

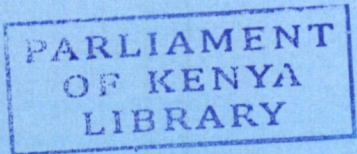
REPUBLIC OF KENYA



Paper laid
By Hon A. Sule, leader
of Majority on Tue
30/5/17



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
GARISSA UNIVERSITY COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2016**





GARISSA UNIVERSITY COLLEGE
(A CONSTITUENT COLLEGE OF MOI UNIVERSITY)

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2016**

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

30 SEP 2016

I. KEY UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT ii

II. THE UNIVERSITY COLLEGE COUNCIL iv

III. MANAGEMENT TEAM vii

IV. CHAIRMAN'S STATEMENT ix

V. REPORT OF THE PRINCIPAL x

VI. CORPORATE GOVERNANCE STATEMENT xii

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT xiv

VIII. REPORT OF THE COUNCIL xv

IX. STATEMENT OF COUNCIL'S RESPONSIBILITIES xvii

X. STATEMENT OF FINANCIAL PERFORMANCE 1

XI. STATEMENT OF FINANCIAL POSITION 2

XII. STATEMENT OF CHANGES IN NET ASSETS 3

XIII. STATEMENT OF CASH FLOWS 4

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 5

XV. NOTES TO THE FINANCIAL STATEMENTS 6

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 17

Table of Content

Page

I. KEY UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

(a) Background Information

The Garissa University College was established on 12th August, 2011 through Legal Notice No. 116, The Moi University Act (Cap. 210A), The Garissa University College Order, 2011. At cabinet level, Garissa University College is represented by the Cabinet Secretary for Ministry of Education Science and Technology (MOEST), who is responsible for the general policy and strategic direction of Garissa University College.

(b) Principal Activities

The principal activity of the Garissa University College is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

(c) Key Management

The Garissa University College's day-to-day management is under the following key organs:

- 1) Principal's Office
- 2) Deputy Principal (Finance, Administration and Planning) Division
- 3) Deputy Principal (Academic and Student Affairs) Division

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

SNo.	Designation	Name	Role
1.	Ag. Principal	Prof. Ahmed Abdikadir Osman	The Accounting Officer and the overall head of the University College.
2.	Ag. Deputy Principal (FAP)	Prof. Hussein Sheikh Adams Golicha	The head of finance, administration and planning division and responsible for financial, human resources, administration, development & infrastructural matters of the University College.
3.	Deputy Principal (ASA)	Prof. Genevieve Atamba Mwayuli	The head of academic division and responsible for academic, research and student affairs of the University College.

(e) Fiduciary Oversight Arrangements

The University College has a Council which provides the overall oversight responsibility on the management of the University College which includes:- recruitment of staff, approval of statutes of the university and cause them to be published in the Kenya gazette, approval of policies, approval of the budget, manage, supervise and administer the University assets;

determine the provisions to be made for capital and recurrent expenditure and for reserves; receive any grants, donations or endowments on behalf of the University College; enter into association, collaboration, partnership or linkages with other entities. Council exercises its governing and operation functions through its established standing committees with clear Terms of Reference. These committees are Audit and Compliance Committee, Human Resource Committee and Finance, Development and General Purpose Committee.

(f) Registered Place of Business

Garissa University College
Main Campus
P.O. Box 1801 - 70100
Garissa University College Building
University Way Road, Off. Kismayu Road
Garissa, KENYA

(g) Contacts

Telephone :(254) 722 583 900
E-mail: principal@garissauniversity.ac.ke
Website: www.garissauniversity.ac.ke

(h) University College Bankers

1. Kenya Commercial Bank
Garissa Main Branch
P.O Box 560 - 70100
Garissa, Kenya
2. Equity Bank
Garissa Branch
P.O. Box 700 - 70100
Garissa, Kenya
3. Barclays Bank of Kenya
Garissa Branch
P.O. Box 1073 - 70100
Garissa, Kenya




