowance should be paid on reimbursement basis.</p> <p>Recommendation</p> <p>AAS should ensure that:</p> <ul style="list-style-type: none"> i. Education expenses are approved by the staff’s immediate supervisor for processing by Human Resource and Finance. ii. Staff comply with the guidelines governing education allowances prior to approvals being made.
<p>Leave approval</p>	<p>As per the HR Policy and Procedures Manual annual leave is approved by the line manager while special leave by the ED. In addition, not more than 5 working days can be carried forward for the following year without the line manager’s approval.</p> <p>From discussions held with Ms Akinyi we learnt that :</p> <ul style="list-style-type: none"> i. Leave application was, until August 2020, done via email. Staff would email their supervisors and forward the approvals to HR. ii. HR maintains a tracker of the leave days taken and the balance of the leave days for each staff.

Area of review	Summary of Findings
	<p>From the email approvals provided for our reviews, we noted:</p> <ul style="list-style-type: none"> i. In 2018, Prof Torto proceeded on leave without seeking approval from the AAS President. ii. Ms Akinyi approved Prof Torto’s leave request in December 2018. This was non-compliant with the Human Resources Policy that states that annual leave should be approved by the line manager. <p>Payment for accrued leave As per the 2015 payroll schedule and bank statements, we established that USD 14,399.86 was paid to 21 staff for accrued leave in 2015. No payments were made for accrued leave from 2016 onwards.</p> <p>Leave Balances From our review of the leave tracker provided by HR, we noted that:</p> <ul style="list-style-type: none"> i. 23 staff had carried forward a total of 159 days from 2019. We had not been provided with the requisite approvals for 14 staff as the time of this report. ii. As at 14 September 2020, staff leave balances ranged from 8 to 45 days. 16 staff had more than 20 leave days. <p>This could have financial implication when staff exit AAS and accrued leave days have to be paid.</p> <p>Recommendation AAS should consider documenting a procedure governing leave management for the ED.</p>
<p>Subsistence and Travel (S&T)</p>	<p>Background The AAS Corporate Travel Policy requires Travel Authorization (TA) for all AAS staff scheduled to travel. The TA must be approved by the budget holder or his/her designee and submitted to the finance department as soon as the travel is confirmed.</p> <p>Staff apply for Subsistence and Travel (S&T) on the Microsoft Dynamic Serenics and print the TA document for authorization prior to receiving the money from the finance department. The money is issued in cash through petty cash. Upon return from a trip, the staff member is required to account for all monies advanced with receipts except for incidental allowance.</p> <p>For staff who are frequent fliers, there are credit cards for expensing their travel costs upon which they are required to surrender card statements with relevant supporting documents for accountability.</p> <p>The Corporate Travel Policy allows AAS to provide an incidental daily allowance of USD 30 intended to cover miscellaneous personal costs such as toiletries, home phone calls, evening drinks etc. This rate is applied to each day of travel including the first and last day.</p> <p>Findings</p>

Area of review	Summary of Findings																
	<p>From our review of the sampled travel authorizations we established that:</p> <ol style="list-style-type: none"> i. All the TA's had been duly approved at the point of issuing and retiring the money through the surrender form. However, we noted unsupported expenses amounting to USD 519.98; ii. From our review of staff incidentals, we noted that the rate was applied uniformly for all staff. <p>Accommodation rates</p> <p>Section 9.5 of the Corporate Travel Policy states that <i>"AAS has an authorized list of rates for all countries and cities uploaded in MS Dynamics Serenics NAV Travel and Imprest Request Module. The rates are revised once per year and should be made accessible to all staff who travel, Finance Officer is responsible for updating the daily rates list and posting it on Serenic. AAS uses comparable rates from like organization to compile the rates."</i></p> <p>We obtained an extract of the list of rates from the system and noted the list was outdated as it related to 2015. Ms Ngugi informed us that the rates uploaded in the system were no longer used and that staff made changes to the rates depending on the rates they received through quotes from various hotels. Further, Anthony Thuku, Grants Accountant (Mr Thuku), informed us that AAS relies on information provided by the host entity/organization and previous experience in similar regions to estimate the amount of S & T to advance to a traveling staff.</p> <p>Section 9.1 of the of the Corporate Travel Policy requires AAS staff to be booked in single standard rooms as per the authorized list of rates for all countries and cities uploaded in MS Dynamics Serenics NAV Travel and Imprest Request Module. As indicated above, the list uploaded in the system was outdated and thus not used by the AAS staff.</p> <p>We sampled 24 staff accommodation expenses for the period 2017 and 2020 and noted that four (4) accommodation expenses were relatively higher compared to the international rates as per the United Nations (UN) Daily Subsistence Allowances dated 1 March 2020. The table below summarizes these expenses and the UN daily subsistence rate:</p> <p>Table 9: Hotel with costs higher than international rates</p> <table border="1"> <thead> <tr> <th>Narration</th> <th>Hotel and City</th> <th>Amount per night (USD)</th> <th>International per diem rate (USD)</th> </tr> </thead> <tbody> <tr> <td>Accommodation on 15th May at Sheraton while meeting in ESwatini to discuss GCA Eswatini -Nelson Torto</td> <td>Intercontinental Johannesburg - 15 May 2019</td> <td>385.19</td> <td>175.54</td> </tr> <tr> <td>Accommodation at Sheraton on 7th May while meeting with Prof Dakora-Nelson Torto</td> <td>Intercontinental Johannesburg - 7 May 2019</td> <td>386.3</td> <td>175.54</td> </tr> <tr> <td>Accommodation on 16th May at the Summerfield hotel in ESwatini with Dr. Kgarebe-Nelson Torto</td> <td>Summerfield Botanical Gardens and Exclusive Resort - 16 May 2019</td> <td>224</td> <td>87.04</td> </tr> </tbody> </table>	Narration	Hotel and City	Amount per night (USD)	International per diem rate (USD)	Accommodation on 15th May at Sheraton while meeting in ESwatini to discuss GCA Eswatini -Nelson Torto	Intercontinental Johannesburg - 15 May 2019	385.19	175.54	Accommodation at Sheraton on 7th May while meeting with Prof Dakora-Nelson Torto	Intercontinental Johannesburg - 7 May 2019	386.3	175.54	Accommodation on 16th May at the Summerfield hotel in ESwatini with Dr. Kgarebe-Nelson Torto	Summerfield Botanical Gardens and Exclusive Resort - 16 May 2019	224	87.04
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Area of review	Summary of Findings													
	Accommodation in Paris Loreal meetings at Mercure Hotel; 13-16th March, Prof Torto	Mercure Hotels 13 – 16 March 2019	309.69	211.12										
	<p>Staff airline travel classes</p> <p>Section 10 of the Corporate travel policy authorizes the lowest available airfare in economy class for the most direct and economical routing for travel duration of less than 8 hours. For travel duration of more than 8 hours, the lowest available airfare in business class for the most direct and economical routing is authorized. The use of business class for less than 8 hours or over 8 hours as the case may be must be approved by the Executive Director – such cases may be due to medical reasons or back to back travel. In the event that the subject is the Executive Director, the Head of Finance and Grants or member of SMT may provide the decision.</p> <p>We reviewed staff air fare expenses with a view of identifying the class of travel as well as authorization. Our sample size was two staff per year for the period 2017 and 2020. Based on the information availed to us, we noted the following:</p> <p>i. Prof Torto</p> <ul style="list-style-type: none"> According to the system extract for staff air travel costs, there were 17 ticket costs booked for Prof Torto. Out of these 17 tickets, eight (8) were business tickets, five (5) were tickets booked under economy class and three (3) were tickets booked under special economy. As at the time of this report we had not been provided with supporting documents for one ticket. Prof Torto was booked in business class for eight (8) trips. Out of the eight trips, only one (1) trip lasted for a duration of less than 8 hours. This trip had been approved by Ms Ngugi. However, the booking documentation availed for our review indicated that lower priced tickets were sold out. The details for this trip have been provided below. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: black; color: white;">Document Number</th> <th style="background-color: black; color: white;">Travel Route</th> <th style="background-color: black; color: white;">Approver</th> <th style="background-color: black; color: white;">Duration of flight</th> <th style="background-color: black; color: white;">Cost (USD)</th> </tr> </thead> <tbody> <tr> <td>PO000851</td> <td>Dulles- Newark</td> <td>Hannah Ngugi</td> <td>1 hour 20 minutes</td> <td>385</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The duration for the other seven (7) trips was more than 8 hours. However, this trips were approved by Ms Ngugi (3 trips), Ms Akinyi (3 trips) and Mr Otiwu (1). All these trips should have been approved by the AAS President. <p>ii. Michael Kilpatrick (Mr Kilpatrick)</p> <ul style="list-style-type: none"> We noted there were six (6) air travel expenses booked under Mr Kilpatrick’s account. Out of the six (6) trips, four (4) were booked in economy class, one was in premium economy and one trip was booked in business class. The flight duration for the trip Mr Kilpatrick was booked in business class was 10 hours and was compliant with the Corporate Travel Policy. This trip was approved by Ms Ngugi and not the ED as stipulated in the policy. 				Document Number	Travel Route	Approver	Duration of flight	Cost (USD)	PO000851	Dulles- Newark	Hannah Ngugi	1 hour 20 minutes	385
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Area of review	Summary of Findings																																																															
	<p>Recommendation</p> <p>AAS should consider documenting a procedure governing travel management for the ED, in order to ensure that travel expenses are approved by the staff's immediate supervisor. For instance, AAS could consider periodic sharing the ED's travel plan with the President or Chair of FRACC for approval.</p> <p>In addition, AAS should consider having in place a list of predetermined S & T rates benchmarked with international best practice such as the United Nations Daily Subsistence Allowance to ensure uniformity of the rates applied.</p>																																																															
Finance, Risk, Audit and Compliance Committee's (FRACC) sitting allowances	<p>The Audit and Risk Committee (ARC) was formed in July 2014 through a resolution of the 30th GC meeting held on 24 and 25 July 2014. As per the bank statements, we established the ARC/FRACC members were paid USD 70,175 as honorarium for the meetings held from January 2015 to June 2020. The table below shows the amount paid to each member:</p> <p>Table 10: Honorarium paid to ARC/FRACC members</p> <table border="1"> <thead> <tr> <th rowspan="2">Member</th> <th rowspan="2">Position</th> <th colspan="3">Amount paid as per PVs, Petty cash and Bank statements</th> <th rowspan="2">Total</th> </tr> <tr> <th>January 2015 to December 2016</th> <th>January 2017 to April 2019</th> <th>May 2019 to June 2020</th> </tr> </thead> <tbody> <tr> <td>Frederick Murunga</td> <td>Chairperson</td> <td>5,000</td> <td>7,900</td> <td>5,700</td> <td>18,600</td> </tr> <tr> <td>Prof. Mahmoud M. A. Abdel-Aty</td> <td>Member</td> <td>0</td> <td>1,400</td> <td>No longer a member</td> <td>1,400</td> </tr> <tr> <td>Dr. Boitumelo Veronica Kgarebe</td> <td>Member</td> <td>3,500</td> <td>5,535</td> <td>4,400</td> <td>13,435</td> </tr> <tr> <td>Paul Kenbugul Sagnia</td> <td>Member</td> <td>2,800</td> <td>5,600</td> <td>4,200</td> <td>12,600</td> </tr> <tr> <td>Prof Juma Shabani</td> <td>Member</td> <td>2,800</td> <td>700</td> <td>No longer a member</td> <td>3,500</td> </tr> <tr> <td>Prof. Amina Abubakar</td> <td>Member</td> <td>Not a member at the time</td> <td>800</td> <td>3,905</td> <td>4,705</td> </tr> <tr> <td>Patricia Kabuleeta</td> <td>Member</td> <td>Not a member at the time</td> <td>2,100</td> <td>5,600</td> <td>7,700</td> </tr> <tr> <td>Memory Nguwi</td> <td>Member</td> <td>Not a member at the time</td> <td>Not a member at the time</td> <td>5,600</td> <td>5,600</td> </tr> <tr> <td>Prof. Nicholas Biekpe</td> <td>Member</td> <td>Not a member at the time</td> <td>Not a member at the time</td> <td>2,635</td> <td>2,635</td> </tr> </tbody> </table> <p>1st Term: January 2015 to December 2016</p> <p>The ARC committee had a composition of 5 members as shown below:</p>	Member	Position	Amount paid as per PVs, Petty cash and Bank statements			Total	January 2015 to December 2016	January 2017 to April 2019	May 2019 to June 2020	Frederick Murunga	Chairperson	5,000	7,900	5,700	18,600	Prof. Mahmoud M. A. Abdel-Aty	Member	0	1,400	No longer a member	1,400	Dr. Boitumelo Veronica Kgarebe	Member	3,500	5,535	4,400	13,435	Paul Kenbugul Sagnia	Member	2,800	5,600	4,200	12,600	Prof Juma Shabani	Member	2,800	700	No longer a member	3,500	Prof. Amina Abubakar	Member	Not a member at the time	800	3,905	4,705	Patricia Kabuleeta	Member	Not a member at the time	2,100	5,600	7,700	Memory Nguwi	Member	Not a member at the time	Not a member at the time	5,600	5,600	Prof. Nicholas Biekpe	Member	Not a member at the time	Not a member at the time	2,635	2,635
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Table 11: ARC Committee members for the period January 2015 to December 2016

#	Member	Position	Sitting Allowance (USD)
1	Mr. Frederick Murunga	Chairperson	1,000
2	Prof. Mahmoud M. A. Abdel-Aty	Member	700
3	Dr. Boitumelo Veronica Kgarebe	Member	700
4	Mr. Paul Kenbugul Sagnia	Member	700
5	Professor Juma Shabani	Member	700

The sitting allowance indicated above was specified in the appointment letters of the members that were all dated 17 December 2014. Further, the duration of the contract was indicated as from January 2015 to December 2016.

As per the minutes of the ARC meetings, we noted that ARC held five (5) meetings from January 2015 to December 2016. From our review of the bank statement we established that **USD 14,100** was paid to the members as shown on the table below:

Table 12: Honorarium paid to ARC Committee members for the period January 2015 to December 2016

#	Member	Position	Sitting allowance (USD)	Meeting attended per minutes	Amount Paid (USD)	Explanation for variance
1	Mr. Frederick Murunga	Chairperson	1,000	5 (1 st to 5 th)	5,000	No variance
2	Prof. Mahmoud M. A. Abdel-Aty	Member	700	1 – (3 rd)		-We could not identify the payment to Prof Abdel-Aty in the bank statement.
3	Dr. Boitumelo Veronica Kgarebe	Member	700	5 (1 st – 5 th)	3,500	No variance
4	Mr. Paul Kenbugul Sagnia	Member	700	4 (1 st , 2 nd , 3 rd , 5 th)	2,800	No variance
5	Professor Juma Shabani	Member	700	4 (1 st – 4 th)	2,800	No variance
	Total				14,100	

2nd Term: January 2017 to April 2019

We were not provided with the renewals letters for the above mentioned ARC members for the period between January 2017 and April 2019.

Area of review	Summary of Findings																																															
	<p>Patricia Kabuleeta (Ms Kabuleeta) was appointed to the ARC on 10 November 2017. The letter indicated that the appointment was for 2 years, beginning January 2018 to 31 December 2019; renewable once. The sitting allowance, for each meeting attended in person, was specified as USD 700.</p> <p>Amina Abubakar (Prof Abubakar) was nominated as the as Acting Treasurer on 10 May 2018 following the passing away of Prof Dominic Makawiti (Late Prof Makawiti). During, the 37th GC meeting held on 8 and 9 December 2018, Members resolved to recommend to the General Assembly the confirmation of Prof Amina Abubakar into the position of Treasurer for the remaining term of office which ends in the year 2020.</p> <p>Honorarium paid between January 2017 and April 2019</p> <p>ARC held eight (8) meetings from January 2017 to April 2019 as per the minutes provided for our review. From our review of the general ledger extracts for this period as well as bank statements, we established that USD 24,035 was paid to the members.</p> <p>Table 13: Honorarium paid to ARC Committee members for the period January 2017 to April 2019</p>																																															
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Area of review	Summary of Findings																														
	6	Prof Amina Abubakar	Member	200	3 (10 th , 12 th and 13 th)	800	The 10 th ARC meeting held on 24 – 25 September 2018 was conducted in two days. Prof Amina was paid double her normal rate.																								
	7	Patricia Kabuleeta	Member	700	3 (9 th , 11 th and 12 th)	2,100	No variance																								
<p>The committee was renamed to Finance, Risk and Audit Compliance Committee (FRACC) in May 2019 through resolution 7 of the minutes of the 38th GC meeting held on 6 April 2019. FRACC was comprised of the following members:</p> <p>Table 14: FRACC Committee members for the period May 2019 to June 2020</p> <table border="1"> <thead> <tr> <th>#</th> <th>Member</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Frederick Murunga</td> <td>Chairperson</td> </tr> <tr> <td>2</td> <td>Memory Nguwi</td> <td>Member</td> </tr> <tr> <td>3</td> <td>Dr. Boitumelo Veronica Kgarebe</td> <td>Member</td> </tr> <tr> <td>4</td> <td>Prof. Nicholas Biekpe</td> <td>Member</td> </tr> <tr> <td>5</td> <td>Mr. Paul Kenbugul Sagnia</td> <td>Member</td> </tr> <tr> <td>6</td> <td>Prof Amina Abubakar</td> <td>Member</td> </tr> <tr> <td>7</td> <td>Patricia Kabuleeta</td> <td>Member</td> </tr> </tbody> </table> <p>The appointment letters of FRACC members did not indicate the agreed honorarium rate per sitting.</p> <p>FRACC has conducted five (5) meetings since its inception. Out of these five (5) meetings, honorarium was paid for four (4) meetings. We noted that the 2nd and 3rd FRACC meetings held on 25 and 26 November 2019 and 19 and 20 March 2020 respectively, were conducted in two (2) sittings per meeting. Therefore, members were paid for each of these meetings.</p> <p>Discussion on honorarium</p> <p>Prof Dakora informed Prof Torto through an email dated 20 August 2019 that all AAS fellows on official business should receive USD 200 per day and that there should be no payment of USD 700 honorarium per sitting to any AAS fellow sitting in the Risk Committee. However, non-AAS fellows sitting in the Risk Committee can continue receiving their usual rate until further notice.</p>								#	Member	Position	1	Mr. Frederick Murunga	Chairperson	2	Memory Nguwi	Member	3	Dr. Boitumelo Veronica Kgarebe	Member	4	Prof. Nicholas Biekpe	Member	5	Mr. Paul Kenbugul Sagnia	Member	6	Prof Amina Abubakar	Member	7	Patricia Kabuleeta	Member
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5	Mr. Paul Kenbugul Sagnia	Member																													
6	Prof Amina Abubakar	Member																													
7	Patricia Kabuleeta	Member																													

Area of review	Summary of Findings												
	<p>Further, in that email, Prof Dakora informed Prof Torto that all increments to financial remunerations of any AAS staff must pass through the GC first, and preferably should pass through him first, before being presented to the GC.</p> <p>As per an email conversation between Ms Kuto and Prof Torto dated 16 December 2019, we noted that the GC had met and discussed honorarium payments. In that email, Ms Kuto indicated that the GC deliberated on the following;</p> <ul style="list-style-type: none"> • The honorarium rate shall be applied on a daily basis; • The rate for FRACC members shall not be affected; • Ms Kgarebe’s honoraria should be backdated; • Number of meetings for each group should not exceed four- to avoid it looking as though meetings are being extended just to increase one's income <p>Further, she suggested that while the AAS treasurer’s honoraria was less than that of the members of FRACC, her pay should be equalized since she offered the same value as the rest of the members. Prof Torto replied to Ms Kuto’s email (above) where he agreed with her assertions. He indicated that he did not understand why the Ex-officio rate should be applied and yet the treasurer spends the same amount of time as everyone else and misses her activities because of the meetings.</p> <p>We reviewed minutes of the 39th GC meeting held on 13 – 14 December 2019 and noted that the GC had resolved that the honorarium rate shall be USD 200 per meeting except for members of FRACC whose daily rate shall remain unchanged during their tenure. Further, it was also agreed that the honorarium rate shall not be varied on the basis of one being a Fellow or an ex-officio member. As at the time of this report, the minutes of the 39th GC meeting had not been approved or confirmed.</p> <p>From the review of the FRACC minutes, we noted that all members except Prof Nicholas Biekpe and Prof Amina Abubakar attended all the five (5) meetings. As per the bank statements we established that USD 32,040 was paid to FRACC member meetings that were held between 28 August 2019 and May 2020. The table below provides a summary of the amount that was paid to each member:</p> <p>Table 15: Honorarium paid to FRACC Members between May 2019 and June 2020</p> <table border="1"> <thead> <tr> <th>Member</th> <th>Position</th> <th>Status (Fellow / Non fellow)</th> <th>Meetings attended per Minutes</th> <th>Amount Paid (USD)</th> <th>Explanation for the variance</th> </tr> </thead> <tbody> <tr> <td>Frederick Murunga</td> <td>Chairperson</td> <td>Non Fellow</td> <td>5 (1st to 5th)</td> <td>5,700</td> <td>Honorarium was only paid for 4 meetings. However, the 2nd and 3rd FRACC meetings were conducted in two (2)</td> </tr> </tbody> </table>	Member	Position	Status (Fellow / Non fellow)	Meetings attended per Minutes	Amount Paid (USD)	Explanation for the variance	Frederick Murunga	Chairperson	Non Fellow	5 (1 st to 5 th)	5,700	Honorarium was only paid for 4 meetings. However, the 2 nd and 3 rd FRACC meetings were conducted in two (2)
Member	Position	Status (Fellow / Non fellow)	Meetings attended per Minutes	Amount Paid (USD)	Explanation for the variance								
Frederick Murunga	Chairperson	Non Fellow	5 (1 st to 5 th)	5,700	Honorarium was only paid for 4 meetings. However, the 2 nd and 3 rd FRACC meetings were conducted in two (2)								

Area of review		Summary of Findings				
						sittings per meeting. Therefore, Mr Frederick Murunga was paid for each of these meetings. Further, a withholding tax of 5% was levied on his honoraria amounting to USD 300.
	Dr. Boitumelo Veronica Kgarebe	Member	Fellow	5 (1 st to 5 th)	4,400	Honorarium was only paid for 4 meetings. However, the 2 nd and 3 rd FRACC meetings were conducted in two (2) sittings per meeting. Therefore, Dr. Boitumelo Veronica Kgarebe was paid for each of these meetings. Her FRACC honoraria was therefore USD 4,200. While USD 200 was paid together with honoraria for 2 nd FRACC meeting, it was payment for attendance of GC meeting.
	Paul Kenbugul Sagnia	Member	Non Fellow	5 (1 st to 5 th)	4,200	Honorarium was only paid for 4 meetings. However, the 2 nd and 3 rd FRACC meetings were conducted in two (2) sittings per meeting. Therefore, Mr Paul was paid for each of these meetings.
	Memory Nguwi	Member	Non Fellow	5 (1 st to 5 th)	5,600	Honorarium was only paid for 4 meetings. However, the 2 nd and 3 rd FRACC meetings were conducted in two (2) sittings per meeting. Therefore, Ms Nguwi was paid for each of these meetings. Her honoraria for FRACC meetings was therefore USD 4,200. On 26 August and 27 August 2019, she attended induction and Governance & nominations subcommittee (GNC) meetings and she was paid USD 1,400. The two meetings were part of new subcommittee members' orientation to AAS upon her appointment to FRACC.