(i) Independent Auditors





Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya


(j) Principal Legal Adviser

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





II. THE UNIVERSITY COLLEGE COUNCIL




<p>Council Chairman</p>	 <p>Amb. Dr Hukka Wario B.Ed, M.Ed, PhD</p>	<p>Date of birth- 20/09/1952</p> <p>B.Ed (Nairobi) M.Ed (Nairobi), PhD (Reading)</p> <p>Has over 33 years of work experience. Served as Senior Lecturer Moi University, Ambassador to Zimbabwe, Mozambique, Lesotho, Swaziland and the People's Republic of China; served as Permanent Secretary in the Office of the Vice President Ministry of Home Affairs, Ministry of the East African Community and also in the Ministry of Northern Kenya and other Arid Lands.</p>
<p>Council Secretary/Ag. Principal</p>	 <p>Prof. Ahmed Abdikadir Osman</p>	<p>Date of Birth: 20/01/1960</p> <p>Prof. Ahmed Abdikadir Osman PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University, 2002); M.Ed (Secondary Education, Ohio University, 1997); MA (International Studies, Ohio University, 1997); BA (English & History, Ohio); Dip Ed (English Language & Literature, Siriba Teachers College, 1984)</p> <p>Has over 30 years of work experience. Currently the acting Principal, Garissa University College</p>
<p>Vice Chancellor, Moi University</p>	 <p>Prof. Richard Kiprono Mibey</p>	<p>Date of birth: 12/12/1951</p> <p>B.A (Warren), M.Sc Biology (Appalachian), M.Sc Plant Pathology (Oklahoma), D.Ed Agricultural Education and Extension (Oklahoma), PhD. (Nairobi)</p> <p>Over 37 years of work experience in academics.</p>

Member	 <p>Mrs. Florence Lisa Chelimo</p>	<p>Date of birth: 8/12/1972</p> <p>Graduate with M.Sc. Foods, nutrition and dietetics (Kenyatta university), and MBA Strategic Management (Moi University).</p> <p>Has over 15 years of work experience. Currently working with Teachers Service Commission (TSC) as an Assistant Deputy Secretary, administration department.</p>
Member	 <p>Mr. Julius Mwabu</p>	<p>Date of Birth: 29th November, 1967</p> <p>MSc – Environmental & Information Systems (JKUAT); Professional Master Degree – Applied Geomorphological & Engineering geological Survey (ITC-Netherlands); BSc – Geology (UoN)</p> <p>Over 20 years in work experience in public sector.</p>
Member	 <p>Mr. Salah Abdi Sheikh</p>	<p>Date of Birth: 14/12/1978</p> <p>PhD candidate (JKUAT), MBA Finance (Nairobi), BCom (Nairobi), CPA (K), MKIM</p> <p>Over 10 years of working experience in Auditing, Management Consultancy and Teaching.</p>
Rep. PS National Treasury	 <p>Mr. John Kahugu Munge</p>	<p>Date of Birth: 1959</p> <p>CPA-Experience in Finance, Accounting and Investment</p> <p>Over 20 years of working experience in Public Management, Debt, Investments and Finances.</p>

<p>Rep. PS Ministry of Education, Science and Technology (MOEST)</p>	 <p>Mr. James Muchiri Ndung'u</p>	<p>Date of Birth: 1973</p> <p>Master in Education Planning.</p> <p>Over 14 years of work experience in Education Sector.</p>
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III. MANAGEMENT TEAM

SNo	Name	Key Professional/Academic Qualification	Area of Responsibility
1.	 Prof. Ahmed Abdikadir Osman	<p>PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University); M.Ed (Secondary Education, Ohio University); MA (International Studies, Ohio University); BA (English & History, Ohio);</p> <p>School Administration and Supervision of Instruction</p> <p>Curriculum planning and Development.</p> <p>Over 30 years of experience in Education</p>	Ag. Principal
2.	 Prof. Hussein Sheikh Adams Golicha	<p>PhD (Physics) - Egerton University (1999); MSc (Polymer Physics) – Kenyatta University (1990); Bed (Science) Physics/Maths – University of Nairobi (1984).</p> <p>Over 30 years of experience in teaching/administration</p>	Ag. Deputy Principal (Finance, Administration, and Planning)
3.	 Prof. Genevieve Atamba Mwayuli	<p>PhD- Moi University (2004); M.Phil. - Moi University (1995); B.Ed- University of Nairobi (1984).</p> <p>Environmental Biology(13)</p>	Deputy Principal (Academic and Students' Affairs)
4.	 Dr. Issack Mohamed Noor	<p>PhD (Livestock Production Systems, Egerton University, 2013); MSc (Animal Production, University of Nairobi, 2009); BSc (Animal Production, Egerton University, 1995); Diploma (Animal Health, Egerton University, 1990);</p> <p>Livestock Production Systems</p> <p>Over 33 years of public service experience (with veterinary department; and teaching and research at University).</p>	Registrar (Academic and Students' Affairs)

	 <p>Ms. Cameline Mmbone Muhindi</p>	<p>MBA Human Resources (14)</p>	<p>Ag. Registrar (Finance, Administration and Planning)</p>
<p>6.</p>	 <p>Mr. Iddi Webukha Juma</p>	<p>M.Phil. in LIS (Moi), B.Sc. in IS (Moi). Thesis submitted for the award of D.Phil. in LIS (Moi University), Library and Information Studies</p> <p>Library and Information Studies (15)</p> <p>15 years working experience in Library and Information related sectors both in institutions of higher learning and the civil society.</p> <p>Professional training in Information Science (IT, Media, Publishing and Records Management) with specialization in Library and Information services.</p>	<p>Ag. University Librarian</p>
<p>7.</p>	 <p>CPA Teddy Kiplagat Bett</p>	<p>MBA (Finance)- Kenyatta University, BCom-KCA — University, CPA (K)Professional</p> <p>Accountant with over 8 years' experience in auditing and assurance, Accounting and Finance in both Public and Private Sector.</p>	<p>Ag. Head of Finance Accounting and Finance</p>

IV. CHAIRMAN'S STATEMENT

I am pleased to present this report for the year ended 30 June 2016. This year was another year where the University College made strides in its development.

Garissa University College has continued to grow from strength to strength since its inception in 2011 and subsequent operation in 2013; however, this was dealt a major blow following the heinous attack on 2nd April, 2015, and with Government support, we've sprung back and come out stronger. The University College Council has been focused in ensuring that the necessary learning infrastructure is provided and that qualified academic and administrative staff is recruited.

Despite the existing financial constraints, the Council has to a large extent achieved these objectives through prudent utilization of funds. The University College is still pursuing the acquisition of a larger parcel of land, to be able to roll out some of its programmes and for expansion.

We therefore appeal to the Government to assist in the allocation of more land and increase funding to the ongoing construction of the students hostel complex.

The University College Council is pleased with the efforts of the University College management and the bold strides that the University College has undertaken to enhance the variety and quality of degree programmes offered by the University College.

I would like to further appeal to the Government to consider increasing both our recurrent and capital budgets to enable the University College meet its funding deficit which will negatively impact on the development of the University College.

I thank all our partners, staff and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.



Amb, Dr Hukka L. Wario, PhD, CBS

Chairman, Garissa University College Council

V. REPORT OF THE PRINCIPAL

In line with the requirements of the Universities Act 2012 and Public Financial Management Act 2012, I am pleased to present the Garissa University College Annual Report and Financial Statements for the year ended 30th June 2016.

The University College generated Kshs. 9.5 Million in the year under review from students' fees and other incomes in addition to exchequer grants amounting to Kshs. 270 Million of which Kshs. 32 Million is capital development and Kshs. 238 Million is recurrent expenditure. Notably, the recurrent expenditure grants reduced from the previous financial year of Kshs. 241 Million, while allocation for capital development expenditure was reduced by 75.4% of the previous year from Kshs. 118 Million to Kshs. 29 Million.