Area of review		Summary of Findings										
	Prof. Nicholas Biekpe	Member	Fellow	4 (1 st , 2 nd , 4 th and 5 th)	2,635	<p>As per the minutes, Prof Biekpe attended four (4) out of the five (5) FRACC meetings.</p> <p>Out of the four (4) meetings attended, honorarium was not paid for one meeting; being Consultative meeting held on June 2020.</p> <p>During the 1st FRACC meeting held on 28 August 2019, AAS had organized induction meetings for new committee members. Prof Biekpe attended Induction meeting and GNC meeting. This together with FRACC meeting earned him USD 600. However, he was erroneously paid USD 700; hence an overpayment of USD 100.</p> <p>The 2nd FRACC meeting held on 25 and 26 November 2019 was conducted in two (2) sittings. Hence, he was paid twice. His payment for the three meetings was therefore USD 2,600.</p> <p>However, on 4 August 2020, Prof Biekpe voluntarily refunded USD 665 back to AAS; being his honorarium rate for the FRACC virtual meeting held in May 2020. As per email correspondence with Ms Kuto, he cited that he was not comfortable keeping the money.</p>						
	Prof. Amina Abubakar	Member	Treasurer	4 (2 nd – 5 th)	3,905	<p>According to the FRACC minutes, Prof Amina did not attend the first FRACC meeting. Out of the four (4) meetings she attended; honorarium was not paid for one meeting - Consultative meeting held on June 2020.</p> <table border="1" data-bbox="1406 1198 2029 1313"> <thead> <tr> <th>Meeting Attended</th> <th>Amount before tax</th> <th>Amount after tax (5%)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Meeting Attended	Amount before tax	Amount after tax (5%)			
Meeting Attended	Amount before tax	Amount after tax (5%)										

Area of review		Summary of Findings																						
						<table border="1"> <tr> <td>2nd FRACC meeting</td> <td>200</td> <td>No withholding tax levied; hence 200</td> </tr> <tr> <td></td> <td>1800</td> <td>1710</td> </tr> <tr> <td>3rd FRACC meeting</td> <td>1400</td> <td>1,330</td> </tr> <tr> <td>FRACC Virtual meeting</td> <td>700</td> <td>665</td> </tr> <tr> <td>Consultative meeting</td> <td colspan="2">No payment</td> </tr> <tr> <td>Total payment</td> <td colspan="2">3,905</td> </tr> </table> <ul style="list-style-type: none"> • USD 1,910 was made up of:- <ul style="list-style-type: none"> ○ USD 1,400 was for attendance of 2nd FRACC Meeting. USD 200 was paid via petty cash while the USD 1,200 was paid via bank less 5% withholding tax. ○ USD 600 was honoraria paid for attending GC meeting held on 12, 13 and 14 December 2019. Honorarium paid less 5% withholding tax • USD 1,330 and USD 665 was payment for attendance of 3rd FRACC meetings which were conducted in two (2) sittings per meeting and FRACC virtual meeting respectively. Honoraria was paid less 5% withholding tax. 	2 nd FRACC meeting	200	No withholding tax levied; hence 200		1800	1710	3 rd FRACC meeting	1400	1,330	FRACC Virtual meeting	700	665	Consultative meeting	No payment		Total payment	3,905	
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	Patricia Kabuleeta	Member	Non Fellow	5 (1 st to 5 th)	5,600	<p>Honorarium was only paid for 4 meetings. However, the 2nd and 3rd FRACC meetings were conducted in two (2) sittings per meeting. Therefore, Ms Patricia Kabuleeta was for each of these meetings.</p> <p>The balance of USD 1,400 relates to honorarium paid for attending induction and Governance & nominations</p>																		

Area of review	Summary of Findings					
						subcommittee (GNC) meetings on 26 and 27 August 2019 respectively. The two meetings were part of new subcommittee members' orientation to AAS upon his appointment to FRACC.
	Total		700		<u>32,040</u>	
	<p>Based on the above review, we established that the ARC/FRACC members were paid USD 70,175 as honorarium for all the meeting held from January 2015 to June 2020.</p> <p>Recommendation The letters of appointment clearly outlining the allowances should be issued promptly to the members and filed appropriately.</p>					
Endowment Fund	<p>Background The endowment fund was set up in 2001 after AAS received a donation from the government of Nigeria under the leadership of the then President, his Excellency Olusegun Obasanjo.</p> <p>Funds donated by the Government of Nigeria As per the letter dated 22 January 2003 from Prof. G. B A. Okelo, who was the then Secretary General and Acting Executive Director of AAS, (Prof Okelo) to Hon. Prof. Turner T. Isoun, the Minister of Science and Technology in Nigeria (Prof Isoun), Prof Okelo confirmed that AAS had received USD 4,561,795.56 million from the Nigerian Government and the money had been invested in the Bank of Scotland.</p> <p>According to the minutes of the 27th GC meeting held on 16 -17 January 2013, Prof. Ahmadou. L. Ndiaye, the AAS President at the time (Prof Ndiaye), asked for information on the evolution of the endowment fund since the time it was invested. This was because the initial amount was thought to be USD 5 million. However, what was transferred to the Bank of Scotland was USD 4.7 million. Prof Abegaz reported that AAS had USD 4,000 still in the Bank of Scotland.</p> <p>We established that there was conflicting information on how much was donated by the Government of Nigeria. As per the letter dated 22 January 2003 from Prof Okelo to Prof Isoun, AAS had received USD 4,561,795.56 whereas minutes of the 27th GC meeting held on 16 -17 January 2013 indicate that USD 5 million had been received. <i>We were not provided with the Bank of Scotland account statement for the January 2003 and thus could not determine the exact amount that was transferred.</i></p> <p>Funds Transferred from Bank of Scotland to NCBA Bank (formerly NIC Bank) As per the Bank of Scotland bank statement for March 2009, USD 4,731,880.54 less bank charges of USD 162.52 was transferred to AAS NCBA Bank (formerly NIC bank) USD bank account on 11 March 2009 and received on 12 March 2009.</p>					

Area of review	Summary of Findings																																										
	<p>Movement of endowment Fund after transfer to NCBA Bank</p> <p>As per the NCBA USD bank statement, USD 4,548,590 was invested fixed deposit and endowment fund between April 2019 and May 2019. The table below provides a summary:</p> <p>Table 16: Movement of the funds</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Reference</th> <th>Amount (USD)</th> <th>Total (USD)</th> </tr> </thead> <tbody> <tr> <td>11 March 2009</td> <td colspan="2">Amount received from Bank of Scotland</td> <td></td> <td>4,731,880.54</td> </tr> <tr> <td>6 April 2009</td> <td>AAS Endowment</td> <td>Cheque Number 44</td> <td>1,819,436.00</td> <td></td> </tr> <tr> <td>17 April 2009</td> <td>Fixed Deposit</td> <td>FD1-559</td> <td>909,718.00</td> <td></td> </tr> <tr> <td>19 May 2009</td> <td>AAS Endowment</td> <td>Cheque Number 45</td> <td>1,819,436.00</td> <td>4,548,590.00</td> </tr> <tr> <td colspan="4">Variance</td> <td>183,290.54</td> </tr> </tbody> </table> <p>Summary of the funds received from Government of Bank Scotland and amount transferred to NCBA Bank USD Account</p> <p>The table below provides a summary of the funds transferred to Bank of Scotland and the amount received in 2009:</p> <p>Table 17: Variance between fund received from Government of Nigeria and amount transferred to AAS in 2009</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Amount (USD)</th> </tr> </thead> <tbody> <tr> <td>Funds received from the Government of Nigeria and invested in the Bank of Scotland.</td> <td>4,561,795.56</td> </tr> <tr> <td>Funds received by AAS on 12 March 2009</td> <td>4,731,880.54</td> </tr> <tr> <td>Difference</td> <td>170,084.98</td> </tr> <tr> <td>Amount being held by Bank of Scotland as per the statement</td> <td>4,230.93</td> </tr> <tr> <td>Variance</td> <td>174,315.91</td> </tr> </tbody> </table> <p>Interest earned</p> <p><i>We were not provided with the Bank of Scotland account statement for the January 2003 to February 2009 and thus could not determine the total interest earned during the period.</i></p> <p>We reviewed the fixed deposit advices and receipts, bank statements and bank confirmation provided by NCBA Bank, KCB Bank, Bank of Africa, The Cooperative Bank of Kenya and SBM Bank (Formerly Chase Bank Limited) from 2011 to 2020 and established that the fund had earned an interest of KES 223,764,954.18. On the other hand, endowment fund report summary prepared by SMT from 2011 to 2020 indicated that the endowment fund had earned a total interest of KES 287,915,071 as at October 2020.</p>	Date	Details	Reference	Amount (USD)	Total (USD)	11 March 2009	Amount received from Bank of Scotland			4,731,880.54	6 April 2009	AAS Endowment	Cheque Number 44	1,819,436.00		17 April 2009	Fixed Deposit	FD1-559	909,718.00		19 May 2009	AAS Endowment	Cheque Number 45	1,819,436.00	4,548,590.00	Variance				183,290.54	Description	Amount (USD)	Funds received from the Government of Nigeria and invested in the Bank of Scotland.	4,561,795.56	Funds received by AAS on 12 March 2009	4,731,880.54	Difference	170,084.98	Amount being held by Bank of Scotland as per the statement	4,230.93	Variance	174,315.91
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	<p>Based on our recomputation, we noted that there was a variance of KES 64,150,116.82 between the recomputed interest and the interest booked in the system. At the time of this report we had not received fixed advices for the following periods:</p> <p>Table 18: Fixed advices not provided for our review</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Bank</th> </tr> </thead> <tbody> <tr> <td>2011 -2012</td> <td>Co-operative Bank</td> </tr> <tr> <td>2012-2014</td> <td>SBM Bank (Formerly Chase Bank Limited)</td> </tr> <tr> <td>2012-2014</td> <td>Bank of Africa</td> </tr> </tbody> </table> <p>Recognition of interest income From the fixed deposit advices reviewed, we established that apportionment of interest income to the correct financial years was not adhered to as per the table below:</p> <p>Table 19: Apportionment of interest income</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Income as per system KES</th> <th>Income for the year recalculated KES</th> <th>Variance KES</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>9,418,096</td> <td>261,329</td> <td>9,156,767</td> <td>Income for 2014 posted in 2015</td> </tr> <tr> <td>2016</td> <td>18,847,085</td> <td>8,395,168</td> <td>10,451,917</td> <td>Income for 2015 posted in 2016</td> </tr> <tr> <td>2017</td> <td>4,855,904</td> <td>1,270,429</td> <td>3,585,474</td> <td>Income for 2016 posted in 2017</td> </tr> <tr> <td>2018</td> <td>15,234,949</td> <td>7,346,156</td> <td>7,888,793</td> <td>Income for 2017 posted in 2018</td> </tr> <tr> <td>2019</td> <td>11,683,464</td> <td>5,432,743</td> <td>6,250,721</td> <td>Income for 2018 posted in 2019</td> </tr> <tr> <td>2020</td> <td>1,740,628</td> <td>1,321,581</td> <td>419,048</td> <td>Income for 2019 posted in 2020</td> </tr> <tr> <td>Total</td> <td>61,780,126</td> <td>24,027,405</td> <td>37,752,721</td> <td></td> </tr> </tbody> </table> <p>There were two (2) instances where the interest income was posted at gross, though the impact was minimal. This could result in overstatement of income if the entries are accumulated over a period of time.</p> <p>Utilization of interest earned We were not able to determine how the endowment interest income was spent since all the expenditure was posted against the total income. All operational and capital expenses are paid from a central point, the bank and are not allocated to the endowment interest.</p> <p>We reviewed the endowment fund report summary prepared by SMT from 2011 to 2019 and established that KES 223,813,290 was spent on the AAS CORE expenses</p> <p>Withdrawal from the endowment fund</p>	Period	Bank	2011 -2012	Co-operative Bank	2012-2014	SBM Bank (Formerly Chase Bank Limited)	2012-2014	Bank of Africa	Year	Income as per system KES	Income for the year recalculated KES	Variance KES	Comments	2015	9,418,096	261,329	9,156,767	Income for 2014 posted in 2015	2016	18,847,085	8,395,168	10,451,917	Income for 2015 posted in 2016	2017	4,855,904	1,270,429	3,585,474	Income for 2016 posted in 2017	2018	15,234,949	7,346,156	7,888,793	Income for 2017 posted in 2018	2019	11,683,464	5,432,743	6,250,721	Income for 2018 posted in 2019	2020	1,740,628	1,321,581	419,048	Income for 2019 posted in 2020	Total	61,780,126	24,027,405	37,752,721	
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Area of review	Summary of Findings
	<p>On 23 June 2006, Margaret Oriaro, Finance In-charge at the time (Ms Oriaro) via email communication, informed Prof Agong, the AAS Executive Director at that time that USD 200,000 was withdrawn from the endowment fund in 2005 to cater for building of the current AAS premises.</p> <p>As per the NCBA USD bank statement USD 155,000 was transferred to the Kenya shillings account between April 2009 and June 2009 to pay for AAS CORE expenses.</p> <p>We reviewed the endowment fund summary report dated 14 October 2020 and noted that between July 2013 and October 2013, KES 8,000,000 was withdrawn from the endowment fund to cover cash flow deficits. Dr. Kariuki informed the GC members during the 28th GC meeting held on 17-18 November 2013 that AAS had borrowed from the endowment fund to offset the deficit the Academy was facing due to NASAC not paying the money that was owed and that had been budgeted for in 2013.</p> <p>In 2018, the GC authorized withdrawal of KES 29,474,047 from the endowment fund as per resolution five (5) of the 35th GC minutes (signed on 14 June 2018). KES 29,474,047 was withdrawn from the endowment fund to pay the principal amount from tax liability to KRA. The total tax liability was KES 44,702,613 comprising of principal KES 29,474,047 and interest and penalties of KES 15,228,566.</p> <p><i>We were not provided with the Bank of Scotland account statement for the January 2003 to February 2009 and thus could not determine the total withdrawals made.</i></p> <p>Conclusion</p> <p>In the absence of bank statements for the period January 2003 to February 2009, we cannot report on the management of the endowment fund with respect to withdrawals made and interest earned during this period. AAS should consider undertaking a comprehensive independent audit of the endowment fund from 2003 to 2020 and have all the transaction related to the Fund subject to an audit. This could be covered as an enhanced scope by AAS's current external auditors.</p> <p>Additionally, since all the expenditure was posted against the total income, we recommend that Finance Team further analyzes the utilization of the endowment fund interest as part of the information availed for the independent external audit.</p>
<p>Overheads charged for AAS projects</p>	<p>Section 4.2.1 of the Cost Recovery policy on cost classification states that:</p> <ul style="list-style-type: none"> • The AAS shall classify costs into 3 broad categories: Direct Costs, Direct Allocable (DA) and Indirect Costs/Overheads. • Indirect costs/Overhead - consists of costs incurred centrally for the benefit of common or joint objectives for the AAS that ultimately benefit all projects. They are not directly related to any single project or activity but are a necessary part of the costs of undertaking the project or activity.

Area of review	Summary of Findings																																										
	<p>From discussions held with Ms Ngugi 85% of overheads are supported by AESA CORE and the other 15% is recovered from grants. From the grant contracts we reviewed some grants apportioned a percentage of their total funding to indirect costs. For example, Wellcome Trust DELTAS apportioned 3% overhead on DELTAS Direct Grant funds.</p> <p>Segregation of duties</p> <p>The AAS currently uses Microsoft Dynamic Serenics, a fully integrated accounting system that covers the finance and human resources operations. We conducted a systems walkthrough of Microsoft Dynamic Serenics to establish if segregation of duties exists when posting expenses to overheads and noted that:</p> <ul style="list-style-type: none"> • Adjusting entries to overhead accounts are not reviewed by an independent member of management since the system that covers finance is purely for the finance team. A staff member who mis-posts and would want to adjust an entry to the right project code can initiate the reversal or request the operation team to do it for them and then the process follows the normal approval procedure. • The system has various fields for separation of duties (with those that have the right to initiate a transaction and those that are approvers) and approval thresholds. The Financial Accountant (FA) can only approve transactions less than \$4,000 and anything above that is approved by the Head of Finance (HOF). • The FA can be granted the HOF rights on the system on acting capacity when the HOF is on leave. This access has to be approved before the rights are granted by the IT team. • We however noted that those with approval rights can initiate and approve their posting. We contacted the vendor (Techno Brain) and they also confirmed this as the case. This poses a high risk to the AAS. <p>The indirect cost recovery increased significantly between 2017 and 2018.</p> <p>Table 20: Indirect Cost Recovery 2017-2020 Comparison</p> <table border="1"> <thead> <tr> <th colspan="6" style="background-color: black; color: white;">Indirect Cost Recovery 2017-2020 Comparison</th> </tr> <tr> <th style="background-color: black; color: white;">Year</th> <th style="background-color: black; color: white;">2017</th> <th style="background-color: black; color: white;">2018</th> <th style="background-color: black; color: white;">Variance</th> <th colspan="2" style="background-color: black; color: white;">%</th> </tr> </thead> <tbody> <tr> <td>Amount (USD)</td> <td>145,219.97</td> <td>454,973.63</td> <td>309,753.66</td> <td colspan="2">213</td> </tr> <tr> <th style="background-color: black; color: white;">Year</th> <th style="background-color: black; color: white;">2018</th> <th style="background-color: black; color: white;">2019</th> <th style="background-color: black; color: white;">Variance</th> <th colspan="2" style="background-color: black; color: white;">%</th> </tr> <tr> <td>Amount (USD)</td> <td>454,973.63</td> <td>807,942.18</td> <td>352,968.55</td> <td colspan="2">78</td> </tr> <tr> <th style="background-color: black; color: white;">Year</th> <th style="background-color: black; color: white;">2019</th> <th style="background-color: black; color: white;">2020</th> <th style="background-color: black; color: white;">Variance</th> <th colspan="2" style="background-color: black; color: white;">%</th> </tr> <tr> <td>Amount USD</td> <td>807,942.18</td> <td>348,608.86</td> <td>(459,333.32)</td> <td colspan="2">(57)</td> </tr> </tbody> </table>	Indirect Cost Recovery 2017-2020 Comparison						Year	2017	2018	Variance	%		Amount (USD)	145,219.97	454,973.63	309,753.66	213		Year	2018	2019	Variance	%		Amount (USD)	454,973.63	807,942.18	352,968.55	78		Year	2019	2020	Variance	%		Amount USD	807,942.18	348,608.86	(459,333.32)	(57)	
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	<p>From our review of the indirect cost recovery ledger, we observed that the indirect cost recovery increased significantly between 2017 and 2018. Ms Ngugi informed us that this was as a result of the following:</p> <ul style="list-style-type: none"> • AAS signed a lot of grant agreements which had indirect cost in 2017 with majority of implementation starting in 2018, • AAS claimed indirect income based on expenses incurred under each grant. • Additional grants disbursed resulted in increased expenditure thus reflecting high recovery. <p>Expenses Funded by Indirect cost (Overhead)</p> <p>Table 21: Expenses funded by indirect cost</p> <table border="1"> <thead> <tr> <th colspan="5">Total expenses Funded by Indirect cost (overhead)</th> </tr> <tr> <th>Year</th> <th>2017</th> <th>2018</th> <th>Variance</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Amount (USD)</td> <td>433,904.69</td> <td>697,038.43</td> <td>263,134</td> <td>61</td> </tr> <tr> <th>Year</th> <th>2018</th> <th>2019</th> <th>Variance</th> <th>%</th> </tr> <tr> <td>Amount (USD)</td> <td>697,038.43</td> <td>1,354,861.43</td> <td>657,823</td> <td>94</td> </tr> <tr> <th>Year</th> <th>2019</th> <th>2020</th> <th>Variance</th> <th>%</th> </tr> <tr> <td>Amount (USD)</td> <td>1,354,861.43</td> <td>351,381.81</td> <td>(1,003,480)</td> <td>(74)</td> </tr> </tbody> </table> <p>We also noted from our review of the expense ledger that the total expense increased significantly between 2018 and 2019. Ms Ngugi explained that the increase was a result of the following:</p> <ul style="list-style-type: none"> • Increase in programmatic activities meant an increase in expenses due to staff increase. • Demands from support staff equally increased. • Other support costs such as utilities (water, electricity, internet, kitchen supplies etc.) increased. • AAS charge 15% salary of support staff to indirect which means, annual increases also reflect as increases on the expenses. <p>The expenses summarized in the table below increased by more than 100% between 2017 and 2019:</p> <p>Table 22: Indirect/Overhead Expenses that increased by more than 100% between 2017 and 2019</p> <table border="1"> <thead> <tr> <th>Indirect/Overhead Expenses</th> <th>2017 - Amount (USD)</th> <th>2019 - Amount (USD)</th> <th>Variance</th> <th>Percentage increase</th> </tr> </thead> <tbody> <tr> <td>Taxes</td> <td>35,732.24</td> <td>423,249.30</td> <td>387,517.06</td> <td>1085%</td> </tr> <tr> <td>Policy and Grant Subawards</td> <td>1,000.00</td> <td>10,000.00</td> <td>9,000.00</td> <td>900%</td> </tr> <tr> <td>Operational Travel</td> <td>22,470.58</td> <td>78,504.91</td> <td>56,034.33</td> <td>249%</td> </tr> </tbody> </table>	Total expenses Funded by Indirect cost (overhead)					Year	2017	2018	Variance	%	Amount (USD)	433,904.69	697,038.43	263,134	61	Year	2018	2019	Variance	%	Amount (USD)	697,038.43	1,354,861.43	657,823	94	Year	2019	2020	Variance	%	Amount (USD)	1,354,861.43	351,381.81	(1,003,480)	(74)	Indirect/Overhead Expenses	2017 - Amount (USD)	2019 - Amount (USD)	Variance	Percentage increase	Taxes	35,732.24	423,249.30	387,517.06	1085%	Policy and Grant Subawards	1,000.00	10,000.00	9,000.00	900%	Operational Travel	22,470.58	78,504.91	56,034.33	249%
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	Property, Plant and Equipment	25,577.99	83,571.51	57,993.52	227%								
	Vehicle Maintenance and Insurance	4,913.11	12,122.04	7,208.93	147%								
	Losses/Gains	-4,660.91	-11,415.15	-6,754.24	145%								
	Personnel	157,289.86	381,383.93	224,094.07	142%								
	Professional Services	51,003.64	105,714.52	54,710.88	107%								
	Financial Expenses	11,190.75	22,472.83	11,282.08	101%								
	<p>Recommendations</p> <p>There should be strict maker-checker controls on the Microsoft Dynamic Serenics.</p> <p>Additionally, the GC should familiarize themselves with the approved Cost Recovery Policy and make any further recommendations where necessary.</p>												
Annual budgets	<p>From our review of the budgets, we noted that the budgeted income increased from USD 8,616,052 in 2017 to 47,423,071 in 2020, an increase of 450% over the four-year period. The highest increase in expenditure was on expense lines supplies and service costs (increased by 22620%) and staff travel which increased by (13454%).</p> <p>Section 4.3 of the Finance Policy and Procedures manual requires that two(2) budgets that is, <i>a core budget which is to be funded by endowment income and other income and the programmes budget which is funded by grants</i> are prepared. We observed that this requirement was adhered to from our review. The budgets had been presented to SMT, FRACC and GC for final approval.</p> <p>2016 Budget</p> <p>We reviewed the 2016 budgets and noted that there was a variance between the budget presented in the annexures of the 32nd GC meeting and the budget comparison against the 2017 budget in the report to the GC in the 34th GC minutes as shown the table below. At the time of reporting we had not received explanation for the variance:</p> <p>Table 23: Variance between budget present in the 32nd GC meeting and 34th GC meeting</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Amount USD</th> </tr> </thead> <tbody> <tr> <td>2016 budget as per 32nd GC meeting annexure</td> <td>4,917,598</td> </tr> <tr> <td>2016 budget as per 34th GC meeting annexure</td> <td>5,578,137</td> </tr> <tr> <td>Variance</td> <td>(660,539)</td> </tr> </tbody> </table> <p>2018 Budget</p>					Description	Amount USD	2016 budget as per 32 nd GC meeting annexure	4,917,598	2016 budget as per 34 th GC meeting annexure	5,578,137	Variance	(660,539)
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Area of review	Summary of Findings																																				
	<p>We also established the following expenses did not have a specific system code in the approved AESA Core Budget of 2018 and the approved AAS Core budget of 2019. Management comments had not been provided as at the time of the report on how the below funds had been expensed.</p> <p>Table 24: Expenses without a specific system code in the approved AESA Core Budget of 2017</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Budget Category</th> <th>Core Account</th> <th>Amount USD</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>President's office</td> <td>Indirect Costs</td> <td>10,000</td> </tr> <tr> <td>2019</td> <td>Diversity</td> <td>Supplies and services</td> <td>25,000</td> </tr> <tr> <td>2019</td> <td>President's office</td> <td>Indirect Costs</td> <td>20,000</td> </tr> </tbody> </table> <p>2019 Budget</p> <p>There were expenses that had been overspent and underspent in 2019. Management had provided explanations for the variances as detailed in Section 3.9.3 of this report.</p> <p>There were variances noted from the comparison between the 2019 actual vs budget report with the actual expenditure as per the audited financial statements as at 31 December 2019 as shown in the table below:</p> <p>Table 25: Comparison between the 2019 actual vs budget report with the actual expenditure</p> <table border="1"> <thead> <tr> <th>Budget Category</th> <th>Actual 2019 USD</th> <th>Expenses as per AFS USD</th> <th>Variance USD</th> </tr> </thead> <tbody> <tr> <td>Personnel costs</td> <td>3,404,893.55</td> <td>3,386,285.99</td> <td>18,607.56</td> </tr> <tr> <td>Financial costs</td> <td>381,964.51</td> <td>355,894.00</td> <td>26,070.51</td> </tr> <tr> <td>Indirect costs</td> <td>775,508.32</td> <td>935,491.00</td> <td>-159,982.68</td> </tr> </tbody> </table> <p>2020 Budget</p> <p>There was no evidence that the 2020 budget was presented to the SMT but there was an update on the meeting held on the 22 January 2020 that the 2020 budget had been approved by the GC, however the 39th GC minutes had not been signed thus it was not possible to ascertain the approval of the 2020 budget.</p> <p>We noted from the review of the 2020 that the budget had been based on the 2019 budget. We compared the actual expenditure in 2019 from the budget vs actual report with the budget in 2020 and noted areas where there were variances. The table below shows the detailed comparison of the 2020 budget and the 2019 actual expenditure:</p> <p>Table 26: Comparison of the 2020 budget and the 2019 actual expenditure</p> <table border="1"> <thead> <tr> <th>Budget Category</th> <th>Budget 2020</th> <th>Actual 2019</th> <th>Variance</th> </tr> </thead> </table>	Year	Budget Category	Core Account	Amount USD	2018	President's office	Indirect Costs	10,000	2019	Diversity	Supplies and services	25,000	2019	President's office	Indirect Costs	20,000	Budget Category	Actual 2019 USD	Expenses as per AFS USD	Variance USD	Personnel costs	3,404,893.55	3,386,285.99	18,607.56	Financial costs	381,964.51	355,894.00	26,070.51	Indirect costs	775,508.32	935,491.00	-159,982.68	Budget Category	Budget 2020	Actual 2019	Variance
Year	Budget Category	Core Account	Amount USD																																		
2018	President's office	Indirect Costs	10,000																																		
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Budget Category	Budget 2020	Actual 2019	Variance																																		

Area of review	Summary of Findings			
	Personnel Costs	4,996,720	3,404,894	1,591,826
	Capital Costs	390,150	69,248	320,902
	Land Building Maintenance Costs	167,429	27,555	139,874
	Communications, IT & Vehicle, Equipment Maintenance	411,532	213,800	197,732
	Supplies and Services Costs	413,366	262,538	150,828
	Professional Services Costs	2,407,316	1,251,415	1,155,901
	Financial Costs	30,600	381,965	-351,365
	Staff Travel	740,572	604,901	135,671
	Indirect Costs	1,909,942	775,508	1,134,434
	Governance Costs	154,320	119,661	34,659
	Conferences and Workshops Costs	4,087,965	2,029,790	2,058,175
	Grant Awards/Policy and Advocacy	31,713,160	27,231,456	4,481,704
	Total	47,423,072	36,372,730	11,050,342
	<p>In a letter dated 16 January 2020, Prof Dakora expressed his concerns about the 2020 budget and requested for clarifications on the following:</p> <ul style="list-style-type: none"> • Staff salaries-progression of staff salaries from 2017-2019 • Clarification on allocation of the Executive Directors Salary • Progression in growth of the AAS budget • 4% salary increase requested in the 2020 budget whether it across the board for both categories earning in Dollars and Kenyan Shillings and the reasons for the increase • Bloated travel budget of 0.7million USD –breakdown of travel costs for senior management • Request for Refurbishment of building(s) in the 2020 budget: a breakdown of cost, as well as justification and source of the funds • Appointment of new staff in the 2020 budget: whether internal skills assessment was done . <p>Responses to the queries raised were provided by management on 28 January 2020. Refer to Section 3.9.4 for details.</p> <p>Recommendations</p> <p>We recommend that:</p> <ol style="list-style-type: none"> i. The annual budgets should be thoroughly scrutinized by FRACC and GC before they are finally approved. ii. All expenditure line items under the budgets should be linked to a particular expense code in the Microsoft Navision system to avoid unusual expenses being included in the budgets. iii. AAS ensures that financial reports comparing the actual expenditure against budget are prepared for every period to aid in tracking expenditure especially as per grants requirements. 			