The operations of the University College were greatly hampered during the financial year under review following the terror attack on 2nd April, 2015. For the better half of the year, it remained partially operational until 4th January, 2016 when it fully re-opened and embarked on its core business of nurturing talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society. The current student population is 215 and a total of 470 students are expected to report on 5th September, 2016. Staff population stood at 221 at the close of financial year 2015/2016. It is expected to rise to 241 for both academic and administrative staff in the next financial year due to expected recruitment of senior staff in line with the requirement for the Commission for University Education for academic leaders per each program.

During the year, a number of activities were carried out culminating towards the reopening of the institution. Major repairs of hostels which had gun-shot holes on walls and other facilities were carried out; security systems and set-up of police post was enforced. The University College stepped up in setting up on its quest for award of charter and full-fledge status by striving to meet all the requirements of the Commission of University Education. It is expected that the University College will be awarded charter before the year 2016 ends. Despite these achievements, the University College was faced with challenges of insufficient funds for recurrent and development activities such as construction of Security Perimeter Wall and completion of the on-going construction of the Students' Hostel.

To achieve greater impact and increase uptake of our training and research and innovations, we need to make our work more visible and accessible so that we are widely recognized as the first port of call for relevant information and solutions to dry-land agriculture, health, engineering education, natural sciences and environment and a broad range of industry-related issues. Besides expansion of our infrastructure to accommodate more students, the University College initiated a campus ICT network infrastructure that will form the basis of campus network interconnectivity. The need for campus network development has been occasioned by lack of sufficient network infrastructure within the University College. Subsequently, this network will form the foundation of developing automation systems within the University College to support the library, learning, research and records management. Managing record remains the responsibility of each GUC's employee. We encourage staff and students to take active roles in research by organizing seminars and conferences.

As we move into the new financial year, I trust that we will be geared up for yet another successful year and that we will continue to capitalize on the multidisciplinary skills and expertise that reside within the University College to produce brilliant work for the benefit of all Kenyans.

Financial Performance Highlights

Despite the great strides made, the University is still faced with escalating costs occasioned by general price increases and the rise in the cost of teaching and training systems necessary to provide quality and innovative programmes.

There has also been an increase in operations and maintenance expenses because the funding level has not kept pace with the growing need of the University College. I appeal to the Government to increase the amount allocated to the University College in the recurrent and capital budgets to enable us meet the costs and improve the learning infrastructure necessary for providing quality education as well as expedite the reconstruction and rebuilding exercise.

On behalf of Garissa University Management and staff, I wish to take this opportunity to thank the National and Garissa County Government, our development partners and all the stakeholders for their continued support. Finally, I would like to express my sincere gratitude to the University College Council for providing policy and strategic guidelines including their time devotion and commitment towards re-opening of the institution; the entire University College staff who have worked selflessly to ensure smooth and successful operations of the University College.

Thank you



Prof. Ahmed A. Osman, PhD

Ag. Principal

VI. CORPORATE GOVERNANCE STATEMENT

Council Oversight: Garissa University College's oversight responsibility is placed with the University Council in compliance with statutory and regulatory requirements. The Council is independent and discharges its mandate at arm's length from other operations of the University College. All the Members of the Council, except the Principal, are independent thus enabling the Council to provide independent oversight as well as strategic challenge to Management in the implementation of the University College's strategies.

The current Council has the appropriate blend of skills ranging from education, food and nutrition, business administration, human resources, finance and investment, environmental and information systems to geology. The synergy in these skills is continuously directed in the much needed oversight for value addition. The Council has not yet received the required gender balance. This issue has been a subject of discussion in Council meetings hence it is desired that the appropriate candidate be gazetted to ensure the required balance.

To effectively discharge this mandate, the Council has devolved its responsibilities to Council Committees. The Council discharges its responsibilities through regularly scheduled meetings and ad-hoc meetings. During the period under review, the Council held twelve (12) meetings, six (5) were regular, five (5) were special meetings while two (2) were Ad hoc meetings dictated by circumstances and whose membership was only three (3) council members.

Council Meeting Attendance

SNo	Name	Regular Meetings	Special Meetings	Ad Hoc Meetings	Meetings Missed	Total
1	Amb. Dr. Hukka Wario (Chairman)	5	5	2	0	12
2	Prof. Ahmed Abdikadir Osman	5	5	0	0	10
3	Prof. Richard K. Mibey	0	5	2	5	12
4	Mr. John K. Munge	5	5	0	0	10
5	Mr. James M. Ndungu	5	5	0	0	10
6	Mr. Salah Abdi Sheikh	5	5	0	0	10
7	Mrs. Florence L. Chelimo	5	5	0	0	10
8	Mr. Julius Mwabu	4	2	2	4	12

Council Committees

The Council discharges its oversight responsibility through Council Committees. There are three main Committees of the Council, namely; Human Resources Committee, Audit, Risk and Compliance Committee and Finance, Development and General Purpose Committee. The membership of the Committees is as indicated below;

1. Audit, Risk and Compliance Committee

The committee held a total of three (3) meetings and individual member's attendance is as follows:

SNo	Name	Meetings Attended	Meetings Missed	Total
1	Mr. Salah Abdi Sheikh (Chairman)	3	0	3
2	Mr. John K. Munge	3	0	3
3	Mr. James M. Ndungu	3	0	3
4	Mrs. Florence L. Chelimo	3	0	3

2. Human Resource Committee

The committee held a total of three (3) meetings and individual member's attendance is as follows:

SNo	Name	Meetings Attended	Meetings Missed	Total
1	Mrs. Florence L. Chelimo (Chairman)	3	0	3
2	Prof. Ahmed Abdikadir Osman	3	0	3
3	Prof. Richard K. Mibey	0	3	3
4	Mr. John K. Munge	3	0	3
5	Mr. James M. Ndungu	3	0	3
6	Mr. Salah Abdi Sheikh	3	0	3
7	Mr. Julius Mwabu	2	1	3

3. Finance, Development & General Purpose Committee

The committee held a total of four (4) meetings and individual member's attendance is as follows:

SNo	Name	Meetings Attended	Meetings Missed	Total
1	Mr. Julius Mwabu (Chairman)	3	1	4
2	Prof. Ahmed Abdikadir Osman	4	0	4
3	Prof. Richard K. Mibey	0	4	4
4	Mr. John K. Munge	4	0	4
5	Mr. James M. Ndungu	4	0	4

Key Management Team: The Principal, as the leader of the management team, is responsible for effectively and efficiently managing the resources of the University College on behalf of the Council and delivering value for the stakeholders through implementation of the strategy and policies of the University College as approved by the Council. The core mandate of the management Team is to efficiently and effectively convert the resources of the University College in order to deliver the strategic outcomes of the University College, develop initiatives that are Student focused and to inspire confidence and trust with all stakeholders both internally and externally.

Internal interaction between the Council and the Management: The Council works closely with the Management Team to formulate the University College's strategy which is then approved by the Council once all the parameters have been agreed. Whereas delivery of the University College's strategy is the responsibility of the management Team, the governance of the processes and performance monitoring is the responsibility of the Council.

In all, the University College and the Council and management are committed to upholding the highest standards of good corporate governance throughout the operations.


Prof. Ahmed A. Osman, PhD

Principal

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Garissa University College (GUC) has been involved in a cross section of diverse corporate social responsibility activities broadly touching on environment, social and economic interventions. The activities ranged from education, health, sports, environmental activities that have been directed at the community and country at large. Thus during the period CSR continued to remain an integral part of the operations at Garissa.

EDUCATION:

GUC has invested resources in providing access to quality education and empowering the youth with knowledge. The University College has achieved this in a number of ways.

GUC offers diverse academic programmes of Moi University accredited by the Commission of University Education. Since it was re-opened on 4th January, 2016, the University College has diversified programmes levels ranging from bridging courses, certificates and diploma programmes, undergraduate and Master of Business Administration, thereby seeing youth access education at the level of their qualifications. To further deepen access to education in the region and beyond, the University College has equipped its library with books relevant to students, as well as having a functional virtual library.