Area of review	Summary of Findings
Internal and external auditors' reports	<p>Internal audit reports</p> <ol style="list-style-type: none"> i. AAS has outsourced the internal audit function to KPMG. As at the time of this report, eight (8) internal audits had been done from February 2017 to March 2020. The reviews covered the following areas: governance, grants management, monitoring and evaluation, resource mobilization, communication, finance, procurement, human resource and IT. ii. The Finance Policy and operations manual is silent on the frequency of the internal audit reviews. iii. There was consistency in the issues being reported and the implementation of the issues noted however there were issues that were due for implementation as of June 2020. The June 2020 internal audit report was not provided for review. iv. As at January 2020 (as per the Internal audit report for March 2020) 77% of the issues raised in the previous reports had been fully implemented, 13% partially implemented, 7% were overdue and 3% were not due for follow up. v. The Internal audit reports were discussed in the GC meetings as required by the Finance Policy and operations manual. <p>External audit reports</p> <ol style="list-style-type: none"> i. Ernst & Young LLP, the external auditors, signed off the audited financial statements as at 31 December 2019 on 30 June 2020. They issued an unmodified opinion. ii. There were variances noted between the system trial balance and the audited financial statements for foreign exchange losses, taxes, other income, deferred income and retained iii. We also noted that tax payable to KRA was not maintained in the accounting system. <p>In 2019 , Interest amounting to USD 339,570 had been received in the AAS current account as per the bank statement and was later moved to the endowment account on 2 January 2020. The amount was adjusted in the financial statements for financial presentation purposes and not in the accounting system resulting in variances between the cash and cash equivalents and endowment fund as per the AFS and the system trial balance.</p> <p>The following issues were recurring in the management letters from 2014-2019</p> <ul style="list-style-type: none"> • Lack of a tax exemption certificate • Failure to follow up on change of bank signatories • Lack of well-designed financial statement close procedures • Inadequate data centre controls. • Weakness in back up process

Area of review	Summary of Findings
<p>Management of the project funds</p>	<p>We reviewed 25 grant policies and contracts to determine the rules put in place for managing the project funds. This guided us while reviewing the expense reports to determine if the AAS adhered to the policies. We also reviewed the Finance Policy and Procedures manual and procurement guidelines and procedures manual to determine if the approval process adhered to the authorization matrix provided.</p> <p>We noted that for 37 transactions reviewed from a total of 610, approvals were done but not as per the approval matrix in the Finance Policy and Procedures manual which states that procurement of goods and services above \$10,001 must be approved by the Executive Director (ED). These transactions amounted to \$1,585,877.09.</p> <p>Ms Ngigi informed us that they have been using the procurement guidelines and procedures manual threshold as the basis for approval which states that procurement of good and services between \$10,001 and \$100,000 can either be approved by Head of Finance & Grants (HOFG), ED or the Director of Programmes. We however noted that the procurement manual section 5.15.1 on procurement approval directs users to <i>‘refer to the finance manual on authorization matrix for more details’</i>.</p> <p>Recommendation</p> <p>AAS should align the Finance Policy and Procedures Manual with the AAS Procurement Guidelines and Procedures Manual so that only one set of approval matrix threshold is in use.</p>
<p>Kevin Marsh Donation</p>	<p>According to an article titled <i>‘Inaugural Al-Sumait Prize winner donates entire one million dollar prize to African Science Development’</i> that was published on Al-Sumait website on 24 October 2017, Kevin Marsh, a fellow of the AAS, (Dr Marsh), the recipient of the 2015 Al-Sumait Health Prize for African Development, was awarded one million dollars prize money at a ceremony at the African Arab Summit in November 2016. Dr Marsh donated part of the amount to the African Academy of Sciences Young Affiliates Program.</p> <p>We established from the NIC Bank USD statement that USD 399,990 (USD 400,000 less transfer charges of USD 10) was received on 15 November 2016 directly from Al-Sumait.</p> <p>From our discussion with Dr Marsh, he indicated that he donated USD 400,000 to AAS. The fund was to help the AAS Affiliates Programme which had no particular donor at the time.</p> <p>We established that there was conflicting information on how much was received from Dr Marsh. As per a letter dated 11 July 2020 from Dr Kariuki, Judy Omumbo, FAAS – Senior Programme Manager (Ms Omumbo) and Dr Marsh to all AAS Fellows, it was indicated that USD 500,000 was received from Dr Marsh whereas the bank statement from NIC bank as at September 2016 showed USD 399,990 (USD 400,000 less USD 10 transfer charges) was received on 15 November 2016.</p>

Area of review	Summary of Findings																		
	<p>KMEF expenditure</p> <p>We noted that there was no formal agreement between Dr Marsh and AAS detailing how the donation was to be spent. However there was a letter issued by Dr Marsh providing guidelines on use of the fund . The signed version of the letter was not provided for review as at the time of the report. As at 31st August 2020, the expenses incurred amounted to USD 69,222.09. The table below shows the breakdown of the expenses per year:</p> <p>Table 27: KMEF Expenditure</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Description</th> <th>Amount (USD)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>Personnel cost</td> <td>32,555.42</td> </tr> <tr> <td>2018</td> <td>Other administrative and operating expenses</td> <td>16,235.93</td> </tr> <tr> <td>2019</td> <td>Other administrative and operating expenses</td> <td>11,031.54</td> </tr> <tr> <td>2020</td> <td>Other administrative and operating expenses</td> <td>9,389.20</td> </tr> <tr> <td></td> <td>Total expenses</td> <td>69,222.09</td> </tr> </tbody> </table> <p>In FY 2018, there was expenditure incurred amounting USD 48,791.35 for the KMEF. However the 2018 budget presented to SMT,FRACC and GC for approval did not have KMEF as a separate grant given.</p> <p>In FY 2019 the budget had allocated USD 80,178 towards personnel costs however, USD 11,031.54 was spent on other operational expenses such as travel, telephone, and conference. There was no evidence that approvals were done to reallocate the KMEF expenditure incurred that was not in line with the approved budget 2019.</p> <p>In FY 2020 the allocated budget was USD 134,158 and as at 30 June 2020 USD 9,389.20 had been spent.</p> <p>As at the time of reporting, we had not been provided with supporting documents for expenses amounting to USD 13,268.44.</p> <p>Interest earned</p> <p>We held discussions with Dr Marsh on 6 November 2020 with the objective of understanding the intended purpose of the donation. Dr Marsh stated that there was an informal agreement between AAS and himself that part of the KMEF will be invested in short term call deposits.</p> <p>From our review of the NCBA call deposit advices and bank statements, we established that interest of USD 34,356.50 had been earned as the fund had been invested in short term call deposits with NCBA bank.</p>	Year	Description	Amount (USD)	2018	Personnel cost	32,555.42	2018	Other administrative and operating expenses	16,235.93	2019	Other administrative and operating expenses	11,031.54	2020	Other administrative and operating expenses	9,389.20		Total expenses	69,222.09
Year	Description	Amount (USD)																	
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2020	Other administrative and operating expenses	9,389.20																	
	Total expenses	69,222.09																	

Area of review	Summary of Findings																
	<p>Expected Fund Balance Based on our review, we established that as at 31 June 2020, the balance of funds from the donation was USD 365,124.41. The table below provides a summary of the fund:</p> <p>Table 28: Expected Fund Balance</p> <table border="1"> <thead> <tr> <th style="background-color: black; color: white;">Description</th> <th style="background-color: black; color: white;">Amount (USD)</th> </tr> </thead> <tbody> <tr> <td>Donation received on 15 November 2016 less bank charges</td> <td style="text-align: right;">399,990.00</td> </tr> <tr> <td>Interest earned</td> <td style="text-align: right;">34,356.50</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">434,346.50</td> </tr> <tr> <td>Expenditure incurred between 2018 and 2020</td> <td style="text-align: right;">69,222.09</td> </tr> <tr> <td>Expected Fund balance</td> <td style="text-align: right;">365,124.41</td> </tr> <tr> <td>Fund balance as per fund report</td> <td style="text-align: right;">365,542.37</td> </tr> <tr> <td>Unreconciled variance</td> <td style="text-align: right;">(407.96)</td> </tr> </tbody> </table>	Description	Amount (USD)	Donation received on 15 November 2016 less bank charges	399,990.00	Interest earned	34,356.50	Total	434,346.50	Expenditure incurred between 2018 and 2020	69,222.09	Expected Fund balance	365,124.41	Fund balance as per fund report	365,542.37	Unreconciled variance	(407.96)
Description	Amount (USD)																
Donation received on 15 November 2016 less bank charges	399,990.00																
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Total	434,346.50																
Expenditure incurred between 2018 and 2020	69,222.09																
Expected Fund balance	365,124.41																
Fund balance as per fund report	365,542.37																
Unreconciled variance	(407.96)																

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Abbreviations

Abbreviation	Detail
AAS	The African Academy of Sciences
AAS CORE	The African Academy of Sciences Capital and Operating Requirements
AFIDEP	African Institute for Development Policy
ARC	Audit and Risk Committee
BMGF	Bill & Melinda Gates Foundation
CC	Carnegie Corporation of New York
CR4D	Climate Research for Development
DFID	The Department for International Development
ED	Executive Director
FRACC	Finance, Risk, Audit and Compliance Committee
GC	Governing Council
GL	General Ledger
HOFG	Head of Finance and Grants
IKEA	IKEA Foundation
JV	Journal Voucher
KM	Kevin Marsh
KMEF	Kevin Marsh Excellence Fund
MRC	Medical Research Council
NIH	The U.S. National Institutes of Health
PST	Personal Storage Table
RS	Royal Society
SIDA	The Swedish International Development Cooperation Agency
SMT	Senior Management Team
S & T	Subsistence and Travel
TA	Travel Authorization
UN	United Nations
UNECA	United Nation Economic Commission for Africa
WT	Wellcome Trust

Annexures

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1 Introduction

1.1. Subject of Forensic review report

This report contains the findings of a forensic audit aimed at identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020.

1.2. Background to the Forensic review report

This report has been prepared as the deliverable to the Governing Council (GC) of the African Academy of Sciences (AAS) arising from the contract dated 28 September 2020. The report is intended solely for use by the Governing Council.

1.3. Objectives of the Forensic review report

The objectives of the report are therefore to:

- Outline our findings following a forensic audit aimed at identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020;
- Conclude on the pertinent issues found and highlight their impact; and
- Make relevant recommendations to the GC with regards to our findings.

1.4. Presentation of the Forensic review report

The report is presented in four (4) separate sections. These are highlighted below:

- Introduction;
- The Fraud Investigation;
- Findings from The Forensic Investigation; and
- Appendices and Annexures.

1.5. Scope and Limitations of the Forensic review

1.5.1. Scope of the Forensic review

The AAS engaged Deloitte to review financial records and relevant documentation with the objective of identifying any instances of fraud or other financial misconduct over the course of the past 10 years i.e. from 2010-2020. The scope entailed review of the following areas (these are summarized below verbatim as requested in the terms of reference):

- i. Salary increases (in particular increases of Senior Managers, Shilling dominated versus dollar dominated and percentage of increases)
- ii. 13th cheque (Who approved it? Where do the funds come from? How is it paid?)
- iii. Education allowances of staff dependants, are the rules applied?
- iv. Subsistence and Travel (S&T) who does the approval? Are these consistent with international practices? Are there funds involved for travels?
- v. FRACC- Finance, Risk, Audit and Compliance Committee's sitting allowances
- vi. Endowment Fund -Interest earned and what it is was used for?
- vii. Overheads charged for AAS projects- how are these funds used?

- viii. Annual budgets -clarity in presentation, transparent breakdowns. Review of the expenditures versus approved budget.
- ix. Staff airline travel classes -business and economy- what is authorized for different job groups of staff, as per the travel policy?
- x. The appointment letter of the ED does not mention Housing Allowance as one of the benefits, but the Salary & Benefits Schedule used by the Secretariat, indicates a monthly housing allowance of US\$1496, since 2018. How was it implemented and who approved it? All other staff also received this allowance since 2018, is this in their letters of appointment?
- xi. Is there a Financial Policy (rules) in place and to what extent is it followed-is there compliance? Please check if the Secretariat has in place different policies for various operations, and if these are being followed?
- xii. Leave approval – annual and special, who does the approval? Are there financial implications?
- xiii. Examine internal and external auditors’ reports- check for variance and inconsistencies
- xiv. Does the overall management of the funds from the Funding Partners adhere to their spending rules?
- xv. How was the Donation of US\$500,000 of Kevin Marsh invested, if not invested, how was it utilised?

1.5.2. Limitations of Scope

During the performance of the forensic investigation, we experienced the following limitations that hindered our ability to achieve all the requirements of the scope of work. The table below provides a summary of the documents that were not availed for our review:

Table 29: Documents not availed for our review

Section	Limitation of scope
Sitting Allowance for ARC/FRACC	<ul style="list-style-type: none"> • Appointment letters and or renewal letters for members of ARC upon expiration of their term and for the period between January 2017 and May 2019. • Approved rate for the members
S & T	<ul style="list-style-type: none"> • Supporting documents for expenses amounting to USD 519.98.
Endowment Fund	<ul style="list-style-type: none"> • Endowment fund ledgers from 2010 to 2014 • Endowment fund fixed deposit advices from 2010 to part of 2014
Annual Budgets	<ul style="list-style-type: none"> • Approved budgets from 2010 to 2015 • Budget vs actual expenditure reports from 2010 to 2017
Internal and External Auditor’s reports	<ul style="list-style-type: none"> • System trial balance from 2010 to 2015 • Management letters from 2010 to 2013 • Internal audit reports from 2010 to 2016 • Management accounts 2010 to 2016 • Tax workings and computations from 2010 to 2016
Kevin Marsh Donation	<ul style="list-style-type: none"> • Supporting documents for expenses amounting to USD 13,268.44.

1.5.3. Our work did not constitute a statutory audit

Our work constituted a forensic investigation, which involved the acquisition and examination of information through interviews conducted with management and staff of The AAS as well as the review and analysis of documentation and other records made available to us. Unless otherwise indicated, such information was not independently verified or audited. The work performed as per

our brief did not constitute a statutory audit and therefore, we do not express an audit opinion in accordance with International Standards of Auditing.

1.5.4. Corroboration of information

In the circumstances where we could not find the relevant corroboration for evidence, you should not rely on our work and our report as being comprehensive as we may not have become aware of all facts or information that you may regard as relevant. Any assumptions made during our forensic review have been set out under the appropriate points of this document and are designed to be prudent and objective.

1.5.5. We do not express a legal opinion

Although the work performed incorporates our understanding of the law as it stands, we do not express a legal opinion on any issue, but merely state the facts as they have come to our attention. Our discussion of the relevant laws is intended solely to serve as a backdrop for the discussion and application of the relevant facts of the matter. It should be noted that where we do not comment on matters of law. Any interpretation should be referred to your legal advisors. We also do not comment on the innocence or guilt of any person, but merely report on the facts at our disposal. It is the domain of the respective adjudicating body to pronounce upon the guilt or innocence of an individual.

1.5.6. This document should not be distributed to any other party

This report is solely for the purpose set out above and for the information of AAS. We do not accept any responsibility to third parties for breaches of this obligation or for any opinion expressed or action taken as a result of the information included in this document.

2 The Forensic Review

2.1. The Forensic Review Methodology

We utilized our fraud investigation methodology as required to fulfil the assignment’s objectives. These are described below:

2.1.1. Interviews Conducted

We conducted interviews and held discussions with relevant staff at The AAS during the course of the forensic investigation and have listed these individuals in the table below:

Table 30: Interviews Conducted and Discussions Held

Name	Designation	Reference in the report
Anthony Thuku	Grants Accountant	Mr Thuku
Christine Kuto	Head of Legal and Compliance	Ms Kuto
Hannah Ngugi	Head of Finance and Grants	Ms Ngugi
Fred Otiwu	Accountant	Mr Otiwu
Kevin Marsh	Senior Advisor	Dr Marsh
Rosemary Akinyi	Head of Human Resources and Operations	Ms Akinyi
Kedest Tesfagiorgis	Deputy Director, Global Partnerships & Grand Challenges, Bill & Melinda Gates Foundation	<i>*Not referenced in the report</i>
Dr. Elmar Vinh-Thomas	Director of Assurance and Enterprise Risk Management, Bill & Melinda Gates Foundation	<i>*Not referenced in the report</i>
Simon Kay	Head of International Operations, Wellcome Trust	<i>*Not referenced in the report</i>
Eunice Muthengi	Ag. Head - East Africa Research Hub, Research and Evidence Division (RED), Department for International Development (DFID)	<i>*Not referenced in the report</i>

**We contacted the Partners’ Group members (namely; Kedest Tesfagiorgis, Dr. Elmar Vinh-Thomas, Simon Kay, Eunice Muthengi) to obtain the PG minutes for the meetings held in January 2018 and January 2019.*

2.1.2. Documentation Reviewed

During the course of our procedures, we reviewed documentation relevant to the fraud investigation inclusive of the following:

Table 31: List of Documentation and Information reviewed

Documents
Policies and procedures – Finance, Grants, Human Resources, Subsistence & Travel, Investment, Endowment
Employment contracts for senior managers and sampled staff
Salary review letters from 2018 to 2020 to establish the revised salary for SMT
Payroll schedules from 2017 to 2020
Bank statements from 2017 to 2020
Request for quotation (RFQ) for job grading and structure review
Leave tracker, leave applications and approvals
Supporting documentation for education allowance
Fixed deposit advices from 2015-2020
Endowment fund summary report from 2012-2020

Documents

Endowment interest ledger from 2015-2020
FRACC and GC Board Pack from 2017-2020
SMT Minutes and annexures from April 2018- June 2020
Budgets from 2017-2020
Budget vs Actual report 2017 and 2019
Trial balance from 2015 to 2016
Audited financial statements from 2010-2019
Management letters from 2014-2019
Internal Audit reports from 2017-2020
Internal audit work plan for 2018/2019 and 2019/2020
Internal audit process flow
Internal audit follow-up data base August 2018, April 2019, July 2019, November 2019 and March 2020
Management accounts from 2017-2019
Kevin Marsh detailed expenditure report and supporting documentation for sampled expenses
Grant Expense reports (2017-2020) and supporting documentation for sampled expenditure
Grant Agreements (2017-2020) for sampled funders
Staff Travel Journal Vouchers
Staff Travel Authorization and Imprest forms
Staff surrender forms
International per diem rates

Where reference is made in the report to any information obtained from the documentation above, a corresponding annexure is provided in the Annexures section of this report.

2.1.3. Discovery and computer imaging

We conducted physical imaging and e-discovery procedures in respect of the following devices in order to access information that would be relevant to the engagement:

Table 32: Devices imaged and analysed during the forensic investigation

Custodian	Image Extraction Date	Device Type /Model	Hard disk model	Laptop/ Mobile serial number	Challenges	Results
Nelson Torto	n/a	iPhone 8	n/a	C8PVPH74JC67	The iPhone was formatted when we took custody, and the user profile was missing. The iPhone file system is protected so that deleting a user profile will lead to a complete loss of user data.	No evidence extracted from the iPhone
Nelson Torto	28/09/2020	Apple MacBook A1466	Samsung	FVHVHOBPJ1WV	The Laptop was not booting up when we took custody of it. On further examination, we suspected that the Hard Drive was likely damaged.	We initiated an advanced recovery on the hard drive to try and salvage any data. We managed to recover only 152 MB of user data in a 500 GB Hard Drive.
Nelson Torto	07/10/2020	O356 Personal Storage Table (PST) Extraction	n/a	n/a	n/a	Successfully parsed and analyzed the PST

3 Findings from the Forensic Review

The proceeding sub-sections detail our findings on the forensic audit for the 10-year period i.e. 2010-2020.

3.1. Salary increases

3.1.1. Background

The GC mandated Deloitte to review the salaries paid to Senior Managers and determine percentage increase of shilling dominated versus dollar dominated for the period under review.

We established who Senior Managers are by reviewing the minutes of the Senior Management Team (SMT) meetings that were provided for our review. According to the minutes of the Senior Management Team (SMT) meeting held on 5 March 2018¹ (1st record of minutes provided), SMT was comprised of the following staff:

Table 33: AAS Senior Managers as at 5 March 2018

Staff	Designation
Nelson Torto	Executive Director
Tom Kariuki	Director of Programmes/ Alliance for Accelerating Excellence in Science in Africa (AESA) Platform
Hannah Ngugi	Head of Finance and Grants
Rosemary Akinyi	Head of Human Resources and Operations

On 26 April 2018², SMT agreed to co-opt the Director Strategy and Partnerships, the Head of Communications and the Legal and Compliance Officer.

For our review, we considered the following staff as Senior Managers:

Table 34: AAS Senior Managers

Staff	Designation
Nelson Torto	Executive Director
Tom Kariuki	Director of Programmes/ AESA Platform
Isayvani Naicker	Director Partnerships & Strategy
Hannah Ngugi	Head of Finance and Grants
Rosemary Akinyi	Head of Human Resources and Operations
Juliette Mutheu - Asego	Head of Communications and Public Relations
Christine Kuto	Head of Legal and Compliance

We reviewed the employment contracts to determine the date of employment, position and remuneration at time of employment. The table below summarizes the date of employment, position and salary specified in the contracts.

Table 35: Date of employment and salary offered

Staff	Date of employment	Position at time of employment	Salary as time of employment
Nelson Torto	14 August 2017	Executive Director	\$ 10,962
Thomas Kariuki	1 March 2015	AESA Director	KES 850,000

¹ Annexure 1 Minutes of the SMT minutes held on 5 March 2018

² Annexure 2 Minutes of the SMT minutes held on 26 April 2018

Staff	Date of employment	Position at time of employment	Salary as time of employment
Isayvani Naicker	1 May 2018	Director Strategy and Partnerships	\$ 8,679
Hannah Ngugi	22 October 2014	Finance and Administration Manager	KES 300,000
Rosemary Akinyi	15 June 2017	Human Resources and Operations Manger	KES 490,029
Juliette Mutheu - Asego	1 May 2018	Head of Communications and Public Relations	KES 511,736
Christine Kuto	1 April 2018	Legal and Compliance Officer	KES 260,351

3.1.2. Salary reviews

In order to determine the percentage increments of salaries, we reviewed:

1. Salary review letters from 2015 to 2020 to establish the revised salary
2. Payroll from 2016 to 2020 to determine whether the computed figures matched with those specified on the review letters
3. KES and USD Bank statements³ from 2010 to 2020 to confirm that the amounts paid matched with the payroll.

In addition, we reviewed the GC minutes to determine whether the salary increments had been approved.

3.1.2.1. Reviewed salaries in 2015

As per the signed resolutions of the 31st GC meeting held on 9 and 10 February 2015⁴, the GC resolved to increase AAS staff salaries following the review that had been done by PWC in 2015.

Findings

Hannah Ngugi, Head of Finance and Grants (Ms Ngugi) was employed on 22 October 2014 as per the appointment letter dated 15 September 2014 that was signed by Prof Berhanu Abegaz, former Executive Director (Prof Abegaz)⁵. Ms Ngugi's position at the time of employment was Finance and Administration Manager with a salary of KES 300,000.

As per the salary review letter dated 27 February 2015⁶ that was signed by Prof Abegaz, Ms Ngugi's salary was adjusted to KES 382,805 translating to 27.6% increment. The letter also indicated the Ms Ngugi's contract was on a 3-year contract renewable upon satisfactory performance effective 1 January 2015.

3.1.2.2. Reviewed salaries in 2016

The GC endorsed the 2016 budget as per resolution 15 of the signed resolutions of the 32nd GC meeting that was held on 29 and 30 October 2015⁷.

As per the 2016 budget⁸ provided for our review, employments costs represented 32.7% of the total budget. The budget indicated that a 5% increase had been factored in the AESA employment costs to cover for inflation changes.

Findings

In 2016, Ms Ngugi received a salary increment of 28% as per the salary review letter signed by Prof Abegaz⁹. This letter was undated, and it indicated that the increment was a result of realignment of job profile. Ms Ngugi's salary was adjusted from KES 382,805 to KES 490,029.

³ Annexure 3 NIC Bank Statements – USD & KES for the period 1 Jan 2010 to 18 September 2020

⁴ Annexure 4 Signed Resolutions of the 31st GC Meeting

⁵ Annexure 5 Appointment letter for Ms Ngugi dated 15 September 2020

⁶ Annexure 6 Salary review letter dated 27 February 2015

⁷ Annexure 7 Resolutions of the 32nd GC Meeting

⁸ Annexure 8 AAS 2016 Budget

⁹ Annexure 9 Salary review letter for Ms Ngugi - 2016

Thomas Kariuki's, AESA Director (Dr Kariuki) salary was not reviewed in 2016.

3.1.2.3. Reviewed salaries in 2017

As per the signed resolutions of the 34th GC meeting that was held on 24 – 25 February 2017¹⁰, Dr Kariuki was appointed to serve as the Interim Executive Director until a substantive director was appointed.

In the same meeting the GC resolved to approve the 2017 budget as per resolution 3. From our review of the 2017 budget¹¹, we noted that the total personnel costs had increased from USD 229,746 in 2016 to 255,857 in 2016. The explanation provided for the difference was that the budget amount for 2017 factored in a 5% salary increase for staff.

Findings

In 2017, Ms Ngugi's and Dr Kariuki's salaries were reviewed by 5% and 6% respectively. The salary review letters that were signed by Dr Kariuki were not dated¹². As per the letters, the increment related to cost of living adjustment.

The table below shows the percentage increase:

Table 36: Reviewed salaries in 2017

Staff	Salary in 2016	Salary in 2017	Percentage increase
Tom Kariuki	KES 850,000	KES 901,838	6%
Hannah Ngugi	KES 490,029	KES 515,820	5.2%

3.1.2.4. Reviewed salaries in 2018

Organization restructuring and job grading exercise

We established that in March 2017, AAS issued a request for quotation (RFQ)¹³ for job grading and structure review. As per the RFQ, the successful bidder was expected to:

- i. Carry out an organization structure review;
- ii. Develop a career path framework; and
- iii. Conduct job evaluation and recommend a salary grading structure for all positions.

AAS contracted Lafayette Resources (Lafayette) to conduct the review and they issued a final report on 16 January 2018¹⁴ with proposed recommendations of the organization and salary structure.

From our review of the signed minutes of the 35th GC meeting that was held on 17 November 2017¹⁵, the GC approved the revised Organizational Functional Structure report and hiring of key positions to be filled for the effective management of human resources.

GC Approval for salary increment

As per resolution three (3) of the approved minutes of the 35th GC meeting that was held on 17 November 2017¹⁶, the GC approved the 10% salary increase proposed in the 2018 budget to offset against the rising cost of living.

Findings

In 2018, the senior managers' salary increments ranged between 29% and 38%.

¹⁰ Annexure 10 Resolutions of the 34th GC Meeting
¹¹ Annexure 11 AAS 2017 Budget
¹² Annexure 12 Salary review letters for Ms Ngugi and Dr Kariuki for 2017
¹³ Annexure 13 RFQ for job grading and structure review
¹⁴ Annexure 14 Organization Structure Review and Job Grading - Final Report
¹⁵ Annexure 15 Minutes of the 35th GC Meeting
¹⁶ Annexure 15 Minutes of the 35th GC Meeting

From our review of the review letters for the senior managers¹⁷, we noted the following:

- i. The review letters communicated change of job grading
- ii. Their salaries were reviewed by more than the 10% that had been approved by the GC. We established that Prof Torto approved¹⁸ the proposed salary adjustments on 16 February 2018 to align with the salary structure following the approval of the revised Organizational Functional Structure report by the GC.
- iii. On 19 February 2018, via email communication¹⁹, Rosemary Akinyi, Head of Human Resources and Operations (Ms Akinyi), shared the standard job grading letter for Prof Torto dated 16 February 2018 with Prof Felix Dakora, AAS President (Prof Dakora) for his signature. Prof Dakora proposed a few edits on the letter and shared with Ms Akinyi on the same day. Prof Dakora's electronic signature was affixed on the letter.