ENVIRONMENT:

The University College continues to actively engage in environmental conservation and management programmes as it contributes to a cleaner and better environment so as to deliver on environmental concerns other than the social and economic considerations. This year, GUC carried out tree caring exercise and set up a botanical garden which doubles up as the memorial park in the 'Greening Garissa initiative'. Staff and leaders from all over the Nation including the President of the Republic of Kenya planted a tree.

HEALTH:

Contribution to Garissa General Hospital and the dispensary within the University College: In an effort to supplement effects from both public sector health gains, GUC offers support and is host to a dispensary facility which basically serves the surrounding community in terms of immunization & growth monitoring of children, family planning activities, ante-natal care for pregnant women, and VCT services around the University College and the region.

VIII. REPORT OF THE COUNCIL

The Council submit their Annual Report together with the draft financial statements for the year ended June 30, 2016 which show the state of the Garissa University College's affairs.

Principal activities

The principal activities and functions of the University College are to:

- a) provide directly, or in collaboration with other institutions, facilities for technological, professional, and scientific education;
- b) advance and disseminate the outcome of research by various means and commercially exploit the results of such research for the benefit of the institution, community and stakeholders;
- c) develop an institution of excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products with emphasis on dry land agriculture and farming systems and their impact and application within and without Kenya;
- d) play a leading role in the development and expansion of the opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands;
- e) participate in scientific and technological innovation as well as in the generation, discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social, cultural, scientific, and technological development;
- f) inculcate a culture of innovation in the arts, sciences, engineering and technology amongst staff, students and society;
- g) provide a multi-level system of education and training that is relevant to the needs of the local, national and global community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between educational levels;
- h) develop and provide educational, cultural, professional, technical and vocational services to the community and, in particular, the fostering of corporate social responsibility;
- i) generally facilitate the development and provision of appropriate and accessible academic and other programmes.

Results

The results of the University College for the year ended June 30, 2016 are set out on page 1 to 5.

Council

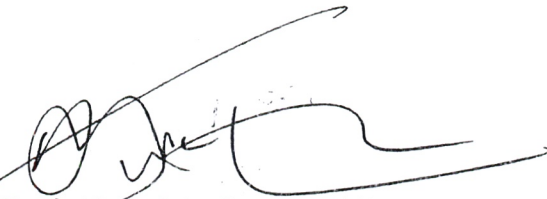
The members of the University College Council who served during the year are shown on page IV in accordance with Gazette Notice No. 13076 of the Kenya Gazette.

Auditors

The Auditor General is responsible for the statutory audit of the University College in accordance with the Section 38 of the Public Audit Act, 2015, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staffs were nominated by the Auditor General to carry out the audit of the University College for the period ended June 30th, 2016.

By Order of the Council



Prof. Ahmed A. Osman, PhD
Council Secretary/Ag. Principal
Garissa University College

Date: 27/9/2016

IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Sections 6 & 81 (1) of the Public Finance Management Act, 2012 and sections 14, 15 (1) & 33 of the State Corporations Act, require the University College Council to prepare financial statements in respect of Garissa University College, which give a true and fair view of the state of affairs of the Garissa University College at the end of the financial year and the operating results of Garissa University College for that period. The council is also required to ensure that University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the University College. The council is also responsible for safeguarding the assets of the University College.

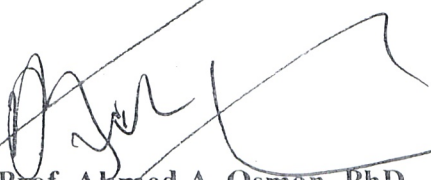
The council is responsible for the preparation and presentation of the Garissa University College's financial statements, which give a true and fair view of the state of affairs of the University College for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Garissa University College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Garissa University College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for Garissa University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act (2012) and the State Corporations Act (2012). The Council is of the opinion that Garissa University College's financial statements give a true and fair view of the state of the University College's transactions during the financial year ended June 30, 2016, and of the University College's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the University College's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University College will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Garissa University College's financial statements were approved by the Council on 21st September, 2016 and signed on its behalf by:


Prof. Ahmed A. Osman, PhD
Secretary of Council


Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GARISSA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Garissa University College set out on pages 1 to 16, which comprise the statement of financial position as at 30 June, 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

Report of the Auditor-General on the Financial Statements of Garissa University College for the year ended 30 June 2016

the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Non-Current Assets

The statement of financial position as at 30 June 2016 reflects a non-current assets balance of Kshs.569,759,000 which includes land on which the University is situated, valued at Kshs.35million. However, the title deed for the land was not made available for audit.

In the circumstance, the ownership of the University College land could not be confirmed.

2.0 Irregular and Unsupported Expenditure

2.1 Unaccounted for Stores

Examination of payment vouchers and other stores records revealed that stores worth Kshs.2,376,960 were procured by the University College during the financial year under review. The stores were recorded in the stores ledgers but contrary to Public Finance Management (National Government) Regulations, 2015, no evidence was availed to confirm that they were subsequently issued to the users.

Further, the following anomalies were noted:

- The stores were procured through single sourcing.
- Inspection and acceptance certificates for furniture items were not attached to the payment vouchers or availed for audit review.
- There were no notifications to successful and unsuccessful bidders.
- The University did not maintain a list of prequalified suppliers.
- No formal agreement/contracts were signed between the contractors and the institution as required by law.

Consequently, the propriety of expenditure totalling Kshs.2,376,960 incurred on purchase of stores could not be ascertained.

2.2 Unaccounted For Fuel

Examination of fuel records maintained at Garissa University revealed that fuel worth Kshs.930,930 was purchased during the financial year under review. However, the

Report of the Auditor-General on the Financial Statements of Garissa University College for the year ended 30 June 2016

University did not avail fuel register for audit review. Further, delivery notes, work tickets and detail orders to account for the receipt and use of the fuel were also not made available for audit verification.

As a result, it has not been possible to confirm that fuel worth Kshs.930,930 was received, used for the intended purpose and properly accounted for.

2.3 Motor Vehicle Expenses

During the year under review, the University spent a total of Kshs.656,478 on motor vehicle repairs. However, no documentary evidence was presented for audit to confirm that the repairs were done. In addition, the repairs were single sourced; were not taken-on-charge in the vehicle maintenance register (GP55) and post inspection reports from the mechanical department were not attached to the payment vouchers or availed for audit verification.

In the circumstance, it has not been possible to confirm that the University obtained value-for-money from the repair services costing Kshs.656,478.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements presents fairly, in all material respects, the financial position of Garissa University College as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

Other Matter

1.0 Budget and Budgetary Control

1.1 Budget Performance Analysis

During the year under review, the approved budget for Garissa University College was Kshs.376,205,000 out of which, Kshs.246,544,582 (66%) was allocated to recurrent expenditure and Kshs.129,660,000 (34%) to development as follows:

Item	Budgeted Allocation Kshs	Actual Kshs	Absorption Rate %	% of Total Actual Expenditure
Recurrent Expenditure	246,545,000	247,599,000	100%	77.7%
Development Expenditure	129,660,000	71,066,000	54.8%	22.3%
TOTAL	376,205,000	318,665,000	84.7%	100%

However, the low absorption rate of 55% for the development expenditure has not been explained.

Further, the Garissa University management did not include development/capital expenditure in the statement of comparison of budget and actual amounts to illustrate the challenges of low rate of budget absorption.

1.2 Over/Under Expenditure

Item	Budget 2015/2016 Kshs	Actuals 2015/2016 Kshs	Over Kshs	Under Kshs
Personal Emoluments	200,427,000	201,482,000	1,055,000	-
Council Committee Expenses	14,943,000	14,943,000	-	-
Operation and Maintenance Costs	32,229,000	32,229,000	-	-
TOTAL	247,599,000	248,654,000	1,055,000	-

Personal emoluments recorded over-expenditure of Kshs.1,055,000 which however, has not been explained.