Section 11.4.6 of the AAS constitution²⁰ indicates that the ED's remuneration is determined by the GC. We noted the GC had not approved the 29% salary increment during the 35th GC meeting that was held on 17 November 2017²¹. The table below shows the percentage increase:

Table 37: Reviewed salaries in 2018

Staff	Salary in 2017	Salary in 2018	Percentage increase
Nelson Torto	\$ 10,962	\$14,168	29%
Tom Kariuki	KES 901,838	KES 1,203,148	33%
Hannah Ngugi	KES 515,820	KES 709,626	38%
Rosemary Akinyi	KES 490,029	KES 636,358	30%

3.1.2.5. Reviewed salaries in 2019

The budget for the year 2019 for a total amount of \$44,690,613 was tabled for approval during the 37th GC meeting that was held on 8 and 9 December 2018²² and approved as per resolution six (6) of the minutes. The minutes were confirmed by Prof Dakora and Prof Barthelemy Nyasse, Secretary General on 6 April 2019.

From our review of Report of the Audit, Risk & Compliance (ARC) committee (Document 10) as well as the annexes 10.2, 10.2A & 10.2B²³, we noted that \$ 4,720,116 representing 11% of the budget related to personnel costs. This amount had factored in a 5.6% salary increase for cost of living adjustment to cushion against inflation, which was estimated at an average of 7% as per the Central bank of Kenya statistics.

Findings

From our review of the salary review letters dated 18 January 2019²⁴, we established the following:

- i. In 2019, 6 out of the 7 senior managers received 5.6% salary increase.
- ii. Christine Kuto, Legal and Compliance Officer at the time (Ms Kuto) received 11.5% increase. The justification provided for Ms Kuto's salary increment of 11.5% in the proposed payroll

¹⁷ Annexure 16 Salary review letters - 2018

¹⁸ Annexure 17 Proposed salary adjustments 2018

¹⁹ Annexure 18 Email communication between Ms Akinyi and Prof Dakora on Prof Torto's salary increment and Prof Torto salary review letter dated 16 February 2018

²⁰ Annexure 19 AAS constitution dated 11 April 2018

²¹ Annexure 15 Minutes of the 35th GC Meeting

²² Annexure 20 Minutes of the 37th GC Meeting 8 and 9 held on December 2018

²³ Annexure 21 Report of the Audit, Risk & Compliance (ARC) committee (Document 10) and annexes 10.2, 10.2A & 10.2B

²⁴ Annexure 22 Salary review letters for senior managers - 2019

schedule for 2019 that was approved by Prof Torto on 16 January 2019²⁵, was that the scope of her role and risk exposure for the position was high.

- iii. The salary review letters communicated the salary increment and an 8% housing allowance per month calculated on the basic pay.
- iv. Prof Torto signed Ms Akinyi's salary review letter whereas Ms Akinyi signed all the others including Prof Torto's.

As per the minutes of the 37th GC meeting that was held on 8 and 9 December 2018²⁶, there was no approval specifically for Prof Torto's salary increment of 5.6%. However, we noted that the increment was as per the approved rate by the GC.

The table below shows the percentage increase for each staff:

Table 38: Reviewed salaries in 2019

Staff	Salary in 2018	Salary in 2019	Percentage increase
Nelson Torto	\$14,168	\$ 14,961	5.6%
Isayvani Naicker	\$ 8,679	\$9,161	5.6%
Tom Kariuki	KES 1,203,148	KES 1,270,524	5.6%
Hannah Ngugi	KES 709,626	KES 749,365	5.6%
Rosemary Akinyi	KES 636,358	KES 671,994	5.6%
Juliette Mutheu - Asego	KES 511,736	KES 540,393	5.6%
Christine Kuto	KES 260,351	KES 290,326	11.5%

3.1.2.6. Reviewed salaries in 2020

As per resolution 23 of the minutes²⁷ of the 39th GC meeting held between 13 and 14 December 2019, the GC adopted the proposed budget for year 2020. However, we were not provided with the signed minutes for our review.

According to Annex VII *Budget Note to the minutes of the 39th Meeting*²⁸, FRACC proposed a 4% increase on basis salary for all staff to cater for cost of living adjustment.

Findings

We reviewed the salary review letters for senior managers and noted that:

- i. In 2020, the dollar dominated increments were at 4% whereas the shilling dominated increments ranged from 4% to 76%.
- ii. Prof Torto's, Dr Kariuki's and Isayvani Naicker's, Director Strategy and Partnerships (Dr Naicker) salary review letters dated 20 January 2020²⁹ communicating Financial Year 2020 salary adjustment following AAS GC approval of a 4% cost of living adjustment were signed by Ms Akinyi. As per the minutes of the 39th GC meeting, there was no approval specifically for Prof Torto's salary increment of 4%. However, we noted that the increment was as per the proposed rate by the FRACC.
- iii. Prof Torto signed the salary review letters for Ms Ngugi, Ms Akinyi and Juliet Asego, Head of Communication and Public Relations (Ms Asego) dated 19 May 2020³⁰ communicating salary adjustments of 11.5%, 11.5% and 31.3% respectively. These adjustments were inclusive of the 4% GC approved increment and were backdated to January 2020. However, the amount paid

²⁵ Annexure 23 Approved payroll 2019

²⁶ Annexure 20 Minutes of the 37th GC Meeting 8 and 9 held on December 2018

²⁷ Annexure 24 Minutes of the 39th GC meeting

²⁸ Annexure 25 Annex VII Budget Note to the minutes of the 39th Meeting

²⁹ Annexure 26 Salary review letter dated 20 January 2020 for Prof Torto, Dr Kariuki and Dr Naicker

³⁰ Annexure 27 Salary review letters dated 19 May 2020 for Ms Ngugi, Ms Akinyi and Ms Asego

for the first four months was less the GC approved rate i.e 4% as it had been paid between January 2020 and April 2020 as per the payroll extract. Prof Torto signed their salary review letters dated 19 May 2020, communicating the salary adjustments above the rate approved by the GC.

- iv. Ms Kuto's salary was reviewed by 76.3% following her promotion from Legal Officer to Legal and Compliance Manager. Her review letter was dated 19 May 2020³¹ and signed by Prof Torto. This increment was inclusive of the 4% GC approved increment and was backdated to January 2020. However, the amount paid for the first four months was less the GC approved rate i.e 4% as it had been paid between January 2020 and April 2020 as per the payroll extract.

The table below shows the percentage increase:

Table 39: Reviewed salaries in 2020

Staff	Salary in 2019	Salary in 2020	Percentage increase
Nelson Torto	\$ 14,961	\$ 15,560	4.0%
Isayvani Naicker	\$9,161	\$ 9,528	4.0%
Tom Kariuki	KES 1,270,524	KES 1,321,345	4.0%
Hannah Ngugi	KES 749,365	KES 835,644	11.5%
Rosemary Akinyi	KES 671,994	KES 749,365	11.5%
Juliette Mutheu - Asego	KES 540,393	KES 709,365	31.3%
Christine Kuto	KES 290,326	KES 511,736	76.3%

On 19 February 2020, Ms Ngugi shared a memo dated 8 February 2020, on 2020 salary harmonization and staff reclassification³² with Frederick Murunga, Chair of the Finance Risk, Audit and Compliance Committee (FRACC) (Mr Murunga) and sought for guidance on the next steps. FRACC was requested to note the proposed salary increment following position re-classification to attain parity for the staff listed in the table below:

Table 40: Salary increments following position reclassification

Staff	Justification	Recommendation
Hannah Ngugi	Her docket, roles and responsibilities have significantly expanded (from overseeing budgets of less than \$2M in 2015 to the current >\$40M for the 2019/2020 budget year)	11.5%
Rosemary Akinyi	Her role as envisioned during the hiring has been dynamic and has absorbed other operational responsibilities. Her salary should reflect the changes in roles and responsibilities.	11.5%
Juliette Mutheu - Asego	AAS visibility. In addition, when Juliette was recruited, she accepted a slightly lower pay with the promise that her situation would be reviewed upon her being confirmed to the position	31%
Christine Kuto	The role has strategically expanded, and it is at a much higher level in the organization and therefore the need for reclassification upward both in title and grade.	76%

Mr Murunga shared FRACC's comments³³ on the proposed salary increments and alignments with Prof Torto on 16 March 2020. The observations³³ made by FRACC read as follows:

"It would appear that the justifications for the special salary adjustment include a change in job scope, individual performance, promotion and reward for the attainment of higher qualifications. All the reasons given ordinarily should not be mixed when making decisions about pay.

³¹ Annexure 28 Salary review letter dated 19 May 2020 for Ms Kuto

³² Annexure 29 Email from Ms Ngugi sharing the memo on 2020 salary harmonization and staff reclassification with Mr Murunga

³³ Annexure 30 FRACC's comments on proposed salary increments and alignments and Prof Torto's reply

Four (4) of the 7 salary harmonization recommendations cover people who come to FRACC for presentations to the Committee. How will this be perceived by others who performed very well but were not recognized?

There is no sound justification for the wide variations in increases that are being proposed in this rationalization exercise except in one where there is a movement to a higher grade”

In his response to the observations made by FRACC via email dated 17 March 2020, Prof Torto proposed that the adjustments should be implemented as per the memo. No further communication with FRACC on this matter was availed to us.

On 19 May 2020, Prof Torto approved³⁴ the May 2020 payroll with the above increments for implementation in the same month.

3.2. Staff Benefits

3.2.1. Background

January 2018

As per the minutes AESA Partners’ Group (PG) Meeting held in January 2018³⁵, the PG discussed the new organisational structure following the job grading and structure review that had been conducted by Lafayette Resources in 2017 as well as the benefits package. As part of the preamble to the discussion, it was minuted that the Chair asked the group to note that PG was advisory and while it can provide a strong steer, it cannot approve the structure or the benefits package.

Lafayette recommended that AAS be positioned at the 50th percentile in the job market. Simon Kay, Chair of the Partners’ Group (Mr Kay) proposed that AAS comes up with an alternative option, with a higher position in the market together with the budget implications. This paper should take into account the cost of recruitment and impact on productivity of current rates of turnover. It was also minuted that PWC be contracted to undertake an annual salary survey.

July 2018

Salary and benefits survey

On 11 July 2018, Ms Akinyi shared a memo³⁶ with Prof Torto via email seeking approval to engage PWC to carry out salary and benefits survey with selected comparators. Prof Torto approved³⁷ the engagement on the same day.

As per the report dated 6 November 2018³⁸, PWC noted that AAS was remunerating her staff competitively against the market average in most of the positions and recommended that AAS may consider introducing some additional cash benefits especially for the hard to find skills (include but not limited to: Research Scientists, Communication Specialists, Monitoring & Evaluation Experts, Development Officers, Policy Analysts and Gender Specialists) in order to attract, motivate and retain top talent. The following are the specific allowances that were highlighted in the report:

- i. House allowance
- ii. Transport allowance
- iii. Security allowance
- iv. Telecoms allowance

³⁴ Annexure 31 Approved May 2020 payroll

³⁵ Annexure 32 Minutes of the AESA Partners Group meeting held in January 2018

³⁶ Annexure 33 Memo seeking approval to engage PWC to carry out salary and benefits survey with selected comparators

³⁷ Annexure 34 Approval to engage PWC to carry out salary and benefits survey with selected comparators

³⁸ Annexure 35 Salary and benefits survey report dated 6 November 2018

- v. Other allowances – car, hardship, leave and school fees.

Discussions on HR Benefits

i. SMT

On 11 July 2018 via an email communication,³⁹ Ms Akinyi shared the compensation and benefits paper with Prof Torto, Ms Ngugi and Dr Kariuki. The paper included the following proposed benefits:

- i. The 13th Month Cheque calculated at 75% of employee monthly salary; and
- ii. Housing/Accommodation for Expatriate Staff at 10% of total monthly pay

Ms Akinyi, shared a revised compensation and benefits paper outlining the accommodation proposal for all staff via email⁴⁰ with Prof Torto, Ms Ngugi and Dr Kariuki on 23 July 2018. Two levels had been recommended – 10% for Directors and 8% for other levels below.

In his response to the email, Prof Torto indicated that he assumed that the Executive Director rate was at 12% since it was missing on your list. Ms Akinyi replied that when SMT will undertake to revision of the policy, they would need to agree whether they wanted to segregate benefits as per the different levels.

ii. Partners' Group

The HR benefits paper⁴¹ was presented by Ms Ngugi to the Partners during the meeting that was held on 27 July 2018. We reviewed the paper and noted that it proposed to adopt the salary structure below:

- i. *Monthly Pay at 75% percentile*
- ii. *Performance based 13th Month Cheque at 75%*
- iii. *Housing/Accommodation for Staff as 10%*
- iv. *Pension contribution at 12%*

From our review of the minutes of the PG meeting held on 27 July 2018 and approved in January 2019⁴², it was minuted that the PG was supportive that the salaries should be set at the right level to enable recruitment and retention of high performing staff.

August 2018

Ms Ngugi communicated to Ms Akinyi and Dr Kariuki via email correspondence on 2 August 2018, that the PG had approved the HR Benefits paper⁴³. Dr Kariuki responded by proposing that the benefits could be approved at the SMT level and implemented over time.

According to the minutes of the SMT meeting held on 22 August 2018⁴⁴, the SMT discussed the AAS Benefits review paper and approved the following benefits:

- i. 13th month benefit at 75% to be implemented effective December 2018; and
- ii. Housing accommodation benefit effective January 2019 (ED at 10% and other positions at 8%)

³⁹ Annexure 36 Email communication from Ms Akinyi to Prof Torto sharing the compensation and benefits paper

⁴⁰ Annexure 37 Email communication on the revised compensation and benefits paper from Ms Akinyi dated 23 July 2018

⁴¹ Annexure 38 HR Benefits paper presented by Ms Ngugi during the AESA partners group meeting

⁴² Annexure 39 Minutes of the PG meeting held on 27 July 2018

⁴³ Annexure 40 Email communication from Ms Ngugi to Ms Akinyi and Dr Kariuki on the Approval of Compensation and Benefits Paper by GC dated 2 August 2020

⁴⁴ Annexure 41 Minutes of the SMT meeting held on 22 August 2018

In the same meeting, it was agreed that the benefits review paper shall not be presented in any other forum for adoption, but that the figures shall be factored in the proposed budget.

November 2018

Audit and Risk Committee (ARC) Recommendation

We reviewed the minutes of the 11th ARC meeting that was held on 30 November 2018⁴⁵ and noted that the staff benefits had been discussed under clause 3.6 as indicated below:

“Regarding review of staff benefits, it was reported that the Academy benchmarked with organizations such as ILRI, AGRA, WT Kilifi and ICIPE. From the benchmarking exercise, recommendation was made to introduce 8% - 10% Housing Allowance on basic salary, and a 13th month cheque at 75% of the gross salary.

- c) *Having discussed purpose, percentage and frequency of the 13th cheque, ARC recommended that the benefit be named appropriately since it is not a full month’s salary, is not an incentive for performance, and its percentage may vary each year subject to Management’s discretion.*
- d) *It was also recommended that the introduced benefits should be included in the relevant policy documents after approval by the GC.”*

The ARC approved the proposed budget during the 11th ARC meeting held on 30 November 2018 and recommended the same to the GC for adoption.

December 2018

GC Approval

As per the signed minutes of the 37th meeting of the GC held on 8 and 9 December 2018⁴⁶, there was no record of discussion on the 13th Cheque benefit and house allowance.

However, the GC approved the budget for the year 2019 for a total amount of \$44,690,613 during the same meeting.

From our review of Report of the Audit, Risk & Compliance (ARC) committee (Document 10) as well as the annexes 10.2, 10.2A & 10.2B, \$ 4,720,116 representing 11% of the budget related to personnel costs. The narration provided supporting the figure stated that the budgeted amount included:

- i. 13th month benefit to be paid as a 75% of monthly basic salary in the month of December every year;
- ii. Housing allowance benefit, consistent with the market to staff starting in January 2019 at the rate of 8-10%.

The minutes indicated that: ***Resolution Six: After much deliberation, the GC approved the budget for the year 2019 for a total amount of \$44,690,613.***

As indicated above, the budget included the 13th month benefit and housing allowance benefit.

Communication of benefits to the staff

⁴⁵ Annexure 42 Minutes of the 11th ARC meeting that was held on 30 November 2018

⁴⁶ Annexure 20 Minutes of the 37th GC Meeting held on 8 and 9 December 2018

Prof Torto communicated the benefits to all AAS staff via a memo⁴⁷ date 12 December 2018. The memo read:

“Following the 2018 salary and benefits survey done by PwC, and with the approval from the AAS governing council, the following benefits shall be implemented by management as per the dates indicated.

- 1. Housing accommodation allowance – 8-10% of gross monthly pay (effective January 2019)*
- 2. 13th Cheque payment which is at the discretion of management, this shall be paid out once a year. A rate of 75% has been approved. (Effective December 2018)”*

January 2019

At the PG Meeting of 16 -17 January 2019⁴⁸, the AESA Director gave an update on the benefits package as follows:

Benefit Package Revision

- *Delay of reporting by grantees slows down payments, which factors into the 43% underspent.*
- *Additional benefits, added after benchmarking exercise to stay competitive, factored into budget in 2019 (housing allowance, increase in pension, etc.).*
 - *Housing allowance – discussion on weighing the need to attract and retain staff (standard practice in Kenya, Nairobi is expensive to live, etc.) vs. using the funds to incentivize current staff and/or increase hiring.*
 - *Benefit of a 13th month cheque paid at 75% of the basic salary to all staff. In future the AAS HR department is considering making this a performance-based bonus after it is put in place a good performance management system.*
 - *The 4 components of increases this year will not be sustainable. If giving people this level of increase, it must come with an increase in performance.*
- *Burn rate excludes programmatic funding. Need to ensure that the structure and capacity is enough to grow those programs.*
- *Budget deficit is \$758,911. Need to look at what will need to be cut if additional funds to cover the deficit are not secured. Ideas were proposed to delay pay increases by 6 months and/or take a critical look at new hires. Big risk for this size of organization and need to have a plan in place for how to mitigate*

Action: *AAS to develop contingency plan of what to cut if do not receive additional money to cover the deficit. This was noted by the PG as a strategic risk to AESA and should be reflected in the risk register.*

3.2.2. Findings

3.2.2.1. 13th Cheque Benefit

We reviewed the staff contracts and salary review letters to determine the staff salaries then recomputed the 13th cheque benefit. We established that **\$ 255,795.15** was paid for 13th cheque benefit in December 2018 and December 2019. As per the bank statements⁴⁹ we established that the benefit was paid together with the salary for December 2018 and December 2019. We also made the following observations:

1. Staff who had been employed prior to January 2018 received 13th cheque benefit at 75% of their monthly pay in December 2018 and December 2019; and
2. Staff who were employed in 2018 and 2019 received 13th cheque benefit pro-rated in their respective years of employment.

⁴⁷ Annexure 43 Memo from Prof Torto to All staff on review of benefits 2019 dated 12 December 2018

⁴⁸ Annexure 44 Minutes of the PG meeting held on 16 – 17 January 2019

⁴⁹ Appendix 1 13th Cheque benefit summary

The table below shows the summary of the funders and the allocated amounts:-

Table 41: 13th Cheque paid in 2018 and 2019

Source of Funds	Amount paid in 2018 (\$)	Amount paid in 2019 (\$)
AAS CORE	12,724.16	16,036.28
AFIDEP	-	1,811.15
BMGF	10,557.87	19,138.31
CC	1,990.80	1,649.10
DFID	-	5,780.69
G-BMBF	-	3,455.21
IKEA	-	3,891.99
KM	1,749.46	-
MRC	2,680.03	-
NIH	1,556.65	2,477.85
RS	2,347.89	6,879.30
SIDA	5,959.04	7,118.88
UNECA	-	3,721.10
WT	65,810.74	78,458.65
Total	105,376.64	150,418.51

3.2.2.2. Housing Allowance

From our review of the payroll for 2019 and 2020⁵⁰, bank statements, employments contracts, salary review letters and HR policy we established the following:

- The housing allowance benefit was included in the salary review letters for 2019.
- Prof Torto received housing allowance at 12% of monthly pay in January 2019 and at 10% from February 2019 to June 2020. At the time of this report, we had not been provided with the explanation as to why Prof Torto received housing allowance at 12% of monthly pay in January 2019 yet only 10% had been approved.
- All other staff received 8% of their monthly as housing allowance during the same period.
- The employment contracts for staff who were employed from 2019 include housing allowance as one of the benefits.
- The approved Human Resources Policy and Procedures Manual does not include housing allowance as one of the benefits to staff. However, we noted that AAS is in the process of amending the Policy to include the benefit.

3.3. Education allowances of staff dependants

Section 6.5 of the Human Resources Policy and Procedures Manual⁵¹ states that the reimbursement of education expenses for up to four dependent children under the age of 24 of staff members will be subject to an annual limit determined by the Management on an annual basis.

We noted that education allowance is included in all the staff employment contract⁵². As per the employment contracts, the allowance is up to a maximum of 5% of annual basic pay for your spouse and or legal dependents.

From our discussions with Ms Ngugi, AAS began by reimbursing professional staff only for education expenses in 2015. In 2016, the benefit was extended to all AAS staff.

⁵⁰ Appendix 2 Housing Allowance summary

⁵¹ Annexure 45 Human Resources Policy and Procedures Manual

⁵² Annexure 46 Sampled staff employment contracts

When lodging a claim, staff are required to complete the school fees reimbursement claim form⁵³ and attach all the relevant supporting documentation then forward to HR for processing. The guidelines relating to education allowance are summarized below:

- a. *The staff must show proof of them being the legal guardian of the dependant by birth through a birth certificate or by adoption through adoption papers. For the spouse a marriage certificate or affidavit must be submitted.*
- b. *At the beginning of the school year, eligible staff should give the name of each beneficiary and their school grade for that year, if a school is changed within the year, the staff must obtain proof from the new school to certify the child has joined the school.*
- c. *Dependant or spouse must be enrolled in a recognized pre-school, primary or secondary school, college program.*
- d. *Original receipts must be submitted from the institution for fees paid and for other reimbursable i.e. uniform, building fund, mandatory tuition materials, boarding, transport, examination fees, enrolment/registration fees, or any other mandatory fee, a list of requirement from the school must be attached to the claim.*
- e. *The allowance does not cover short term trainings.*
- f. *The school fees MUST not have been claimed elsewhere.*
- g. *The benefit is annual, and any balance is not transferrable to the following year, for staff joining and leaving within the year, the benefit will be prorated for the time served within the year.*
- h. *This is a taxable benefit and MUST be processed through payroll for Kenyans, the request must be submitted by the 15th of the month for it to be processed during the month's payroll.*

For our review, we considered claims for the period between January 2015 and June 2020. Our sample size for the different periods is as shown in the table below:

Table 42: Education Expenses reviewed

Period	Criteria	Documents reviewed
2015	100% of the claims	<ul style="list-style-type: none"> • Employment contracts • Completed school fees reimbursement claim form and supporting documentation
2016	100% of the claims	<ul style="list-style-type: none"> • Employment contracts • Payroll, • Completed school fees reimbursement claim form and supporting documentation
2017 - 2020	Claims above \$ 100	<ul style="list-style-type: none"> • Employment contracts • Payroll, • Completed school fees reimbursement claim form and supporting documentation • Bank statements

We made the following observations from our review⁵⁴:

- i. Education allowance was capped at 5% of the annual basic pay for all staff
- ii. The reimbursement claims made were for legal dependent children under the age of 24 and spouses. We confirmed the legal dependents by reviewing the birth certificates for children as well as marriage certificates / sworn affidavit for spouses.
- iii. 128 out of 145 claims were adequately supported with original payment receipts, up-to-date statements list of school requirements.

⁵³ Annexure 47 School fees reimbursement claim form

⁵⁴ Appendix 3 Education allowance summary

- iv. There were various claims for reimbursement for school uniform but the list of requirements from the respective schools was missing.
- v. During the review period, Anne Kimari, Former Chief Operating Officer (Ms Kimari) approved⁵⁵ all her claims for reimbursement of education expenses
- vi. The guidelines require that a list of requirement from the school be attached to the claim for other reimbursable i.e. uniform, building fund, mandatory tuition materials, boarding, transport, examination fees, enrolment/registration fees, or any other mandatory fee. We noted that this list was missing for 17 claims.

Prof Torto's education allowance

- i. From various email correspondences⁵⁶ between Prof Torto and Ms Ngugi, Prof Torto requested for an advance to pay for school fees, yet the policy stipulates that education allowance is paid on reimbursement basis.
- ii. We noted that in 2018⁵⁷ his claim was supported by invoices for the various institutions where the legal dependents schooled.

3.4. Annual and Special Leave

Section 7.2 of the Human Resources Policy and Procedures Manual describes the conditions for Annual and Special and approvers as summarized in the table below:-

Table 43: Approvers for annual leave and special leave

Type of leave	Description	Approver
Annual Leave (Section 7.2.2)	<p>Annual leave shall be 21 working days per year (<i>1 January to the last day of December</i>) while the staff member is in full pay status and prorated for staff joining within the financial year.</p> <p>Annual leave may be taken in units of days or half days.</p> <p>Subject to directives issued by the Executive Director, annual leave may be accumulated from year to year. However, not more than 5 working days of such leave may be carried forward beyond the last day of December of any year subject to approval by line manager.</p> <p>Staff members may, in exceptional circumstances, be granted advance annual leave up to a maximum of one week, provided that their service is expected to continue for the period necessary to accrue the leave so advanced.</p>	Supervisor / Line Manager
Special Leave (Section 7.2.9)	<p>Special leave with full or partial pay or without pay may be granted for:</p> <ul style="list-style-type: none"> • Advanced study or research in the interest of AAS; • Cases of extended illness; or • Other important reasons as the Executive Director determines. <p>If the leave is to last more than 14 consecutive days, the conditions of the leave, the status of benefits, and the terms and conditions of the return to work must be in writing between the employee and Executive Director.</p> <p>Should an employee fail to return to work at the expiration of the leave, the employee may be terminated unless other arrangements have been made.</p>	Executive Director

⁵⁵ Annexure 48 Ms Kimari school fees reimbursement claim form and supporting documentation

⁵⁶ Annexure 49 Email correspondences on Prof Torto's education allowance

⁵⁷ Annexure 50 Prof Torto school fees reimbursement claim form and supporting documentation_2018

3.4.1. Leave application and approval process

We held discussions with the Ms Akinyi to understand the process of leave application and approval and noted that:

- i. Leave application was until August 2020⁵⁸ done via email. Staff would email their supervisors and forward the approvals to HR.
- ii. HR maintains a tracker of the leave days taken and the balance of the leave days for each staff

From the email approvals provided for our reviews, we noted in 2018, Prof Torto proceeded on leave without seeking approval from the AAS President⁵⁹. In another instance, Ms Akinyi approved Prof Torto's leave request in December 2018⁶⁰.

3.4.2. Payment for accrued leave

From our review of the 2015 payroll schedule⁶¹ we established that:

- i. In 2015, USD 14,399.86 was paid to 21 staff for accrued leave. The staff received between \$ 11.93 and \$ 1,910.51 as shown in the table below:

Table 44: Staff paid for accrued leave in 2015

Payer Information	Funder Code	Amount (USD)
Berhanu Abegaz Molla	AAS CORE	1,910.51
Thomas Maina Kariuki	AAS CORE	1,890.73
Anne Wairimu Kimari	AAS CORE	1,638.02
Hannah Wangui Ngugi	AAS CORE	851.51
Kennedy Odwuor Ochola	AAS CORE	240.76
Alphonsus Neba	AAS CORE	1,090.02
Benjamin Apraku Gyampoh	AAS CORE	1,090.02
Olivia Atieno Osula	AAS CORE	361.44
Janet Wanjiku Kariuki	AAS CORE	253.44
Lucy Atieno Aketch	AAS CORE	122.34
Joyce Wangui Macharia	AAS CORE	105.85
Millicent Achieng Odhiambo	AAS CORE	11.93
Francis Okello Olalo	AAS CORE	105.85
Gordon Ochieng Naman	AAS CORE	105.85
Deborah Fay Nontokozo Ndhlovu	AAS CORE	742.27
Josephine Wangari Karuri	AAS CORE	1,207.77
Susan Kagwiria Gichoga	AAS CORE	599.12
Isabel Injete Imbuye	AAS CORE	400.49
Evelyn Nungari Gitau	AAS CORE	1,147.38
Angeline Imbagila Yalwala	AAS CORE	464.90
Sammy Otila Osotsi	AAS CORE	59.66
Total		14,399.86

- ii. No payments were made for accrued leave from 2016 onwards.

⁵⁸ Annexure 51 Communication on leave module roll out

⁵⁹ Annexure 52 Leave without approval

⁶⁰ Annexure 53 Prof Torto's leave application and approval

⁶¹ Annexure 54 2015 payroll schedule

3.4.3. Leave Balances

3.4.3.1. As at 31 December 2019

As per the leave tracker⁶² provided by HR, 23 staff had carried forward 159 days from 2019. The accrued leave days range between 1 and 28 days. Four (4) had taken more than the leave days that were entitled to.

We noted that Ms Akinyi sent an email reminder⁶³ to all staff on 14 October 2019 requiring them to utilize all their remaining leave days before the close of year or seek approval from their supervisors to carry them forward to the following year. The table below shows the leave balance as at December 2019.

Table 45: Leave balance as at December 2019

Staff Name	Title	Closing Balance	Approval to carry forward the leave days
Hannah Wangui Ngugi	Head of Finance and Grants	28	No approval
Fredrick Onono Otiwu	Financial Accountant	20	Hannah Ngugi – 14 January 2020
Obed Matundura Ogega	Programme Officer (Post Docs)	10	No approval
Isayvani Naicker	Director, Strategy and Partnerships	10	No approval
Moses Sifuma Alobo	Programme Manager - GCA	8	No approval
Janet Wangui Kariuki	Travel and Logistics Officer	6	Rosemary Akinyi – 6 December 2019
Emma Wangui Ndirangu	Grants Accountant	6	No approval
Lydia Murangi Maina	Finance Officer	6	Fred Otiwu - 6 January 2020
Patrick Nyagisera Atandi	M&E Officer	6	Alphonsus Neba – 17 December 2019
Eva Kiragu	Programme Officer - FLAIR	6	No approval
Winfred Wayua Muasa	Programme Assistant - GGC	6	No approval
Shylee Nyaguthii Mbuchucha	Communications Officer - Media	6	Juliet Mutheu Asego – 8 January 2020
Lucy Aketch	Administrative Assistant	5	No approval
Alphonsus Neba	Deputy Director, Programmes	5	No approval
Anthony Muriuki Thuku	Grants Accountant	5	No approval
Rosalyn Ndungu Wamuyu	Grants Officer - H3Africa	5	Jennifer Maroa – 7 November 2019
Meshack Nsezei Mutua	M&E Officer	5	No approval
Deborah-Fay Ndhlovu	Communications Manager	4	No approval
Lydia Makendo Manoti	Programme Manager - CARI	4	No approval
Juliet Mutheu Asego	Head of Communications and PR	3	Nelson Torto – 4 November 2019
Rosemary Susan Akinyi	Head of HR and Operations	2	No approval
Robert Momanyi Keengu	HR and Operations Officer	2	Rosemary Akinyi – 10 December 2019
Angeline Imbagila Yalwala	Programme Officer - GCA	1	No approval

At the time of reporting, we had not received approvals for 14 staff to carry the remaining leave days to 2020.

⁶² Annexure 55 Leave Tracker - 2020

⁶³ Annexure 56 Email reminder to staff on utilizing leave days

3.4.3.2. As at 14 September 2020

As at this date, staff leave balances ranged from 8 to 45. 16 staff had more than 20 leave days as shown on the date below:

Table 46: Leave balance as at 14 September 2020

Name	Title	Leave Balance
Hannah Wangui Ngugi	Head of Finance and Grants	45
Fredrick Onono Otiwu	Financial Accountant	35
Winfred Wayua Muasa	Programme Assistant - GGC	31
Shylee Nyaguthii Mbuchucha	Communications Officer - Media	31
Alphonsus Neba	Deputy Director, Programmes	25
Isayvani Naicker	Director, Strategy and Partnerships	25
Rosalyn Ndungu Wamuyu	Grants Officer - H3Africa	24
Emma Wangui Ndirangu	Grants Accountant	23
Moses Sifuma Aloba	Programme Manager - GCA	23
Meshack Nsezei Mutua	M&E Officer	23
Janet Wangui Kariuki	Travel and Logistics Officer	22
Jennifer Mabuka Maroa	Programme Manager - H3Africa	21
Patrick Nyagisera Atandi	M&E Officer	21
Deborah-Fay Ndhlovu	Communications Manager	20
Rosemary Susan Akinyi	Head of HR and Operations	20
Lydia Makendo Manoti	Programme Manager - CARI	20

This could have financial implication when staff exit AAS and accrued leave days need to be paid.

3.5. Subsistence and Travel (S&T)

3.5.1. Background

Deloitte was mandated by AAS to review the staff S & T allowances for the period 2010 and 2020 with a view of identifying the approvers as well as ascertaining whether the rates were in line with international practices.

AAS has a Corporate Travel Policy that was approved by the GC as per the minutes of the 39 GC meeting.

Section 6.5 of the Corporate Travel Policy⁶⁴ requires all AAS staff to seek a Travel Authorization (TA) for all travel (local and international, and all transport methods) for which AAS bears the cost. The TA must be approved by the budget holder or his/her designee and submitted to the finance department as soon as the travel is confirmed.

According to Fred Otiwu, Accountant, all travelling staff are required to apply for S & T on Serenics system and print the TA document for authorization prior to receiving the money from finance department. The money is issued in cash through petty cash. Upon return from a trip, the staff is required to account for all monies advanced with receipts except for incidental allowance. Any balance is surrendered to the finance department and a receipt is filed.

As for the staff who frequently fly, they have credit cards loaded with an allowance for subsistence. Upon return from a trip, all expenses incurred on the card are to be charged to their personal accounts

⁶⁴ Annexure 57 Corporate Travel Policy

until they surrender credit card statements and relevant supporting documents to finance departments. Upon review, the expenses are passed to the right General Ledgers (GL) using Journal Vouchers (JVs).

We sampled eight staff and reviewed their S & T allowances for the period 2017 and 2020. From the supporting documents provided as at the time of this report, all the TA's had been duly approved at the point of issuing the money and retiring the money through the surrender forms.

3.5.2. Staff Incidentals

Section 9.1 of the Corporate Travel Policy allows AAS to provide an incidental allowance of USD 30 intended to cover miscellaneous personal costs such as toiletries, home phone calls, evening drinks etc. This rate is applied to each day of travel including the first and last day.

From our review of staff incidentals, we noted that the rate was applied uniformly for all travelling staff.

3.5.3. S & T Rates

Section 9.5 of the Corporate Travel Policy requires AAS to have an authorized list of rates for all countries and cities uploaded in MS Dynamics Serenics NAV Travel and Imprest Request Module. We obtained the extract⁶⁵ of the authorized list of rates and noted that its effective period was from January 2015 to December 2015.

Ms Ngugi informed us that the rates uploaded in the system were no longer used and that staff made changes to the rates depending on the rates they received through quotes from various hotels. Further, Mr Antony Thuku, Grants Accountant (Mr Thuku) added that AAS relies on information relating to hotels, transport, meals etc. provided by the host entity/organization and previous experience in similar regions to estimate the amount of S & T to advance to a traveling staff.

We sampled 24 staff accommodation expenses for the period 2017 and 2020 and noted that four (4) accommodation expenses were relatively higher compared to the international rates as per the United Nations (UN) Daily Subsistence Allowances dated 1 March 2020⁶⁶. The table below summarizes these expenses and the UN daily subsistence rate:

Table 47: Hotel with costs higher than international rates

Narration	Hotel and City	Amount per night (USD)	International per diem rate (USD)
Accommodation on 15th May at Sheraton while meeting in ESwatini to discuss GCA Eswatini -Nelson Torto	Intercontinental Johannesburg - 15 May 2019	385.19	175.54
Accommodation at Sheraton on 7th May while meeting with Prof Dakora-Nelson Torto	Intercontinental Johannesburg - 7 May 2019	386.3	175.54
Accommodation on 16th May at the Summerfield hotel in ESwatini with Dr Kgarebe-Nelson Torto	Summerfield Botanical Gardens and Exclusive Resort - 16 May 2019	224	87.04
Accommodation in Paris Loreal meetings at Mercure Hotel; 13-16th March, Prof Torto	Mercure Hotels 13 – 16 March 2019	309.69	211.12

AAS should consider adopting a predetermined S & T rates benchmarked with international practice such as the United Nations Daily Subsistence Allowance.

⁶⁵ Annexure 58 Extract of Authorised travel rates

⁶⁶ Annexure 59 UN Daily Subsistence Allowance

3.5.4. Unsupported expenses

From our review of the supporting documents provided, we noted that there were no receipts for the following expenses:

Table 48 Unsupported Expenses

Document number	Staff	GL	Amount (USD)
JV-18/DEC/000117 ⁶⁷	Evelyne Gitau	Accommodation/Hotel	341.17
JV-17/NOV/000020 ⁶⁸	Evelyne Gitau	Meals	40.13
JV-17/NOV/000020	Evelyne Gitau	Ground Travel	88.68
TA00579 ⁶⁹	Nelson Torto	Staff travel – other	50.00
		Total	519.98

3.5.5. Staff airline travel classes

Section 10 of the AAS Corporate Travel Policy⁷⁰ stipulates that:

- The lowest available airfare in economy class for the most direct and most economical routing is authorized for travel duration of less than 8 hours;
- For travel duration of more than 8 hours, the lowest available airfare in business class for the most direct and economical routing is authorized. This is however subject to the grant conditions under which the travel is being charged.
- Use of business class travel for less than 8 hours (or over 8 hours as the case may be) must be approved by the Executive Director, such cases may be due to medical condition (a medical report must be provided), back to back travel for staff and other cases for consideration are at the discretion of the Executive Director and must be justified.

We independently obtained staff air travel expenses for review. We sampled two staff per year for the period 2017-2020 and checked the classes they used for their travels and whether they were duly authorized.

Table 49: Analysis of staff airline classes

Staff Name	Trips made															
Prof Torto Year: 2019	<p>According to the system extract for staff air travel costs, there were 17 ticket costs booked for Prof Torto. Out of these 17 tickets, eight (8) were business tickets, five (5) were tickets booked under economy class and three were tickets booked under special economy. As at the time of this report we had not been provided with supporting documents for one ticket.</p> <p>A breakdown of Prof Torto's flight tickets is as shown below.</p> <p>1) Business class tickets</p> <p>Table 50: Prof Torto's business class tickets</p> <table border="1"> <thead> <tr> <th>Document Number</th> <th>Travel Route</th> <th>Approver</th> <th>Duration of flight</th> <th>Cost (USD)</th> </tr> </thead> <tbody> <tr> <td>PO000690</td> <td>Nairobi – London</td> <td>Rosemary Akinyi</td> <td>8 hours 30 minutes</td> <td>4,260</td> </tr> <tr> <td>PO000716</td> <td>Johannesburg-Zurich-Paris-Frankfurt-Nairobi</td> <td>Rosemary Akinyi</td> <td>Johannesburg to Zurich – 10 hours 40 minutes Zurich to Paris 1 hour 20 minutes Paris to Frankfurt – 1 hour 15 minutes Frankfurt to Nairobi – 8 hours</td> <td>6,920</td> </tr> </tbody> </table>	Document Number	Travel Route	Approver	Duration of flight	Cost (USD)	PO000690	Nairobi – London	Rosemary Akinyi	8 hours 30 minutes	4,260	PO000716	Johannesburg-Zurich-Paris-Frankfurt-Nairobi	Rosemary Akinyi	Johannesburg to Zurich – 10 hours 40 minutes Zurich to Paris 1 hour 20 minutes Paris to Frankfurt – 1 hour 15 minutes Frankfurt to Nairobi – 8 hours	6,920
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⁶⁷ Annexure 60 JV-18/DEC/000117

⁶⁸ Annexure 61 JV-17/NOV/000020

⁶⁹ Annexure 62 TA00579

⁷⁰ Annexure 57 Corporate Travel Policy

Staff Name	Trips made																																								
	PO000794	Nairobi-Zurich-London-Zurich-Nairobi	Rosemary Akinyi	Nairobi to Zurich- 7 hours 45 minutes Zurich to London 1 hour 35 minutes	2,930																																				
	PO000821	Nairobi-Johannesburg-Washington	Hannah Ngugi	Nairobi to Johannesburg - 4 hours Johannesburg to Washington - 17 hours	2,695																																				
	PO000851	Dulles- Newark	Hannah Ngugi	1 hour 20 minutes *Booking documents indicated that lower tickets were sold out	385																																				
	PO000905	Nairobi-Dubai-Washington-Dubai	Hannah Ngugi	Nairobi to Dubai – 5 Hours Washington to Dubai – 12 hours 30 minutes	3,885																																				
	PO000940	Nairobi-Dakar	Hannah Ngugi	8 hours 15 minutes	1,975																																				
	PO001013	Nairobi-London-Berlin-London-Nairobi	Fred Otiwu	Nairobi to London 8 hours 30 minutes London to Berlin 1 hour 40 minutes	2,815																																				
<p>From the table above, the duration for only one (1) out of the eight (8) trips was less than 8 hours. This trip had been approved by Ms Ngugi. However, the booking documentation availed for our review indicated that lower priced tickets were sold out.</p> <p>All these trips should have been approved by the AAS President.</p> <p>2) Economy class tickets</p> <p>Table 51: Prof Torto's economy class tickets</p> <table border="1"> <thead> <tr> <th>Document Number</th> <th>Travel Route</th> <th>Approver</th> <th>Cost (USD)</th> </tr> </thead> <tbody> <tr> <td>PO000678</td> <td>Nairobi-South Africa</td> <td>Rosemary Akinyi</td> <td>780</td> </tr> <tr> <td>PO000797</td> <td>Nairobi-Johannesburg-Manzini-Johannesburg- Nairobi</td> <td>Rosemary Akinyi</td> <td>1,460</td> </tr> <tr> <td>PO000863</td> <td>Nairobi to Johannesburg</td> <td>Hannah Ngugi</td> <td>850</td> </tr> <tr> <td>PO000924</td> <td>Nairobi-Johannesburg-Gaborone-Johannesburg-Nairobi</td> <td>Hannah Ngugi</td> <td>1,175</td> </tr> <tr> <td>PO000967</td> <td>Nairobi-Johannesburg-cape town-Johannesburg-Nairobi</td> <td>Hannah Ngugi</td> <td>845</td> </tr> <tr> <td>PO000968</td> <td>Nairobi-Mombasa</td> <td>Hannah Ngugi</td> <td>235</td> </tr> <tr> <td>PO001016</td> <td>Johannesburg</td> <td>Fred Otiwu</td> <td>380</td> </tr> <tr> <td>PO001048</td> <td>Nairobi to Kilimanjaro and Back</td> <td>Fred Otiwu</td> <td>375</td> </tr> </tbody> </table>						Document Number	Travel Route	Approver	Cost (USD)	PO000678	Nairobi-South Africa	Rosemary Akinyi	780	PO000797	Nairobi-Johannesburg-Manzini-Johannesburg- Nairobi	Rosemary Akinyi	1,460	PO000863	Nairobi to Johannesburg	Hannah Ngugi	850	PO000924	Nairobi-Johannesburg-Gaborone-Johannesburg-Nairobi	Hannah Ngugi	1,175	PO000967	Nairobi-Johannesburg-cape town-Johannesburg-Nairobi	Hannah Ngugi	845	PO000968	Nairobi-Mombasa	Hannah Ngugi	235	PO001016	Johannesburg	Fred Otiwu	380	PO001048	Nairobi to Kilimanjaro and Back	Fred Otiwu	375
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PO001016	Johannesburg	Fred Otiwu	380																																						
PO001048	Nairobi to Kilimanjaro and Back	Fred Otiwu	375																																						
Hannah Ngugi (Ms Ngugi), Finance and Grants Manager Year: 2019	During the year 2019, there were two trips booked under Ms Ngugi - to London on 8 to 14 June 2019 and to Dakar, Senegal on 13 – 18 July 2019. They were approved by Ms Akinyi and Ms Ngugi herself. They were booked as return tickets and she flew in premium economy and economy class respectively.																																								
Anthony Thuku (Mr Thuku), Grants Accountant Year: 2020	In 2020, Mr Thuku flew to Botswana and Benin on 21-25 January 2020 and 17-22 February 2020. During these two trips, he was booked in Economy class seats. The trips were approved by Mr Otiwu and Ms Ngugi respectively.																																								
Obed Ogega (Mr Ogega) Year: 2020	Mr Ogega made three trips to Benin, Dar es Salam and Entebbe during the year 2020. During these travels, the tickets were booked under economy class. The approvers of the trips were Ms Ngugi for the trip to Benin and Mr Otiwu for the trip to Dar es Salam and Entebbe.																																								

Staff Name	Trips made																																			
Deborah Ndlovu (Ms Ndlovu) Year: 2018	From our review of staff travels booked under Ms Ndlovu, we noted that she made two trips in the year 2018. These were to Rwanda and to Kilifi. During both trips she travelled in economy class. The trip to Kilifi was approved by Mr Otiwu, however, there were documents identifying the approver of the trip to Kigali.																																			
Lilian Mutengu (Ms Mutengu) Year: 2018	There were two (2) travel expenses booked under Ms Mutengu as air fare. They included a trip to Mombasa between 20 and 23 February 2018 in which she flew in economy class. The other trip was a trip to Rwanda during the period 25 and 28 September 2018. The trip was approved by Mr Otiwu and was booked in economy class.																																			
Michael Kilpatrick (Mr Kilpatrick) Year: 2017	<p>We noted there were six air travel expenses booked under Mr Kilpatrick's account. Out of the six trips, two were booked in economy class, one was in premium economy and one trip was booked in business class. The supporting documents for the other two trips did not indicate the booking class. Details of the flights are as shown below</p> <p>Table 52: Michaels Flight tickets</p> <table border="1"> <thead> <tr> <th>Document Number</th> <th>Travel Route</th> <th>Class</th> <th>Duration of flight</th> <th>Cost (USD)</th> </tr> </thead> <tbody> <tr> <td>PO000336</td> <td>London-Washington</td> <td>Economy</td> <td>8 hours</td> <td>2,315</td> </tr> <tr> <td>PO000342</td> <td>Nairobi- Accra</td> <td>Economy</td> <td>5 hours 40 minutes</td> <td>855</td> </tr> <tr> <td>PO000354</td> <td>London Seattle</td> <td>Business</td> <td>10 hours</td> <td>3,135</td> </tr> <tr> <td>PO000402</td> <td>Nairobi-London</td> <td>Premium economy</td> <td>8 hours 30 minutes</td> <td>1,660</td> </tr> <tr> <td>PO000358</td> <td>London - Nairobi</td> <td>Not Indicated</td> <td>8 hours 30 minutes</td> <td>1,907</td> </tr> <tr> <td>PO000381</td> <td>London-Nairobi</td> <td>Not Indicated</td> <td>8 hours 30 minutes</td> <td>1,725</td> </tr> </tbody> </table> <p>Using the travel routes indicated on the supporting documents, we performed desktop searches for flight tickets from Nairobi to London roundtrip and noted that economy class tickets were approximately USD 890. Therefore, the two trips above could have been booked under business class.</p> <p>We noted that all the tickets were approved by Ms Ngugi.</p> <p>The flight duration for the trip Mr Kilpatrick was booked in business class was 10 hours and thus was compliant with the Corporate travel Policy.</p>	Document Number	Travel Route	Class	Duration of flight	Cost (USD)	PO000336	London-Washington	Economy	8 hours	2,315	PO000342	Nairobi- Accra	Economy	5 hours 40 minutes	855	PO000354	London Seattle	Business	10 hours	3,135	PO000402	Nairobi-London	Premium economy	8 hours 30 minutes	1,660	PO000358	London - Nairobi	Not Indicated	8 hours 30 minutes	1,907	PO000381	London-Nairobi	Not Indicated	8 hours 30 minutes	1,725
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Doctor Evelyne Gitau (Dr Gitau) Year 2017	<p>According to the system extracts, Dr Gitau made three trips during the year 2018. As at the time of this report, we had been provided with supporting documents for one trips. The trip involved a return ticket from Nairobi to Washington via London. It had been approved by Thomas Kariuki and was economy class.</p> <p>We noted that the original cost of the ticket was USD 1735.99. However, an additional USD 135 was incurred to upgrade the ticket from economy to economy comfort and extra legroom.</p> <p>Further, we noted that USD 586.07 had been spent to upgrade seats for Dr Gitau's flight from Amsterdam to Nairobi. However, there were no additional documents regarding the flight.</p>																																			

3.6. Finance, Risk, Audit and Compliance Committee's (FRACC) sitting allowances

3.6.1. Audit and Risk Committee

3.6.1.1. 1st Term: January 2015 to December 2016

The Audit and Risk Committee (ARC) was established in July 2014 through a resolution of the 30th GC meeting held on 24 – 25 July 2014⁷¹. The committee had a composition of 5 members as shown below:

⁷¹ Annexure 63 Minutes of the 30th GC meeting

Table 53: ARC Committee members for the period January 2015 to December 2016

#	Member	Position	Sitting Allowance (USD)
1	Mr. Frederick Murunga	Chairperson	1,000
2	Prof. Mahmoud M. A. Abdel-Aty	Member	700
3	Dr. Boitumelo Veronica Kgarebe	Member	700
4	Mr. Paul Kenbugul Sagnia	Member	700
5	Professor Juma Shabani	Member	700

The sitting allowance indicated above were specified in the appointment letters of the members that were all dated 17 December 2014. Further, the duration of the contracts was indicated as from January 2015 to December 2016.

We established that 13 ARC meetings were held from its formation in July 2014 until April 2019.

As per the minutes of the ARC meetings, we noted that ARC held five (5) meetings from January 2015 to December 2016. We reviewed the general ledger extracts for the same period as well as bank statements and established that USD **14,100** was paid to the members.

3.6.1.2. 2nd Term: January 2017 to April 2019

3.6.1.2.1. Renewal of terms of office

Ms Janet Kariuki, Executive Assistant (Ms Kariuki) via an email communication dated 17 May 2017⁷², wrote to Prof Kuku seeking approval from the GC to renew the terms of office by online approval since the current term of office had expired in December 2017. In her communication, she attached extension letters for Prof. Mahmoud M. A. Abdel-Aty and Mr. Paul Kenbugul Sagnia. There was no further communication availed to us for review.

As such, we did not receive evidence of renewals of the terms of office for the following ARC members for the period between January 2017 and April 2019.

Table 54: ARC members lacking approval for renewal of terms of office

#	Member	Position
1	Mr. Frederick Murunga	Chairperson
2	Prof. Mahmoud M. A. Abdel-Aty	Member
3	Dr. Boitumelo Veronica Kgarebe	Member
4	Mr. Paul Kenbugul Sagnia	Member
5	Professor Juma Shabani	Member

3.6.1.2.2. Appointment of Patricia Kabuleeta to ARC

Ms Kariuki shared the signed letter of appointment dated 10 November 2017⁷³ with Patricia Kabuleeta (Ms Kabuleeta) via an email on 9 November 2017. The letter indicated that the appointment was for 2 years, beginning January 2018 to 31 December 2019; renewable once. The sitting allowance, for each meeting attended in person, was specified as USD 700.

⁷² Annexure 64 Email communication from Ms Kariuki to Prof Kuku dated 17 May 2017

⁷³ Annexure 65 Email communication from Ms Kariuki sharing Ms Kabuleeta's letter of appointment to ARC

3.6.1.2.3. Appointment of Amina Abubakar as AAS Treasurer

In email communication dated 10 May 2018⁷⁴, from Ms Kariuki, on behalf of Prof Torto to Amina Abubakar (Prof Abubakar), Prof Torto indicated that following the passing away of Prof Dominic Makawiti (Late Prof Makawiti) he had been tasked by the GC to nominate a Kenyan nation as Acting Treasurer. Having looked at Prof Abubakar's credentials, he believed that she would be a worthy candidate. On the same date, Prof Abubakar agreed to take up the role on a temporary basis.

As per minutes of the 37th GC meeting held on 8 and 9 December 2018, it was indicated under **Resolution Three** that: *'Members resolved to recommend to the General Assembly the confirmation of Prof Amina Abubakar into the position of Treasurer for the remaining term of office which ends in the year 2020.'*

3.6.1.2.4. Honorarium paid between January 2017 and April 2019

From our review of the minutes of the ARC meetings held between January 2017 and April 2019, we noted that the ARC held eight (8) meetings from January 2017 to April 2019. We reviewed the general ledger extracts for this period as well as bank statements, we established that USD **24,035** had been paid to the members as honorarium.

3.6.2. Finance Risk Audit Compliance Committee

The committee was renamed to Finance Risk Audit Compliance Committee through resolution 7 of the minutes of the 38th GC meeting held on 6 April 2019⁷⁵.

On **23 April 2019** via email communication⁷⁶, Ms Kuto shared draft appointment letters for members of the new GC sub-committees with Prof Dakora for his input. Prof Dakora, responded as follows:

"Unfortunately I do know where the Honorarium of \$400 is coming from. I certainly did not approve that amount, nor the GC. I am not happy with the way financial remuneration is handled at the Secretariat."

Ms Kuto's response to Prof Dakora's comment read as follows:

"Expenses

The AAS shall, for the period of your appointment, cater for the below listed expenses in the discharge of your roles/duties including:

- *Economy class airfare for the most direct route from your location to the meeting venue to attend the Sub-committee meetings and back to your location*
- *Accommodation in a reasonably rated hotel, ground transport during the days of the meetings and incidentals for attendance to the meetings."*

She shared the revised the letters with the President and sought to know whether it was agreeable with him so that the letters can be released.

On **9 May 2019**⁷⁷, Ms Kuto emailed to Prof Dakora informing him that they were proceeding to issue the appointment letters based on the list of the members in each sub-committee⁷⁸ that he had shared with Prof Torto and requested to use his e-signature. On the same date Ms Thandiwe M Mapesela⁷⁹,

⁷⁴ Annexure 66 Email communicating appointment of Prof Abubakar as Acting Treasurer

⁷⁵ Annexure 67 Minutes of the 38th GC Meeting

⁷⁶ Annexure 68 Email communication from Ms Kuto to Prof Dakora dated 23 April 2019 on sharing appointment letters

⁷⁷ Annexure 69 Email communication from Ms Kuto to Prof Dakora dated 9 May 2019 requesting to use his e-signature

⁷⁸ Annexure 70 Approved list of members in each sub-committee

⁷⁹ Annexure 71 Response from Ms Thandiwe M Mapesela

Grant Support Administrator responded by attaching a letter with Prof Dakora's e-signature. Prof Dakora was copied on the email.

According to the letters of appointment issued to the members, its composition is as shown below.

Table 55: ARC Committee members for the period May 2019 to June 2020

#	Member	Position
1	Mr. Frederick Murunga	Chairperson
2	Memory Nguwi	Member
3	Dr. Boitumelo Veronica Kgarebe	Member
4	Prof. Nicholas Biekpe	Member
5	Mr. Paul Kenbugul Sagnia	Member
6	Prof Amina Abubakar	Member
7	Patricia Kabuleeta	Member

We noted that since the formation of FRACC in 6 April 2019 through resolution 7 of the 38th GC meeting, there have been five (5) FRACC meetings. Honorarium was paid for four (4) meetings. We noted that the 2nd and 3rd FRACC meetings held on 25 and 26 November 2019 and 19 and 20 March 2020 respectively, were conducted in two (2) sittings per meeting. Therefore, members were paid for each of these meetings.

According to an email communication⁸⁰ from Prof Dakora to Prof Torto dated 20 August 2019, Prof Dakora informed Prof Torto that;

- All AAS fellows on official business should receive USD 200 per day;
- The above applied to sitting GC subcommittee members including Risk Committee;
- There should be no payment of USD 700 honorarium per sitting to any AAS fellow sitting in the Risk Committee. However, non AAS fellows sitting in the Risk Committee can continue receiving their usual rate until further notice.
- Increases of financial remuneration to any AAS staff should pass through him first before eventual presentation to the GC.

From an email exchange between Ms Kuto and Prof Torto on 16 December 2019, Ms Kuto informed Prof Torto that while she had missed out on a number of details on GC's meeting on honorarium, she got the following;

- The honorarium rate shall be applied on a daily basis;
- The rate for FRACC members shall not be affected;
- Ms Kgarebe's honoraria should be backdated;
- The number of meetings for each group should not exceed four- to avoid it looking as though meetings are being extended just to increase one's income

Further, she suggested that while the AAS treasurer's honoraria was less than that of the members of FRACC, her pay should be equalized since she offers the same value as the rest of the members.

She concluded her email, by drafting a resolution which she said she hoped would reflect the intentions of the GC. In that draft resolution, she indicated that:

- "The GC resolved that the honorarium rate shall be USD 200 per meeting except for members of FRACC whose daily rate shall remain unchanged during their tenure".

⁸⁰ Annexure 72 Email communication dated 20 August 2019 from Prof Dakora to Prof Torto and subsequent communication between Prof Torto and Ms Kuto

- *“It was agreed that the honorarium rate shall not be varied on the basis of one being a fellow or an ex-officio member”*

Prof Torto replied to Ms Kuto’s email where he agreed with the contents of the resolution as it was. He indicated that he did not understand why the Ex-officio rate should be applied and yet the treasurer spends the same amount of time as everyone else and loses out on her activities because of the meeting.

We reviewed minutes of the 39 GC meeting⁸¹ and noted that the GC received, discussed and approved the guidelines on honorarium and expenses for members of the GC and its committees. In that meeting, the GC resolved that:

- a) Honorarium rate for each GC and GC committee member shall be applied per meeting day for each meeting where notice has been given
- b) For purposes of determining the total amount, up to four (4) meetings per year shall be considered for each of the four organs (GC, Governance and Nominations committee, FRACC, Programmes committee)
- c) The rate shall be USD 200 per meeting day except for members of the FRACC whose daily rate shall remain unchanged during their tenure.
- d) It was also agreed that the honorarium rate shall not be varied on basis of one being a Fellow or an ex-officio member.

As at the time of this report, the minutes of the 39th GC meeting had not been approved or confirmed.

From our review of the FRACC minutes, GL extracts and respective supporting documents, we noted that they were paid **USD 32,040**.

Breakdown of the honorarium paid per member

Based on the above, we established that **USD 70,175** had been paid to ARC/FRACC members for all the meeting held from January 2015 to June 2020. The table below shows the amount paid to each member:

3.6.2.1. Fredrick Murunga

Fredrick Murunga (Mr Murunga), member of the GC, is the first and current chair of FRACC. He was appointed by the President through a letter dated 17 December 2014⁸² for the period January 2015 to December 2016. During this period, he would be paid a lump sum of **USD 1,000** for each meeting attended in person.

We were not provided with Mr Murunga’s appointment letter for the period between January 2017 and April 2019. However, from our review of the minutes of the ARC meetings held between January 2017 and April 2019, we noted that he was still the chairperson of ARC.

Upon renaming of ARC to FRACC, Mr Murunga retained the position of chairperson through a letter dated 10 May 2019⁸³ for a period of three (3) years renewable once by resolution of the GC.

We obtained ARC/FRACC minutes⁸⁴ for the period under review to establish his attendance of various meetings and compared this to the amounts he was paid as per bank statements to confirm whether he was paid as per his letter.

⁸¹ Annexure 24 Minutes of the 39th GC Meeting
⁸² Annexure 73 Appointment Letter for Mr Murunga
⁸³ Annexure 74 Appointment Letter for Mr Murunga- 2019
⁸⁴ Annexure 75 ARC/FRACC Minutes

From our review of minutes availed to us, as at the time of this report, we noted that Mr Murunga had attended 18 meetings and was paid **USD 18,600**. Analysis of his payments per meeting is as shown below.

Table 56: Honorarium for Mr Murunga

Appointment Letter (Period and honoraria rate)	Meeting attended as per minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
Appointed Chairperson for the period January 2015 – December 2016 USD 1000 per sitting.	1 st ARC Meeting	12 February 2015	1,000	No variance
	2 nd ARC Meeting	27 August 2015	1,000	
	3 rd ARC Meeting	2 December 2015	1,000	
	4 th ARC Meeting	1 April 2016	1,000	
	5 th ARC Meeting	23 September 2016	1,000	
The appointment letter expired in December 2016. We were not provided with a renewal letter and terms of pay.	6 th ARC Meeting	28 June 2017	1,000	
	7 th ARC Meeting	1 September 2017	1,000	
	8 th ARC Meeting	14 November 2017	1,000	
	9 th ARC Meeting	16 April 2018	1,000	
	10 th ARC Meeting	24 - 25 September 2018	1,000	
	11 th ARC Meeting	30 November 2018	1,000	
	12 th Arc Meeting	22 February 2019	950	
13 th ARC Meeting	22 March 2019	950		
FRACC Chairperson from 10 May 2019 The letter is silent on honorarium rate	1 st FRACC Meeting	28 August 2019	950	
	2 nd FRACC Meeting	25 and 26 November 2019	1,900	
	3 rd FRACC Meeting	19 and 20 March 2020	1,900	
	FRACC Virtual Meeting	May 2020	950	
	FRACC consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.

Based on the above analysis, for the period 2015 – 2016, Mr Murunga had an appointment letter which indicated that his honoraria rate would be USD 1,000 per sitting. During this period, he attended five meetings being 1st, 2nd, 3rd, 4th and 5th ARC meetings. His payments as per the bank statement was USD 5,000. This amount was as stipulated in his appointment letter.

During the period January 2017 to May 2019, Mr Murunga attended 8 ARC meetings; being 6th, 7th, 8th, 9th, 10th, 11th, 12th and 13th ARC meetings and was paid **USD 7,900**. However, we were not provided with appointment letters for this period and therefore could not confirm whether the paid amounts were the correct figures agreed upon by the GC.

While Mr Murunga was paid **USD 5,700** for his attendance of five FRACC meetings, we could not determine whether this was the correct amount as his appointment letter was silent on his pay.

3.6.2.2. Mahmoud M. A. Abdel-Aty

Professor Mahmoud M. A. Abdel-Aty (Prof. Abdel-Aty) was appointed to the ARC on 17 December 2014 for the period January 2015 to December 2016⁸⁵, renewable once. His honorarium rate was USD 700 per meeting attended in person.

From our review of ARC minutes, we noted that Prof Mahmoud attended three (3) meetings and was paid **USD 1,400**.

According to the minutes of the first FRACC meeting dated 28 August 2019⁸⁶, we noted that Prof Abdel-Aty had become a member of the Programmes subcommittee.

Analysis of his payments per meeting is as shown below.

Table 57: Prof Mahmoud's honoraria

Appointment Letter (Period and honoraria rate)	Meeting attended as per minutes	Dates	Amount paid as per Bank Statements(USD)
Appointed member for the period January 2015 – December 2016 USD 700 per sitting.	3 rd ARC Meeting	2 December 2015	We could not identify the payment to Prof Abdel-Aty in the bank statement.
The appointment letter expired in December 2016 We were not provided with a renewal letter and terms of pay.	6 th ARC Meeting	28 June 2017	700
	10 th ARC Meeting	24 - 25 September 2018	700

We noted that Prof Mahmoud attended the 3rd ARC meeting held on 2 December 2015. During this period, there was an appointment letter which stipulated his honoraria as USD 700. As at the time of this report we could not identify his payment for the 3rd ARC meeting from the bank statement.

While Prof Mahmoud attended the 6th and 10th ARC meetings and was paid USD 700 per meeting, we were not provided with appointment letters for the period 2017 and 2019. Therefore we could not confirm his membership to the ARC as well as the agreed honorarium rate.

3.6.2.3. Boitumelo Veronica Kgarebe

Boitumelo Veronica Kgarebe (Ms. Kgarebe) was appointed to the ARC on 17 December 2014 for the period January 2015 to December 2016⁸⁷, renewable once. Her honorarium rate was USD 700 per meeting attended in person.

From our review of ARC/FRACC minutes⁸⁸ provided to us, we noted that Ms Kgarebe attended 18 meetings and was paid **USD 13,435**. Her payments per meeting are as shown below.

⁸⁵ Annexure 76

Appointment letter for Prof. Mahmoud

⁸⁶ Annexure 77

Minutes of the FRACC Meeting 28 August 2019

⁸⁷ Annexure 78

Appointment letter for Kgarebe

⁸⁸ Annexure 75

ARC/FRACC Minutes

Table 58: Ms Kgarebe's honoraria

Appointment Letter (Period and honoraria rate)	Meeting attended as per minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance	
Appointed member for the period January 2015 – December 2016 USD 700 per sitting.	1 st ARC Meeting	12 February 2015	700	No variance	
	2 nd ARC Meeting	27 August 2015	700		
	3 rd ARC Meeting	2 December 2015	700		
	4 th ARC Meeting	1 April 2016	700		
	5 th ARC Meeting	23 September 2016	700		
The appointment letter expired in December 2016 We were not provided with a renewal letter and terms of pay.	6 th ARC Meeting	28 June 2017	700	No variance	
	7 th ARC Meeting	1 September 2017	635		USD 65 was charged as cancellation fee for the hotel she had been booked to.
	8 th ARC Meeting	14 November 2017	700		
	9 th ARC Meeting	16 April 2018	700		
	10 th ARC Meeting	24 and 25 September 2018	700		
	11 th ARC Meeting	30 November 2018	700		
	12 th ARC Meeting	22 February 2019	700		
FRACC member from 10 May 2019 The letter is silent on the honorarium rate	1 st FRACC Meeting	28 August 2019	200	Rate as advised by Prof Dakora on 20 August 2019	
	2 nd FRACC Meeting	25 and 26 November 2019	2,100	<ul style="list-style-type: none"> • USD 1,400 was honoraria paid for the two day FRACC meeting, • USD 200 for attendance of GC meeting; and • USD 500 was balance for the 1st FRACC meeting held on 28 August 2019 where she had been paid USD 200. This was after the GC in the 39th meeting resolved that all FRACC members would be paid USD 700 per meeting. 	
	3 rd FRACC Meeting	19 and 20 March 2020	1,400	No variance	
	FRACC Virtual Meeting	May 2020	700	No variance	
	FRACC consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.	

For the period 2015 – 2016, Ms Kgarebe had an appointment letter which indicated that her honoraria rate would be USD 700 per sitting. We noted that she attended five meetings being 1st, 2nd, 3rd, 4th and 5th ARC meetings. As per the bank statements, she was paid **USD 3,500** for five (5) meetings as stipulated in the appointment letter.

During the period January 2017 to May 2019, Ms Kgarebe attended 8 ARC meetings; being 6th, 7th, 8th, 9th, 10th, 11th, 12th and 13th meetings and was paid **USD 5,535**. We were not provided with her appointment letter for this period and therefore could not confirm whether the paid amounts were the correct figures agreed upon by the GC.

While Ms Kgarebe was paid **USD 4,400** for her attendance of five FRACC meetings, we could not determine whether this was the correct amount as her appointment letter was silent on her pay.

3.6.2.4. Paul Kenbugul Sagnia

Paul Sagnia (Mr Sagnia) was appointed to the ARC on 17 December 2014 for the period January 2015 to December 2016⁸⁹, renewable once. His honorarium rate was USD 700 per meeting attended in person.

From our review of ARC/FRACC minutes provided to us, we noted that Mr Sagnia attended 17 meetings and was paid **USD 12,600**. His payments per meeting are as shown below.

Table 59: Honoraria for Mr Sagnia

Appointment Letter	Meeting attended	Dates	Amount paid as per Bank Statements (USD)
Appointed member for the period January 2015 – December 2016 USD 700 per sitting.	1 st ARC Meeting	12 February 2015	700
	2 nd ARC Meeting	27 August 2015	700
	3 rd ARC Meeting	2 December 2015	700
	5 th ARC Meeting	23 September 2016	700
The appointment letter expired in December 2016 We were not provided with a renewal letter and terms of pay	6 th ARC Meeting	28 June 2017	700
	7 th ARC Meeting	1 September 2017	700
	8 th ARC Meeting	14 November 2017	700
	9 th ARC Meeting	16 April 2018	700
	10 th ARC Meeting	24 and 25 September 2018	700
	11 th ARC Meeting	30 November 2018	700
	12 th Arc Meeting	22 February 2019	700
	13 th ARC Meeting	22 March 2019	700
FRACC member from 10 May 2019 The letter is silent on honorarium rate	First FRACC Meeting	28 August 2019	700
	2 nd FRACC Meeting	25 and 26 November 2019	1,400
	3 rd FRACC Meeting	19 and 20 March 2020	1,400
	FRACC Virtual Meeting	May 2020	700
	FRACC consultative meeting	3 June 2020	No payment was made to any FRACC member for this particular meeting.

Based on the above analysis;

1. In 2015 and 2016, Mr Paul attended 4 ARC meetings and was paid **USD 2,800**. The amount paid was in line with his appointment letter at the time.
2. During the period 2017 and April 2019, Mr Paul attended 8 ARC meetings and was paid USD 5,600. There was no appointment letter and/or communication of honoraria to confirm the validity of this payment.

⁸⁹ Annexure 79 Paul Sagnia Appointment Letter

3. Mr Paul was paid USD 4,200 for attending five FRACC meetings. His appointment letter during this period was silent on his honorarium rate. We could therefore not determine whether the payments were correct or not.

3.6.2.5. Juma Shabani

We noted that Professor Juma Shabani (Prof Shabani) was appointed to the ARC on 17 December 2014⁹⁰ for a period of two years. During this period, he would be paid USD 700 per meeting attended in person.

From our review of ARC minutes⁹¹, we noted that Prof Shabani attended 5 meetings and was paid **USD 3,500** as shown below.

Table 60: Prof Shabani's honoraria

Appointment Letter	Meeting attended	Dates	Amount paid as per Bank Statements (USD)
Appointed member for the period January 2015 – December 2016 USD 700 per sitting	1 st ARC Meeting	12 February 2015	700
	2 nd ARC Meeting	27 August 2015	700
	3 rd ARC Meeting	2 December 2015	700
	4 th ARC Meeting	1 April 2016	700
The appointment letter expired in December 2016 We were not provided with a renewal letter and terms of pay	6 th ARC Meeting	28 June 2017	700

The payment for the 1st, 2nd, 3rd and 4th ARC meeting amounted to **USD 2,800** and were done in accordance to Prof Shabani's appointment letter

While Prof Shabani was paid **USD 700** for his attendance to 6th ARC meeting, there was no appointment letter and/ or communication of his indicated honoraria for sitting in ARC meetings. We therefore could not confirm the validity of the payment.

3.6.2.6. Memory Nguwi

Memory Nguwi (Mr Nguwi) was appointed to the FRACC sub-committee on 27 July 2019 through a letter signed by Prof Torto⁹². His membership was for a period of one year. His letter did not specify his honorarium rate per sitting.

Review of FRACC minutes⁹³ revealed that Mr Nguwi has attended all FRACC meetings (5) since his appointment. He was paid an honorarium of **USD 5,600** for attendance of these meetings. A summary of his payments per meeting is shown below.

⁹⁰ Annexure 80 Appointment letter for Prof Shabani
⁹¹ Annexure 75 ARC/FRACC Minutes
⁹² Annexure 81 Appointment letter for Memory Nguwi
⁹³ Annexure 75 FRACC Minutes

Table 61: Honorarium payments for Ms Nguwi

Meeting as per the minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
1 st FRACC meeting	28 August 2019	2,100	USD 1,400 relate to honorarium paid for attending induction and Governance & nominations subcommittee (GNC) meetings on 26 and 27 August 2019 respectively. The two meetings were part of new subcommittee members' orientation to AAS upon his appointment to FRACC.
2 nd FRACC meeting	25 and 26 November 2019	1,400	No variance
3 rd FRACC meeting	19 and 20 May 2020	1,400	No variance
FRACC Virtual meeting	May 2020	700	No variance
FRACC Consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.
Total		5,600	

The appointment letter of Mr Nguwi is silent on his honorarium rate per sitting. Based on the above, we had no basis to confirm the validity of the above payments she received with regards to her attendance to FRACC meetings.

3.6.2.7. Prof. Nicholas Biekpe

Professor Nicholas Biekpe (Prof Biekpe) was appointed to the FRACC⁹⁴ on 10 May 2019 through a letter signed by Prof Dakora. The appointment was for a period of three (3) years, renewable once by a resolution of the GC. His letter of appointment was silent of the honorarium rate he was entitled to for his attendance of FRACC meetings.

Out of the five (5) FRACC meetings that have been convened since his appointment, Prof Biekpe has attended four (4) and was paid **USD 2,635**. A breakdown of his payment is as shown below.

Table 62: Honoraria for Prof Biekpe

Meeting as per the minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
1 st FRACC meeting	28 August 2019	700	USD 600 relate to honorarium paid for attending the Induction meeting, GNC meeting and 1 st FRACC meeting held on 20, 26 and 28

⁹⁴ Annexure 82 Appointment letter for Prof Biekpe

Meeting as per the minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
			August 2019 respectively. Prof Biekpe was erroneously paid USD 700; hence an overpayment of USD 100.
2 nd FRACC meeting	25 and 26 November 2019	1,900	<ul style="list-style-type: none"> • USD 1,400 was honoraria paid for the two day FRACC meeting, • USD 500 was balance for the 1st FRACC meeting held on 28 August 2019 where he had been paid USD 200. This was after the GC in the 39th meeting resolved that all FRACC members would be paid USD 700 per meeting.
FRACC Virtual meeting	May 2020	700	No variance
FRACC Consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.
Total		3,300	
Voluntary refund made on 4 August 2020 for honorarium paid for attending FRACC Virtual meeting in May 2020		665	Prof Biekpe indicated that he was not comfortable keeping the money
Net pay		2,635	

The honorarium rate for Prof Biekpe is not stated in his appointment letter or any of the GC minutes. Therefore, we could not ascertain the correctness of his honorarium.

Overpayment of USD 100

We established that on 27 August 2019, Prof Biekpe was erroneously overpaid USD 100. During this period AAS held an induction meeting of its new members for subcommittees. According to an email from Ms Kuto to new FRACC members⁹⁵ – Ms Kabuleeta, Prof Biekpe and Ms Nguwi, the following meetings were slated for induction.

Table 63: Overpayment of USD 100 to Prof Biekpe

Date	Description of events
26 August 2019	Induction at AAS
27 August 2019	Two Meetings – the first meeting was Programmes Committee (PC) and subsequently Governance & nominations Committee (GNC). As part of induction, the new members were to choose to attend either of the two meetings to learn more about AAS
28 August 2019	FRACC meeting

⁹⁵ Annexure 83 Email from Ms Kuto to new FRACC members

During this period, Prof Biekpe, being a fellow had an honorarium rate of USD 200 as per Prof Dakora's directive. As per the minutes of FRACC and GNC dated 28 and 27 August 2019⁹⁶, we confirmed that Prof Biekpe attended these two meetings. For the induction meeting, there were no minutes recorded, however Ms Kuto confirmed that Prof Biekpe was in attendance. Based on the above, Prof Biekpe should have been paid USD 600 for his attendance to the three meetings.

However, according to the payment schedule prepared by Ms Kuto⁹⁷, Prof Biekpe was to be paid USD 800 for attendance of four meetings being;

- Induction meeting – 26 August 2019
- PC meeting – 27 August 2019
- GNC meeting – 27 August 2019 and
- FRACC meeting – 28 August 2019

According to the payment request form⁹⁸ prepared by Ms Kuto and dated 22 August 2019, Ms Kuto requested for USD 800 for Prof Biekpe. In finance, the payment request form was approved by Ms Ngugi on 22 August 2019 for payments.

While the initial amount requested for Prof Biekpe was USD 800, we noted that the amount paid was USD 700.

According to our discussions with Ms Kuto⁹⁹, she informed us that;

- For August 2019 meetings, Legal made a request of USD 800 with the understanding that Prof. Biekpe might attend all the four scheduled meetings
- On day two of the meetings, Prof. Biekpe was recorded to have attended GNC but not PC meeting. Therefore, he should have been paid USD 600 for the three sittings.
- The payment request form had a typographical error which read USD 700 for processing based on which she believed the finance department made the payment.

Based on the above explanation, we noted that Prof Biekpe was overpaid USD 100.

Voluntary refund of USD 665

We obtained a written note¹⁰⁰ dated 29 June 2020 to NCBA Bank requesting for support in facilitating Prof Biekpe's voluntary refund of USD 700. The note was signed by Ms Ngugi and Ms Akinyi. Review of AAS NIC statement¹⁰¹ revealed that the money was wired to AAS on 4 August 2020.

In addition, there was a receipt of USD 665 dated 14 August 2020 from AAS as an acknowledgement¹⁰² of the money. The receipt indicated that the money had been received from Prof Biekpe.

According to email exchange¹⁰³ between Prof Biekpe and Ms Kuto dated 16 May 2020, Prof Biekpe indicated that he had received USD 700 for the virtual meeting. He sought clarification on whether the payment could have been made erroneously. Further, he asked whether the payment was supposed to be USD 200. Ms Kuto informed him that the payment was honorarium and that the payment for all FRACC members was equalized as per GC discussions of December 2019 meeting. Prof Biekpe, requested for AAS bank details and indicated that he was not comfortable keeping the money.

⁹⁶ Annexure 84 Minutes of 1st FRACC and GNC Meetings
⁹⁷ Annexure 85 Payment Schedule for Prof Biekpe
⁹⁸ Annexure 86 Payment Request Form for Prof Biekpe payments
⁹⁹ Annexure 87 Email exchange with Ms Kuto
¹⁰⁰ Annexure 88 Request to NCBA for voluntary refund of honoraria
¹⁰¹ Annexure 3 NIC Bank Statements – USD & KES for the period 1 Jan 2010 to 18 September 2020
¹⁰² Annexure 89 Acknowledgement of receipt of USD 665 by AAS
¹⁰³ Annexure 90 Email correspondence between Prof Biekpe and Ms Kuto

3.6.2.8. Patricia Kabuleeta

Ms Kabuleeta's appointment letter indicated that her term was for 2 years, beginning January 2018 to 31 December 2019; renewable once. The sitting allowance, for each meeting attended in person, was specified as USD 700. From our review of ARC/FRACC minutes¹⁰⁴ we noted that she attended eight meetings and was paid **USD 7,700**

Table 64: Honoraria for Ms Kabuuleeta

Appointment Letter	Meeting attended	Dates	Amount paid as per Bank Statements/Petty cash (USD)	Explanation of Variance
The appointment letter expired in December 2016 We were not provided with a renewal letter and terms of pay	9 th ARC Meeting	16 April 2018	700 *Paid via Petty cash	No variance
	11 th ARC Meeting	30 November 2018	700	No variance
	12 th ARC Meeting	22 February 2019	700 *Paid via petty cash	No variance
FRACC member from 10 May 2019 The letter is silent on honorarium rate	1 st FRACC Meeting	28 August 2019	2,100 *Paid via petty cash	USD 1,400 relates to honorarium paid for attending induction and Governance & nominations subcommittee (GNC) meetings on 26 and 27 August 2019 respectively. The two meetings were part of new subcommittee members' orientation to AAS upon his appointment to FRACC.
	2 nd FRACC Meeting	25 and 26 November 2019	1,400	No variance
	3 rd FRACC Meeting	19 and 20 March 2020	1,400	No variance
	FRACC Virtual Meeting	May 2020	700	No variance
	FRACC consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.
Total			7,700	

¹⁰⁴ Annexure 75 ARC/FRACC Minutes

Prior to her appointment on 10 May 2019, we noted that she had attended the 9th, 11th, and 12th ARC meetings and was paid USD 2,100. However, there was no appointment letter to justify her participation in these meetings.

Further, her appointment letter was silent on her honorarium rate. Therefore we could not verify her payments for FRACC meetings attended.

3.6.2.9. Prof. Amina Abubakar

As indicated in, **Section 3.6.1.2.3**, Prof Abubakar was nominated as the Acting Treasurer in May 2018 following the passing away of the Late Prof Makawiti. In December 2018, the GC Members resolved to recommend to the General Assembly the confirmation of Prof Amina Abubakar into the position of Treasurer for the remaining term of office which ends in the year 2020.

Prof Abubakar was invited¹⁰⁵ to serve as an ex-officio member of FRACC on 10 May 2019.

From our review of the FRACC minutes, we noted that Prof Abubakar attended seven meetings and was paid **USD 4,705**. This is as shown below.

Table 65: Prof Abubakar's honoraria

Appointment Letter	Minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
The appointment letter had expired in December 2016 We have not been provided with a renewal and terms of pay	10 th ARC Meeting	24 – 25 September 2018	400	No variance
	12 th ARC Meeting	22 February 2019	200 <i>*Paid via petty cash</i>	No variance
	13 th ARC Meeting	22 March 2019	200	No variance
FRACC member from 10 May 2019 The letter is silent on honorarium rate	2 nd FRACC meeting	25 and 26 November 2019	1,910 <i>*USD 200 was paid via petty cash</i> <i>*USD 1,710 was paid via bank</i>	<ul style="list-style-type: none"> • USD 1,400 for attendance of 2nd FRACC Meeting. USD 200 was paid via petty cash while the USD 1,200 was paid via bank less 5% withholding tax. • USD 600 was honoraria paid for attending GC meeting held on 12, 13 and 14 December 2019. Honorarium paid less 5% withholding tax
	3 rd FRACC meeting	19 and 20 May 2020	1,330	Honorarium paid less 5% withholding tax

¹⁰⁵ Annexure 91 Appointment letter for Prof Abubakar

Appointment Letter	Minutes	Dates	Amount paid as per Bank Statements (USD)	Explanation for variance
	FRACC Virtual meeting	May 2020	665	Honorarium paid less 5% withholding tax
	FRACC Consultative meeting	3 June 2020	-	No payment was made to any FRACC member for this particular meeting.

The honorarium rate for Prof Abubakar is not stated in her appointment letter or any of the GC minutes. Therefore, we could not determine the correctness of her payments being USD 3,905.

3.7. Endowment Fund

3.7.1. Background

The endowment fund was set up in 2001 after AAS received a donation from the Government of Nigeria under the leadership of the then President, his Excellency Olusegun Obasanjo.

3.7.1.1. Funds donated by Government of Nigeria

As per the letter dated 22 January 2003 from Prof. G. B A. Okelo, who was the then Secretary General and Acting Executive Director of AAS, (Prof Okelo)¹⁰⁶ to Hon. Prof. Turner T. Isoun, the Minister of Science and Technology in Nigeria (Prof Isoun), Prof Okelo confirmed that AAS had received as total of USD 4,561,795.56 from the Government of Nigeria and the money had been invested in the Bank of Scotland.

According to the minutes of the 27th GC meeting¹⁰⁷ held on 16 -17 January 2013, Prof. Ahmadou. L. Ndiaye, the AAS President at the time (Prof Ndiaye), asked for information on the evolution of the endowment fund since the time it was invested. This was because the initial amount was thought to be USD 5 million. However, what was transferred to the Bank of Scotland was USD 4.7 million.

We established that there was conflicting information on how much was donated by the Government of Nigeria. As per the letter dated 22 January 2003 from Prof Okelo to Prof Isoun, AAS had received USD 4,561,795.56 whereas minutes of the 27th GC meeting held on 16 -17 January 2013 indicate that USD 5 million had been received.

At the time of this report, we had not received Bank of Scotland account statement for January 2003 and thus could not determine the exact amount that was transferred.

3.7.1.2. Funds received transferred from the Bank of Scotland to NCBA Bank (Formerly NIC Bank)

From our review of the Bank of Scotland bank statement for March 2009, USD 4,731,880.54 less bank charges of USD 162.52 was transferred to AAS NCBA Bank USD account on the 11 March 2009.¹⁰⁸ The funds were received on 12 March 2009 as per the NCBA Bank USD statement.¹⁰⁹

3.7.1.3. Movement of endowment Fund after transfer to NCBA Bank

As per the NCBA USD bank statement, USD 4,548,590 was invested fixed deposit and endowment fund between April 2009 and May 2009 as shown in the table below:

¹⁰⁶ Annexure 92 Endowment Fund Letter Dated 22 January 2003
¹⁰⁷ Annexure 93 Minutes of the 27th GC meeting
¹⁰⁸ Annexure 94 Bank of Scotland March 2009 Bank Statement
¹⁰⁹ Annexure 95 NIC Bank March 2009 Bank Statement

Table 66: Movement of funds

Date	Details	Reference	Amount (USD)	Total (USD)
11 March 2009	Amount received from Bank of Scotland			4,731,880.54
6 April 2009	AAS Endowment	Cheque Number 44	1,819,436.00	
17 April 2009	Fixed Deposit	FD1-559	909,718.00	
19 May 2009	AAS Endowment	Cheque Number 45	1,819,436.00	4,548,590.00
			Variance	183,290.54

According to an extract of the minutes of the combined 30th Executive Committee and 23rd GC Meeting¹¹⁰, it was approved that USD 183,290 be retained for the operation of the Academy.

3.7.1.4. Summary of the funds received from Government of Bank Scotland and amount transferred to NCBA Bank USD Account

The table below provides a summary of the funds transferred to Bank of Scotland and the amount received in 2009:

Table 67: Variance between fund received from Government of Nigeria and amount transferred to AAS in 2009

Description	Amount (USD)
Funds received from the Government of Nigeria and invested in the Bank of Scotland.	4,561,795.56
Funds received by AAS on 12 March 2009	4,731,880.54
Difference	170,084.98
Amount being held by Bank of Scotland as per the statement	4,230.93
Variance	174,315.91

3.7.1.5. Recomputation of interest earned

At the time of this report, we had not received Bank of Scotland account statement for the period between January 2003 and February 2009 and thus could not determine the total interest earned during the period.

We reviewed the fixed deposit advices and receipts, bank statements and bank confirmation provided by NCBA Bank, KCB Bank, Bank of Africa, The Cooperative Bank of Kenya and SBM Bank (formerly Chase Bank Limited) from 2011 to 2020 and established that the endowment fund had earned an interest of **KES 223,764,954.18** as per the table below:

Table 68: Interest earned from 2012 to 2020

Year	Recomputed interest KES
2012	24,930,900.24
2013	19,471,692.65
2014	11,686,351.81
2015	31,009,683.02
2016	34,106,437.88
2017	27,824,274.37
2018	32,541,717.74
2019	33,955,301.92
2020	8,238,594.55
Total	223,764,954.18

¹¹⁰ Annexure 96 Extract of the minutes of the combined 30th Executive Committee and 23rd GC Meeting

3.7.1.6. Interest booked in the system

We reviewed the endowment fund report summary prepared by SMT¹¹¹ from 2011 to 2020 and established that the endowment fund had earned a total interest of **KES 287,915,071** as at October 2020. The table below shows the total interest earned from 2011 to 2020.

Table 69: Interest earned from 2011 to 2020

Year	Interest Earned (KES)
2011	24,459,172
2012	33,120,259
2013	35,785,299
2014	26,622,046
2015	30,934,476
2016	34,113,313
2017	27,929,003
2018	32,577,523
2019	33,984,298
2020	8,389,682
Total	287,915,071

3.7.1.7. Variance between recomputed interest and interest booked in the system

Based on our recomputation, we noted that there was a variance of **KES 64,150,116.82** between the recomputed interest and the interest booked in the system. At the time of this report we had not received fixed advices for the following periods:

Table 70: Fixed advices not provided for our review

Period	Bank
2011-2012	The Co-operative Bank of Kenya
2011-2014	SBM Bank (Formerly Chase Bank Limited)
2011-2014	Bank of Africa

From our review of the fixed deposit advices we noted that reinvested interest was rolled forward together with the principal amount invested.

3.7.2. Recognition of interest income

Section 2.2.1 of the Finance Policy and Procedures Manual¹¹² states that income shall be recognized when received except for transactions where other methods are required by law. From our review of the fixed deposit advices we noted instances where income from earlier periods in the year was still booked in the following year resulting in the variances as per the table below.

Table 71: Income posted in different periods

Year	Income as per system KES	Income for the year recalculated KES	Variance KES	Comments
2015	9,418,096	261,329	9,156,767	Income for 2014 posted in 2015
2016	18,847,085	8,395,168	10,451,917	Income for 2015 posted in 2016
2017	4,855,904	1,270,429	3,585,474	Income for 2016 posted in 2017
2018	15,234,949	7,346,156	7,888,793	Income for 2017 posted in 2018
2019	11,683,464	5,432,743	6,250,721	Income for 2018 posted in 2019
2020	1,740,628	1,321,581	419,048	Income for 2019 posted in 2020
Total	61,780,126	24,027,405	37,752,721	

¹¹¹ Annexure 97 Endowment fund report summary prepared by SMT dated 14 October 2020

¹¹² Annexure 98 Finance Policy and Procedures Manual

We established that there were inconsistencies in posting of endowment interest income in the system. As per our review of the interest income ledger we noted that interest income is posted as net off withholding tax and the withholding tax is later claimed back. We however noted two instances where the interest income was posted at gross, though the impact was minimal but if the entries are accumulated over a period of time, they could result in overstatement of income.

3.7.3. Utilization of interest earned

From our review of the postings from the general ledger on endowment interest¹¹³ we were not able to determine how the endowment interest income was spent as all the expenditure was posted against the total income. All operational and capital expenses are paid from a central point, the bank and are not allocated to the endowment interest.

We reviewed the endowment fund report summary prepared by SMT from 2011 to 2019 and established that the endowment fund had earned a total interest of KES 279,525,387. KES 55,712,097 was reinvested, and KES 223,813,290 was spent on the AAS CORE expenses. The table below shows the detailed breakdown of the total interest earned, utilized and reinvested from the endowment fund from 2011 to 2019.

Table 72: Breakdown of interest earned, interest spent, and interest reinvested from 2011 to 2019

Year	Interest Earned (KES)	Interest Spent (KES)	Percentage Spent	Interest Reinvested (KES)	Percentage Reinvested
2011	24,459,172	20,336,555	83%	4,122,617	17%
2012	33,120,259	33,120,259	100%	0	0%
2013	35,785,299	35,785,299	100%	0	0%
2014	26,622,046	24,435,812	92%	2,186,234	8%
2015	30,934,476	27,286,050	88%	3,648,425	12%
2016	34,113,313	29,019,098	85%	5,094,216	15%
2017	27,929,003	18,737,318	67%	9,191,685	33%
2018	32,577,523	26,391,856	81%	6,185,667	19%
2019	33,984,298	8,701,045	26%	25,283,253	74%
Total	279,525,387	KES 223,813,290		KES 55,712,097	

3.7.4. Withdrawal from the endowment fund

On 23 June 2006, Margaret Oriaro, Finance In-charge at the time (Ms Oriaro) via email communication, informed Prof Agong, the AAS Executive Director at that time that USD 200,000 was withdrawn from the endowment fund in 2005 to cater for building of the current AAS premises¹¹⁴.

As per the NCBA USD bank statement, USD 155,000 was transferred to the Kenya shillings account to pay for AAS CORE expenses as shown on the table below:

Table 73: Amounts transferred to KES account to pay CORE expenses

Date	Details	Reference	Amount (USD)
06 April 2009	Transfer to Kes Account to pay CORE expenses		40,000.00
29 April 2009	Transfer to Kes Account to pay CORE expenses		70,000.00
28 May 2009	Transfer to Kes Account to pay CORE expenses		15,000.00
10 June 2009	Transfer to Kes Account to pay CORE expenses		30,000.00
Total			155,000.00

¹¹³ Annexure 99 System Extract of the endowment interest ledger

¹¹⁴ Annexure 100 Email communication from Ms Oriaro to Prof Agong dated 23 June 2006

We reviewed the endowment fund summary report dated 14 October 2020 and noted that in between July 2013 and October 2013, KES 8,000,000 was withdrawn from the endowment fund to cover cash flow deficits. As per the minutes of the 28th GC meeting held on 17-18 November 2013, Dr. Kariuki informed the GC members that that AAS had borrowed from the endowment fund to offset the deficit the Academy was facing due to NASAC not paying the money that was owed and that had been budgeted for in 2013.

In 2018, the GC authorized withdrawal of KES 29,474,047 as per resolution five (5) of the 35th GC minutes (signed on 14 June 2018). KES 29,474,047 was withdrawn from the endowment fund to pay the principal amount from tax liability to KRA. The total tax liability was KES 44,702,613 comprising of principal KES 29,474,047 and interest and penalties of KES 15,228,566.

We were not provided with the Bank of Scotland account statement for the January 2003 to February 2009 and thus could not determine the total withdrawals made.

Non-compliance with the AAS Endowment Fund Guidelines and Policy Document of 2004

- i. Section 4.5 of the policy¹¹⁵ requires that the endowment fund to be audited separately. From our review of the management letters and the audited financial statements we noted that the endowment Fund had not been audited separately from the year 2014 to 2019 and was audited during the annual external audit.

3.8. Overheads charged for AAS projects

The GC requested Deloitte to review overheads charged for AAS projects and how these funds are used.

We reviewed the Cost Recovery policy¹¹⁶ (Approved by FRACC) to determine the definition and treatment of overheads at the AAS. Section 4.2.1 on policy on cost classification states that:

- **The AAS shall classify costs** into 3 broad categories: *Direct Costs, Direct Allocable (DA) and Indirect Costs/Overheads*.
- **Indirect costs/Overhead** - consists of costs incurred centrally for the benefit of common or joint objectives for the AAS that ultimately benefit all projects. They are not directly related to any single project or activity but are a necessary part of the costs of undertaking the project or activity.
- For the AAS, Indirect costs shall further be classified into **5 subcategories** for ease of administration:
 - i. **Central Support Functions (CSF) costs** – these are costs of functions or departments that provide services across the AAS and its projects. They include the ED’s office, finance, legal, human resources, IT and software, office administration, communications etc.
 - ii. **Estate and Premises** – these are costs of buildings and utilities for operating the AAS physical locations. They include rent, depreciation, repairs, insurance, security etc.
 - iii. **Office Consumables** – these are costs of items used up in the AAS office operations. They include printing and kitchen supplies.
 - iv. **Governance** – these are costs of providing oversight to the AAS. They include Board costs and Institutional audit.
 - v. **Strategy & Fundraising** – these are costs that help achieve strategic objectives and resource mobilization. They include strategy, institutional marketing and branding.

¹¹⁵ Annexure 101 AAS Endowment Fund Guidelines and Policy Document of 2004

¹¹⁶ Annexure 102 Cost Recovery policy

Section 8 on Cost recovery based on funder overhead recovery rates states that:

- Where AAS has signed grants with an overhead recovery rate, AAS shall charge the rate on the direct expenditure incurred during the period of the grant. The resulting amount shall be the indirect cost amount for the grant for that period.
- AAS shall recognize the amount as unrestricted Income and charge the grant. The accounting treatment shall be:
 - Debit:** The grant with Indirect/Overhead costs
 - Credit:** Unrestricted Income
- This will then be followed by charging actual incurred indirect/overhead costs of the grant against the unrestricted income.
- The difference between the unrestricted income recognized and actual expenditure incurred shall be the surplus or deficit on the grant for the period under consideration.

3.8.1. AAS Funded Projects

From 2015 AAS has had **46** funded projects. Currently **28** funded projects are open, **16** are closed and **2** are in the pipeline. For our review, we selected a sample of **15** projects across different funders for the last three years.

Table 74: Sampled funded projects

Award	Funder	Grant Period	Year Reviewed
BMGF GCA - Innovators Grant	BMGF	2016-2022	2017
WT AESA CORE Funding	WT	2015-2020	2017
WT H3AFRICA	WT	2016-2021	2017
WT RSM(Research Management Grant)	WT	2017-2019	2017
GCA-SIDA	SIDA	2018-2022	2018
CC RISE Post-Doctoral Grant	CC NY	2017-2020	2018
DFID CIRCLE	DFID	2014-2018	2018
Kevin Marsh Excellence Fund	KMEF	2018-2020	2018
BMGF-Clinical Trials Database	BMGF	2019-2022	2018
GCA-Mother Neonatal & ChildHealth	BMBF (Germany)	2019-2022	2019
NIH CARI - APTI Grant	NIH	2018-2020	2019
CR4D - Wisser Grant	ECA/DFID	2018-2020	2019
WT DELTAS-GRANT	WT	2016-2021	2020
RS - FLAIR (Future Leaders African Independent Research Fellowship)	RS	2019-2021	2020
GFGP Phase III	IKEA	2018-2022	2020

3.8.2. Overheads

From discussions held with Ms Ngugi, 85 % of overheads are supported by AESA CORE and the other 15% is recovered from grants.

Based on our review of the grant contracts,¹¹⁷ we established that some grants apportioned a percentage of their total funding to indirect costs. For example, Wellcome Trust DELTAS apportioned 3% overhead on DELTAS Direct Grant funds.

3.8.2.1. Cost Types

The accounting system currently used by AAS is called Microsoft Dynamic Serenics. It is a fully integrated accounting system that covers the finance and human resources operations. Costs within the system are categorized using unique dimensions, the Financial Management System (FMS) provides

¹¹⁷ Appendix 4 Analysis of grant contracts for the 15 sampled grants

a maximum of as 8 dimensions by which a cost can be tracked, and currently AAS utilizes six (6) dimensions as listed below:

- i. Funder
- ii. Cost Type
- iii. Activities
- iv. Cost Unit
- v. Cost Centre
- vi. Grantee

As per the Finance policy and procedures manual “COST TYPE” are standard cost categorization which The AAS use for grant reporting. Examples include direct overhead costs, allocated overhead or travel.

From our review of ledgers in Serenics we identified the following as the major cost categories for overhead cost. *The personnel cost is only for those staff members whose costs are not directly charged to a project e.g. the support staff.*

Table 75: Cost category for Indirect/Overheads

Cost Category	
1. Personnel Cost	2. Taxes
3. Capital costs	4. Professional Services Costs
5. Land, Building, Maintenance costs	6. Financial Costs
7. Communication and IT maintenance	8. Operational Travel
9. Vehicle Maintenance and Insurance	10. Governance Costs
11. Equipment and Generator Running costs	12. Grant Awards
13. Supplies and Service Cost	

3.8.2.2. Overheads Expense breakdown

We reviewed the expense ledger¹¹⁸ to determine the major expenses charged to indirect costs. The table below provides a summary of the expenses charged to overheads from 2017 to 2020

Table 76: Overhead cost category summary 2017 – 2020

Indirect/Overhead Expenses	Amount (USD) 2017	Amount (USD) 2018	Amount (USD) 2019	Amount (USD) 2020
Total Property, Plant and Equipment	25,577.99	(227,598.62)	83,571.51	9,738.78
Total Intangible Assets	0.00	4,331.10	0.00	0.00
Total Personnel	157,289.86	309,765.81	381,383.93	218,560.43
Total Land Building and Maintenance	8,793.13	3,887.24	11,185.41	218.85
Total Communication and It Maintenance	24,436.77	48,041.58	23,212.77	21,763.98
Total Vehicle Maintenance and Insurance	4,913.11	4,809.03	12,122.04	1,194.37
Total Equipment and Generator Running Costs	481.55	1,321.58	176.26	149.94
Total Supplies and Services	33,260.29	74,980.95	53,194.81	32,784.34
Total Taxes	35,732.24	228.59	423,249.30	(615.41)
Total Losses/Gains	(4,660.91)	42,716.98	(11,415.15)	0.00
Total Professional Services	51,003.64	138,924.07	105,714.52	34,301.27
Total Financial Expenses	11,190.75	15,168.85	22,472.83	16,205.15
Total Operational Travel	22,470.58	92,394.34	78,504.91	13,266.04
Total Governance	0.00	70,838.74	70,370.32	15,720.00

¹¹⁸ Annexure 103 AAS Expense ledger 2017-2020

Indirect/Overhead Expenses	Amount (USD) 2017	Amount (USD) 2018	Amount (USD) 2019	Amount (USD) 2020
Total Depreciation	0.00	0.00	0.00	0.00
Total Indirect Costs Allocation	0.00	0.00	0.00	0.00
Total Conferences and Workshops	62,415.69	102,228.19	39,605.19	(1,052.20)
Total Policy and Grant Subawards	1,000.00	15,000.00	10,000.00	2,500.00
Total Expenses	433,904.69	697,038.43	1,303,348.65	364,735.54
Amount from our analysis of the general ledger	433,904.69	697,038.43	1,354,861.43	351,381.81
Variiances	0.00	0.00	51,512.78	(13,353.73)

The variance in 2019 was related to the accumulated depreciation for motor vehicle and computer & IT costs that were included in the cost by category total. Ms Ngugi explained that noncash based expenses such as depreciation, accumulated depreciation are posted in a separate fund called 'Non-Cash Fund'. As for 2020, Ms Ngugi explained that there may have been requests post data which resulted to the variance.

3.8.2.3. Segregation of duties

We conducted a systems walkthrough of Microsoft Dynamic Serenics to establish if there was segregation of duties when posting expenses to overheads. We established that:

- Adjusting entries to overhead accounts are not reviewed by an independent member of management since the system that covers finance is purely for the finance team. A staff member who mis-posts and would want to adjust an entry to the right project code can initiate the reversal or request the operation team to do it for them and then the process follows the normal approval procedure.
- The system has various fields for separation of duties (maker-checker) and approval thresholds¹¹⁹. The Financial Accountant (FA) can only approve transactions less than \$4,000 and anything above that is approved by the Head of Finance (HOF).
- The FA can be granted the HOF rights on the system on acting capacity when the HOF is on leave. This access has to be approved before the rights are granted by the IT team.
- We however noted that those with approval rights can initiate and approve their posting. We contacted the vendor (Techno Brain) and they also confirmed this as the case. This poses a high risk to the AAS.

3.8.2.4. Indirect Cost Recovery (Overhead) Comparison

We carried out a comparison for the indirect cost recovery (overhead) from 2017 to 2020. From our review of the indirect cost recovery ledger, we observed that the indirect cost recovery increased significantly between 2017 and 2018.

Table 77: Indirect cost recovery comparison

Indirect Cost Recovery 2017-2020 Comparison				
Year	2017	2018	Variance	%
Amount (USD)	145,219.97	454,973.63	309,753.66	213%
Year	2018	2019	Variance	%
Amount (USD)	454,973.63	807,942.18	352,968.55	78%

¹¹⁹ Annexure 104 Screenshots of Serenic rules

Year	2019	2020	Variance	%
Amount (USD)	807,942.18	348,608.86	(459,333.32)	-57%

Ms Ngugi explained to us that the increase could be attributed to the following:

- AAS signed a lot of grant agreements which had indirect cost in 2017 with majority of implementation starting in 2018,
- AAS claimed indirect income based on expenses incurred under each grant.
- Additional grants disbursed resulted in increased expenditure thus reflecting high recovery.

3.8.2.5. Expenses Funded by Indirect cost (Overhead)

We also conducted a comparison to determine if significant overhead variances are analysed both within and across time periods to identify anomalies. From our review of the expense ledger, the total expense increased significantly between 2018 and 2019.

Table 78: Total expenses funded by indirect cost/Overhead

Total expenses Funded by Indirect cost (overhead)				
Year	2017	2018	Variance	%
Amount (USD)	433,904.69	697,038.43	263,134	61%
Year	2018	2019	Variance	%
Amount (USD)	697,038.43	1,354,861.43	657,823	94%
Year	2019	2020	Variance	%
Amount (USD)	1,354,861.43	351,381.81	(1,003,480)	-74%

Ms Ngugi stated that:

- There was an Increase in programmatic activities which meant an increase in expenses due to staff increase.
- The demands from support staff equally increased.
- Other support costs such as utilities (water, electricity, internet, kitchen supplies etc.) increased.
- AAS charge 15% salary of support staff to indirect cost which means, annual increases also reflect as increases on the expenses.

We performed a cost category analysis to determine the costs that increased and noted that personnel costs have been increasing significantly since 2017 (see section 3.8.2.2 above). Other costs where we noted an increase include, professional services, operational travel and taxes.

3.8.2.6. Expense verification

From the expense reports provided for the 15 sampled grants, we sampled **610** expenses¹²⁰ and verified the payments by comparing the expenses captured in the system and the supporting documents provided. We established the following:

Table 79: Findings from our review

Summary of findings	No of documents Reviewed	Total in USD
Expenses properly supported	400	1,351,820.95
Expenses with insufficient supporting documents	50	859,703.45

¹²⁰ Appendix 5 Overhead expense summary findings

Summary of findings	No of documents Reviewed	Total in USD
Documents provided with issues (2018 documents being posted in 2020, supporting documents attached to wrong transactions, double payments and wrong cost allocation) ¹²¹	6	3,162.45
Expenses whose documents were not provided for review	23	29,075.30
Samples redacted as they were reversals and not double payments	131	-
Total	610	2,243,762.15

¹²¹ Annexure 105 Supporting documents for double payments and late posting

3.9. Annual budgets

We reviewed the budgets from 2017 to 2020¹²² and noted that budgeted income had increased from USD 8,616,052 in 2017 to 47,423,071 in 2020, an increase of 450% over the four year period. The highest increase in the expenditure is on expense lines supplies and service costs (increased by 22620%), staff travel increased by (13454%), Grant Awards/Policy and Advocacy (825%), Land building maintenance costs (815%), Professional Services Costs (678%) and Indirect Costs (437%). The table below shows the detailed increase or decrease of expenditure for the four year period.

Table 80: Four year comparison of the AAS budget

Budget Categories	Total Budget 2020	Total Budget 2019	Total Budget 2018	Total Budget 2017	Increase/ Decrease 2017-2020	Percentage increase/ decrease
Income	47,423,071.00	44,647,507.00	29,009,123.00	8,616,052.00	38,807,019.00	450%
Expenditure						
Personnel Costs	4,996,720.00	4,665,015.37	2,734,260.50	1,953,558.58	3,043,161.42	156%
Capital Costs	390,150.00	420,836.00	87,400.00	111,000.00	279,150.00	251%
Land Building Maintenance Costs	167,429.00	310,000.00	134,700.00	18,294.80	149,134.20	815%
Communications, IT & Vehicle, Equipment Maintenance	411,532.00	392,184.00	159,300.00	117,937.89	293,594.11	249%
Equipment and Generator Running Costs	-	42,000.06	27,000.06	24,074.36	- 24,074.36	-100%
Supplies and Services Costs	413,366.00	3,717.64	2,517.64	1,819.42	411,546.58	22620%
Professional Services Costs	2,407,316.00	551,724.67	265,103.01	309,252.98	2,098,063.02	678%
Financial Costs	30,600.00	895,760.00	950,315.32	637,817.84	- 607,217.84	-95%
Staff Travel	740,572.00	73,922.72	6,500.00	5,463.83	735,108.17	13454%
Indirect Costs	1,909,942.00	854,193.96	572,174.98	355,613.54	1,554,328.46	437%
Governance Costs	154,320.00	2,015,998.33	412,617.35	501,956.51	- 347,636.51	-69%
Conferences and Workshops Costs	4,087,965.00	3,955,822.50	1,286,530.66	1,149,472.37	2,938,492.63	256%
Grant Awards/Policy and Advocacy	31,713,160.00	30,454,337.00	22,392,120.14	3,428,800.00	28,284,360.00	825%
Total Expenses	47,423,072.00	44,635,512.25	29,030,539.66	8,615,062.12	38,808,009.88	394.77

¹²² Annexure 106 Annual Budgets from 2017 to 2020

Section 4.3 of the finance policy and procedures manual requires that two budgets i.e. **a core budget which is to be funded by endowment income and other income and the programmes budget which is funded by grants** be prepared. From our review of the budgets provided for 2016 to 2020 we noted that two budgets, a core and a programmes budget, are prepared every year. The budgets are then presented to the SMT, FRACC and GC for final approval.

Section 4.2 of the Finance policy and procedures manual requires preparation of financial reports comparing actual expenditure against budget for the operational budget. However, the policy is silent on the expenditure vs actual report of the programmes budget.

3.9.1. 2016 Budget

We reviewed the approved budget for the year 2016¹²³ and noted that it was approved in the 32nd GC meeting under resolution 15¹²⁴. However, we noted a variance between the budget presented in the annexures of the 32nd GC meeting and the budget comparison against the 2017 budget in the report to the GC in the 34th GC minutes¹²⁵ as per the table below:

Table 46: Variances in 2016 budget

Description	Amount USD
2016 budget as per 32 nd GC meeting annexure	4,917,598
2016 budget as per 34 th GC meeting annexure	5,578,137
Variance	(660,539)

3.9.2. 2018 Budget

As per the report presented to the ARC dated 14 March 2019¹²⁶, we noted that the budget vs actual report for 2018 was prepared and explanations for variances were provided for the AAS CORE budget. However there were no explanations provided for the variances between the budget vs the actual expenditure for the programmes budget.

A highlight of the report was included in the 2019 budget presentation and this was approved under resolution six (6) of the minutes of the 37th GC meeting.

The following expenses did not have a specific system code in the AESA Core approved budget of 2018 and the AAS Core approved budget of 2019. At the time of this report, we had not received management comments on how the below funds had been expensed.

Table 81: Expenses not assigned to a specific code

Year	Budget Category	Core Account	Amount USD
2018	President's office	Indirect Costs	10,000
2019	Diversity	Supplies and Services	25,000
2019	President's office	Indirect Costs	20,000

3.9.3. 2019 Budget

We noted the following variances from the comparison between the 2019 actual vs budget report¹²⁷ with the audited financial statements (AFS) as at 31 December 2019¹²⁸.

Table 82: Variance between the actual expenditure and the expenditure as per the AFS

Budget Category	Actual 2019 USD	Expenses as per AFS USD	Variance USD
Personnel costs	3,404,893.55	3,386,285.99	18,607.56
Financial costs	381,964.51	355,894.00	26,070.51
Indirect costs	775,508.32	935,491.00	-159,982.68

¹²³ Annexure 8 Approved budget for 2016
¹²⁴ Annexure 7 Minutes of the 32nd GC meeting and the annexures
¹²⁵ Annexure 10 Minutes of the 34th GC meeting and the annexures
¹²⁶ Annexure 107 Report presented to the ARC dated 14 March 2019
¹²⁷ Annexure 108 2019 actual vs budget report
¹²⁸ Annexure 109 Audited financial statements as at 31 December 2019

Additionally, we noted that there were expenses that had been overspent and underspent. The table below provides a summary of these and management comments for the variance:

Table 83: AAS 2019 Budget and Expenditure

Budget Category	Budget 2019	Actual 2019	Variance	% Spend	% Variance	Management comments
Capital Costs	420,836	69,248	351,588	16%	84%	A budget allocation for borehole fabrication had not been utilised
Land Building Maintenance Costs	310,000	27,555	282,445	9%	91%	Minimal maintenance costs incurred, the initial budget was intended to take care of the refurbishment and other costs.
Indirect Costs	2,015,998	775,508	1,240,490	38%	62%	The indirect costs are based on the level of spending.
Equipment and Generator Running Costs	3,718	1,175	2,543	32%	68%	Electricity had otherwise been consistent through the year; Costs did not exceed budgeted amounts.
Supplies and Services Costs	551,725	262,538	289,186	48%	52%	There had been less spending on supplies than budgeted.
Communications and IT Maintenance	392,184	188,695	203,489	48%	52%	There was no major maintenance in IT in the year, other than the routine and licence renewals.
Professional Services Costs	895,760	1,251,415	(355,655)	140%	-40%	In the year, there was higher than anticipated need for professional services especially for the programs
Financial Costs	73,923	381,965	(308,042)	517%	-417%	These were the routine financial costs that also include the gains on disposal of assets

3.9.4. 2020 Budget

We noted that from the review of the SMT minutes there was no evidence that the 2020 budget was presented to the SMT. There was only an update on the meeting held on the 22 January 2020¹²⁹ that the 2020 budget had been approved by the GC. However the minutes of the 39th GC meeting¹³⁰ had not been signed thus it was not possible to ascertain the approval of the 2020 budget.

From our review of the 2020 budget¹³¹ we also noted that the budget had been based on the 2019 budget. We compared the actual expenditure in 2019 from the budget vs actual report with the budget in 2020 and noted areas where there were variances. The table below shows the detailed comparison of the 2020 budget and the 2019 actual expenditure:

¹²⁹ Annexure 110 Minutes of the SMT minutes held on 22 January 2020

¹³⁰ Annexure 24 Minutes of the 39th GC meeting

¹³¹ Annexure 111 2020 AAS Budget

Table 84: Comparison between 2020 budget and 2019 actual expenditure

Budget Category	Budget 2020	Actual 2019	Variance
Personnel Costs	4,996,720	3,404,894	1,591,826
Capital Costs	390,150	69,248	320,902
Land Building Maintenance Costs	167,429	27,555	139,874
Communications, IT & Vehicle, Equipment Maintenance	411,532	213,800	197,732
Supplies and Services Costs	413,366	262,538	150,828
Professional Services Costs	2,407,316	1,251,415	1,155,901
Financial Costs	30,600	381,965	-351,365
Staff Travel	740,572	604,901	135,671
Indirect Costs	1,909,942	775,508	1,134,434
Governance Costs	154,320	119,661	34,659
Conferences and Workshops Costs	4,087,965	2,029,790	2,058,175
Grant Awards/Policy and Advocacy	31,713,160	27,231,456	4,481,704
Total	47,423,072	36,372,730	11,050,342

We noted that Prof Dakora, in a letter dated 16 January 2020 addressed to the members of the GC, expressed his concerns to the GC members about the 2020 budget and the following issues were raised as per the reports under the 2020 budget¹³². Responses to the issues raised were indicated in a document titled “Responses to the AAS Presidents Budget Queries”¹³³. As per the document properties, the document was created by Mr Thuku on 26 January 2020 and last modified by Ms Ngugi on 28 January 2020.

Table 85: Concerns raised by the AAS president on the 2020 budget and the responses provided

President’s Queries	Responses
Progression of staff salaries: Request for salary information of all Secretariat staff from 2017-2019	Salaries for all staff and progression of salaries provided from 2017 to 2019
Clarification on allocation of the ED’s Salary: clarification on whether the ED’s salary and other senior managers salaries are drawn from the endowment fund.	No salaries are drawn from the Endowment Fund. Salaries are allocated to AAS Core and Programmes
Progression in growth of the AAS budget: Request for previous budgets from 2014 to 2019 including salaries drawn from the endowment fund for the same period	Budgets Growth summary over for the period 2015 to 2019 provided.
4% salary increase requested in the 2020 budget	Cost of Living Adjustment of 4% increment (not a salary increase)
4% salary increase requested in the 2020 budget whether it across the board for both junior and senior staff and reasons for the increase	Making salary increase equitable across board, which is still work-in progress for the 2020 salary review

¹³² Annexure 112 Letter to GC from AAS President

¹³³ Annexure 113 Responses to the AAS President’s Budget Queries

President's Queries	Responses
Bloated travel budget of 0.7million USD : The President requested for breakdown of travel costs for senior management	The 2020 Budget is a 16% increase of the 2019 actual travel expenses (USD639K) this is only 2% of the overall 2020 budget (USD47.4M). Senior staff travel provided.
Request for Refurbishment of building(s) in the 2020 budget: a breakdown of cost, as well as justification and source of the funds	Quotation provided on how costs were estimated. Budgeted amount for Office Refurbishment is USD 200,429: AAS CORE contribution of USD 86,600 and AESA CORE contribution of USD \$133,829.
Appointment of new staff in the 2020 budget: whether internal skills assessment was done to check that hiring of new staff is necessary	Projected positions to be filled in 2020 were derived from the different program implementation work plans.
Clarification on how many FRACC members did not recommend the 2020 budget and the reasons provided for not recommending the 2020 budget	FRACC discussed the budget in a physical meeting and virtually all queries had been responded to.
Provision of minutes of the FRACC Meeting that approved the 2020 budget	Minutes to be provided once confirmed by the FRACC Members.
Clarification on unspent funds that had been allocated for the 2019 AGM	In 2019, priorities were meeting the regular expenses and replacing funds withdrawn from the endowment fund to pay the tax liability.

No further communication on this matter was availed to us.

3.10. Internal and external auditors' reports

3.10.1. Internal audit reports

Section 4.5.2 of the Finance Policy and Procedures Manual¹³⁴ requires that internal audits are done regularly. However, it is silent on the frequency of internal audits to be carried out during each financial year. In addition, it requires internal audit reports to be presented in FRACC by the Executive Director and the Head of Finance and Grants. As per our review of the FRACC minutes, we noted that AAS complied with this requirement as outlined in section 4.5.2. of the Finance Policies and Procedures Manual.

AAS has outsourced the internal audit function to KPMG. As per the letter of engagement dated 2 June 2016¹³⁵, KPMG was appointed on the 4 May 2016. We established that eight (8) audits had been done between February 2017 and March 2020. However, the audit plan¹³⁶ provided for four (4) audits for each phase for each financial year, therefore a total of 12 audits should have been done during that period.¹³⁷

¹³⁴ Annexure 98 Finance Policy and Procedures Manual

¹³⁵ Annexure 114 Letter of engagement dated 2 June 2016 appointing KPMG as the Internal Auditors

¹³⁶ Annexure 115 Audit plans

¹³⁷ Annexure 116 Extract of proposed schedule of audits.

The review covered the following areas: governance, grants management, monitoring and evaluation, resource mobilization, communication, finance, procurement, human resource and IT.

We reviewed the eight (8) internal audit reports and noted that there was consistency in the issues being reported and the implementation of the issues noted. However there were issues that were due for implementation as of June 2020. As the time of this report the June 2020 internal audit review had not yet been done.

The table below provides a summary of the implementation of the internal audit issues raised:

Table 86: Status of implementation of internal audit issues

Process	Fully implemented	Partially implemented	Overdue	Not due for follow-up	Total
Communications	0	0	0	1	1
Finance and Administration	0	0	1	0	1
General Information Technology Controls	2	0	0	0	2
Governance and Strategy	7	0	1	6	14
Grants Management	3	0	0	2	5
Fellows and Affiliates	0	0	3	0	3
Human Resources and AESA	0	0	0	1	1
Procurement	1	0	0	0	1
Resource mobilisation	1	1	0	0	2
Monitoring and evaluation	0	1	0	0	1
Fully implemented by September 2019	42	0	0	0	42
Total	56	2	5	10	73
Percentage as at January 2020	77%	3%	7%	14%	100%
Percentages as at November 2019	74%	7%	9%	9%	100%
Percentages as at June 2019	36%	58%	6%	0%	100%

From our review we also noted the following issues that had been recurring in the management letter reports from which are also included in the internal audit review:

- Lack of a tax exemption certificate - On the 10th of November 2020, AAS received a letter from KRA awarding them tax exemption status back dated to the 24th of July 2018 for 5 years¹³⁸. The tax exemption certificate was to be provided later. As at the time of reporting only a scanned copy of the letter had been provided for review.
- Failure to follow up on change of bank signatories - The late Professor Dominic Makawiti was still included as a signatory the issue being indicated as partially resolved. Management has not yet confirmed whether it has been fully resolved
- Lack of well-designed financial statement close procedures - the issue was raised in the 2017 audit and repeated in 2019
- Inadequate data centre controls - the issue has been indicated as partially resolved.
- Weakness in back up process - the issue has been indicated as partially resolved

3.10.2. External audit reports

Ernst & Young LLP, the external auditors, signed off the audited financial statements as at 31 December 2019 on 30 June 2020¹³⁹. They issued an unmodified opinion.

¹³⁸ Annexure 117 Letter from KRA dated 21 October 2020

¹³⁹ Annexure 118 Signed off the audited financial statements as at 31 December 2019

We reviewed the audited financial statements from 2013-2019¹⁴⁰ and the system trial balances from 2016-2019 and we noted the following key issues from 2017-2019 as below:

- i. Interest amounting to USD 339,570 (KES 34,534,253.93) was passed off the system for financial presentation purposes in the audited financial statements (AFS) as at 31 December 2019. As per our review of the NCBA KES bank statement for 2019 and 2020 we noted that the interest from the Endowment fund portion invested in NCBA bank had matured and was credited to the AAS NCBA current account on the 31 of December 2019 and transferred to the endowment fund on the 2 of January 2020. The amount was only adjusted in the financial statements for financial presentation purposes and not in the accounting system resulting in variances between the cash and cash equivalents and endowment fund as per the AFS and the system trial balance as per the table below:

Table 87: Journals passed off the system

Account description	Balance as per audited financial statements 2019	Balance as per 2019 trial balance	Variance
	USD	USD	USD
Endowment investment	3,675,192	3,335,623	339,569
Cash at bank	4,926,364	5,265,934	-339,570

- ii. There were variances noted in the below accounts between the audited financial statements and the system trial balance that had not been resolved as at the time of this report

Table 88: Unreconciled variances between the AFS and the system trial balances - 2017

Account description	Balance as per audited financial statements 2017	Balance as per 2017 trial balance	Variance
	USD	USD	USD
Foreign exchange losses	74,275	74,529	-254
Taxes	53,447	51,076	2,371
Other incomes	48,111	15,413	32,698

Table 89: Unreconciled variances between the AFS and the system trial balances - 2018

Account description	Balance as per audited financial statements 2018	Balance as per 2018 trial balance	Variance
	USD	USD	USD
Other administrative costs-withholding tax not recoverable	250	-	250
Other income	83,178	82,944	234

Table 90: Unreconciled variances between the AFS and the system trial balances - 2019

Account description	Balance as per audited financial statements 2019	Balance as per 2019 trial balance	Variance
	USD	USD	USD
Deferred income	13,702,652	13,729,202	-26,550
Retained earnings	55,927	29,374	26,553

- iii. Tax payable to KRA is not maintained in the system

We reviewed the management letters from 2014-2019¹⁴¹ and noted that the following issues were recurring:

¹⁴⁰ Annexure 119 Audited financial statements from 2013-2019

¹⁴¹ Annexure 120 Management letters from 2014-2019

- Lack of a tax exemption certificate
- Failure to follow up on change of bank signatories
- Lack of well-designed financial statement close procedures
- Inadequate data centre controls.
- Weakness in back up process

From the review of the AFS we established that although the AFS are prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), there were issues noted with passing journal adjustments off the accounting system, variances between the system trial balance and the AFS and deferred income and tax being maintained off the financial system.

3.11. Management of the project funds

The GC requested Deloitte to review if the overall management of the funds from the Funding Partners adhere to their spending rules.

3.11.1. Compliance with the policies and rules

We reviewed 25 grant policies and contracts to determine the rules put in place for managing the project fund. In addition, we also reviewed the Finance Policy and Procedures manual and procurement guidelines and procedures manual to determine if the approval process adhered to the authorization matrix provided.

The Finance Policy and Procedures manual¹⁴² states that procurement of goods and services above \$10,001 must be approved by the ED. The table below provides a summary of the approval levels:-

Table 91: Approval Matrix from finance policy and procedures manual

PROCUREMENT OF GOODS & SERVICES			
Procurement request	Any Staff	Budget Holder	Finance
Requisitions	Procurement Officer with technical input from BH	Budget Holder	HOFG
-Below \$500	Procurement Officer with technical input	Budget holder(BH)	HOFG
-Between \$ 500 and \$5,000	Procurement Officer with technical input	Budget holder(BH)	HOFG
-Between \$5,001 and \$10,000	Procurement Officer with technical input	Budget holder(BH)	HOFG
-Between \$10,001 and \$100,000	Procurement Officer with technical input	Budget holder(BH)/ HOFG	ED
-Between \$100,000	Procurement Officer with technical input	Budget holder(BH)/ HOFG	ED
-Above \$100,000	Procurement Officer with technical input	Procurement committee/ Head of HR & Operations	ED
Acknowledgement of receipt of services	Procurement Officer with technical input	Budget Holder (BH)	HOF

We noted that for 37 out of 610 transactions reviewed, approvals were done but not as per the requirement outlined in the Finance Policy and Procedures manual. These transactions amounted to USD 1,585,877.09 and are summarized in the table below:

¹⁴² Annexure 98 Finance Policy and Procedures Manual

Table 92: Transactions without requisite approvals¹⁴³

No.	Description	USD	Approver	Document
1	Flight June 2017	14,480	Ms Ngugi	Purchase order
2	Flight July 2019	54,573	Ms Ngugi	Payment Voucher
3	Conference April 2018	50,038	Ms Ngugi	Payment Voucher
4	Flights June 2019	20,580	Ms Ngugi	Payment Voucher
5	Business class travel - Thomas Kariuki	8,790	Ms Ngugi	Payment Voucher
6	Conference Feb 2018	50,038	Ms Ngugi	Payment Voucher
7	Flights October 2017	17,068	Ms Ngugi	Payment Voucher
8	Flights January 2018	36,514	Ms Ngugi	Payment Voucher
9	Flights June 2017	92,958	Ms Ngugi	Payment Voucher
10	Flights June 2017	11,465	Ms Ngugi	Payment Voucher
11	Business class travel - Thomas Kariuki	915	Ms Ngugi	Purchase order
12	Business class travel - Thomas Kariuki	8,620	Ms Ngugi	Purchase order
13	Accommodation May 2019	100,000	Ms Ngugi	Payment Voucher
14	Accommodation July 2019	214,590	Ms Ngugi	Payment Voucher
15	Flights Jan 2018	36,514	Ms Ngugi	Payment Voucher
16	Flights April 2018	70,216	Ms Ngugi	Payment Voucher
17	IT June 2020	11,400	Ms Ngugi	Payment Voucher
18	Travel May 2020	19,481	Ms Ngugi	Payment Voucher
19	Consultancy April 2020	27,596	Ms Ngugi	Payment Voucher
20	Accommodation Nov 2018	94,050	Mr Otiwu	Payment Voucher
21	Accommodation Sept 2019	13,680	Mr Otiwu	Payment Voucher
22	Flights Nov 2019	17,705	Mr Otiwu	Payment Voucher
23	Accommodation Dec 2019	21,310	Mr Otiwu	Payment Voucher
24	Seed Grant	46,954	Ms Ngugi	Payment Voucher
25	Housing Allowance May 2020	22,174	Ms Ngugi	Payment Voucher
26	IT March 2020	15,000	Ms Ngugi	Payment Voucher
27	Flights Nov 2017	81,533	Ms Ngugi & Ms. Akinyi	Payment Voucher
28	Accommodation Dec 2017	32,827	Rosemary	Payment Voucher
29	Accommodation Dec 2017	18,372	Ms Ngugi	Payment Voucher
30	Flights Nov 2017	18,905	Ms Akinyi	Payment Voucher
31	Reimbursements Jan 2018	10,088	None	Imprest Expense report
32	IT June 2020	17,148	Ms Ngugi	Payment Voucher
33	Interior Design Oct 2017	20,491	Ms Ngugi	Payment Voucher
34	AAS 3rd Disbursement request	155,000	Ms Ngugi	Journal Batch
35	Accommodation Nov 2017	65,008	Ms Ngugi	Payment Voucher
36	Interior Design Oct 2017	38,937	Ms Ngugi	Payment Voucher
37	Office Renovations	50,858	Ms Ngugi & Ms. Akinyi	Payment Voucher
	Total	1,585,877.09		

Ms Ngugi explained that they have been using the procurement guidelines and procedures manual¹⁴⁴ threshold as the basis for approval which states that procurement of good and services between **\$10,001** and **\$100,000** can either be approved by Head of Finance and Grants (HOFG), Executive Director (ED) or the Director of Programs (DP).

On the other hand, Section 5.15.1 of the procurement manual directs users to '*refer to the finance manual on authorization matrix for more details*'.

¹⁴³ Annexure 121 Supporting documents for transactions without requisite approvals

¹⁴⁴ Annexure 122 Procurement guidelines and Procedures manual

AAS should align the Finance and Procurement policy so that only one set of approval matrix threshold is in use.

3.12. Kevin Marsh Donation

3.12.1. Background

According to an article titled *'Inaugural Al-Sumait Prize winner donates entire one million dollar prize to African Science Development'*¹⁴⁵ that was published on Al-Sumait website on 24 October 2017, Kevin Marsh, a fellow of the AAS, (Dr Marsh), the recipient of the 2015 Al-Sumait Health Prize for African Development, was awarded one million dollars prize money at a ceremony at the African Arab Summit in November 2016. Dr Marsh donated part of the amount to the African Academy of Sciences Young Affiliates Program.

From our discussion with Dr Marsh, he indicated that he donated USD 400,000 to AAS to help the AAS Affiliates Programme¹⁴⁶ which had no particular donor at the time. The AAS Affiliates programme supports young scholars' professional growth pathways, and nurturing enabling research environments.

3.12.2. Amount donated by Dr Marsh

As per the NIC Bank USD statement, USD 399,990 (USD 400,000 less transfer charges of USD 10) was received on 15 November 2016¹⁴⁷. The amount was transferred directly to AAS by Al-Sumait.

We established that there was conflicting information on how much was received from Dr Marsh. As per a letter dated 11 July 2020¹⁴⁸ from Dr Kariuki, Judy Omumbo, FAAS – Senior Programme Manager (Ms Omumbo) and Dr Marsh to all AAS Fellows, it was indicated that USD 500,000 was received from Dr Marsh whereas the bank statement from NIC bank as at September 2016 showed USD 399,990 (USD 400,000 less USD 10 transfer charges) was received on 15 November 2016.

3.12.3. KMEF Expenditure

We noted that there was no agreement between Dr Marsh and AAS detailing how the donation was to be spent. However there was a letter issued by Dr Marsh providing guidelines on use of the fund¹⁴⁹. The signed version of the letter was not provided for review as at the time of this report.

We reviewed the detailed expenditure report for KMEF and the fund balance report¹⁵⁰ and noted that as at 31 August 2020, **USD 69,222.09** had been spent on personnel costs and other administrative and operating expenses. The table below shows a detailed breakdown of the expenses incurred between 2018 and 2019:

Table 93: KMEF Expenditure

Year	Description	Amount (USD)
2018	Personnel cost	32,555.42
2018	Other administrative and operating expenses	16,235.93
2019	Other administrative and operating expenses	11,031.54
2020	Other administrative and operating expenses	9,389.20
	Total expenses	69,222.09

¹⁴⁵ <https://newsroom.alsumaitprize.org/pressreleases/innaugural-al-sumait-prize-winner-donates-entire-one-million-dollar-prize-to-african-science-development-2229516>

¹⁴⁶ Annexure 123 Affiliates Programme

¹⁴⁷ Annexure 3 NIC Bank Statements – USD & KES for the period 1 Jan 2010 to 18 September 2020

¹⁴⁸ Annexure 124 Letter to GC

¹⁴⁹ Annexure 125 Guideline on KMEF

¹⁵⁰ Annexure 126 KMEF Fund Report

In FY 2019, USD 80,178 had been allocated towards personnel costs however USD 11,031.54 was spent on other operational expenses such as travel, telephone, conferences and there was no evidence that approvals were done to reallocate the KMEF expenditure incurred in 2019.

In FY 2020, the allocated budget was USD 134,158 and as at 30 June 2020 only USD 9,389.20 had been spent. This translates to a burn rate of 7% indicating that there could be shortcomings in meeting the milestones of the fund.

As at the time of this report, we had not been provided with supporting documentation for expenses amounting to **USD 13,268.44**¹⁵¹ as shown in the table below: -

Table 94: Expenses lacking supporting documentation

Period	Number of entries	Amount (USD)
2018	12	5,934.48
2019	19	7,244.76
2020	7	89.20
Total	38	13,268.44

3.12.4. Interest earned

We held discussions with Dr Marsh on 6 November 2020 with the objective of understanding the intended purpose of the donation. Dr Marsh stated that there was an informal agreement between AAS and himself that part of the KMEF will be invested in short term call deposits.

From our review of the NCBA USD call deposit advices and bank statements¹⁵², we established that interest amounting to **USD 34,356.60** had been earned as the fund had been invested in short term call deposits with NCBA bank from the year 2017 to date.

3.12.5. Expected Fund Balance

Based on our review, we established that as at 30 June 2020, the balance of funds from the donation is **USD 365,124.41**. The fund balance as per the fund balance report dated 31 August 2020¹⁵³ as **USD 365,542.37**. As such, there was a variance of **USD 407.96** between the expected fund balance as per the detailed expenditure report. The table below provides a summary of the fund:

Table 95: KMEF Fund Balance

Description	Amount (USD)
Donation received on 15 November 2016 less bank charges	399,990.00
Interest earned	34,356.50
Total	434,346.50
Expenditure incurred between 2018 and 2020	69,222.09
Expected Fund balance	365,124.41
Fund balance as per fund report	365,542.37
Unreconciled variance	(407.96)

¹⁵¹ Appendix 6 Expenses lacking supporting documentation

¹⁵² Annexure 127 NCBA USD call deposit advices and bank statements

¹⁵³ Annexure 128 Fund balance report dated 31 August 2020

4 Appendices

5 Annexures

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