1.3 Revenue Analysis

During the financial year under review, the University's revenues totalled Kshs.246,544,000 as shown below:

Item	Final Budget Kshs	Actual Kshs	Over Kshs	Under Kshs
Exchequer grants	241,550,000	238,074,000	-	3,476,000
Tuition & Other Charges	3,500,000	6,382,000	2,882,000	-
Other Income	1,494,000	3,144,000	1,650,000	-
TOTAL	246,544,000	247,600,000	4,532,000	3,476,000

The deficit in exchequer grants of Kshs.3,476,000 was attributed to non-remittance by the National Government of a portion of exchequer grants in the months of May and June, 2016 respectively.

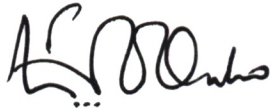
The variances of Kshs.2,882,000 and Kshs.1,650,000 in respect of tuition and other income respectively were attributed to under estimation of the income to be generated by the University.

2.0 Human Resource Policies

The University did not have human resource manual and policy for management of its human resources for effective service delivery to the University community.

3.0 Information Technology (IT) Environment

The department of Information Technology (IT), at the University lacked good infrastructure and equipment. Nonetheless, it was not clear why the University did not make use of the IT department which is very important for research and financial management operations.



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

Nairobi

05 May 2017

X. STATEMENT OF FINANCIAL PERFORMANCE

**GARISSA UNIVERSITY COLLEGE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTE	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Revenue from Non-exchange Transactions			
Capitation grants	2(a) & 3 & 4	238,074	341,550
Capital Development grants	2(a) & 4	32,021	118,260
Public Contributions & Donations	2(a) & 5	44	591
		<u>270,138</u>	<u>460,401</u>
Revenue from Exchange Transactions			
Tuition and related charges	2(a) & 6	14,612	34,028
Other services rendered	2(a) & 7	329	10,014
Finance Income-Investments	2(a) & 8	1,860	302
Sundry income	2(a) & 9	812	6,137
		<u>17,613</u>	<u>50,481</u>
Total Revenue		287,751	510,882
EXPENSES			
Personal Emolument	10	201,689	177,966
Council committee Expenses	11	14,943	16,655
Depreciation Expenses	12	14,102	16,445
Operations and Maintenance	13	51,448	168,588
Audit Fees Provision	20	1,400	700
		<u>283,582</u>	<u>380,353</u>
SURPLUS FOR THE PERIOD		4,169	130,529

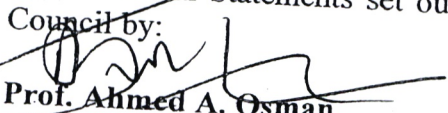
The notes set out on pages 6 to 19 form an integral part of the Financial Statements


XI. STATEMENT OF FINANCIAL POSITION

**GARISSA UNIVERSITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	NOTE	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
ASSETS			
CURRENT ASSETS			
Inventories	2(f) & 14	3,182	8,048
Trade and other receivables	15	116,730	189,577
Bank Guarantee		-	-
Cash and bank balances	16	87,865	62,347
		<u>207,777</u>	<u>259,972</u>
NON- CURRENT ASSETS			
Land	2(d) & 21	35,000	35,000
Buildings	2(d) & 21	281,181	265,147
Work in Progress	2(d) & 21	221,269	171,975
Computers ,copiers	2(d) & 21	3,833	5,747
Motor Vehicles	2(d) & 21	12,503	16,670
Furniture Plant Equipment	2(d) & 21	15,973	18,255
		<u>569,759</u>	<u>512,795</u>
TOTAL ASSETS		<u><u>777,536</u></u>	<u><u>772,767</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	36,600	53,079
Bank liability		-	8
Provisions	20	1,400	700
		<u>38,000</u>	<u>53,786</u>
NON-CURRENT LIABILIT			
		-	-
TOTAL LIABILITIES		<u><u>38,000</u></u>	<u><u>53,786</u></u>
NET ASSETS		<u><u>739,536</u></u>	<u><u>718,981</u></u>
RESERVES			
Revenue Reserves		4,169	130,529
Revaluation Reserve		267,044	267,044
Capital Reserves		468,323	321,408
TOTAL RESERVES		<u><u>739,536</u></u>	<u><u>718,981</u></u>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the University College Council by:


Prof. Ahmed A. Osman
Secretary of Council


Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council

STATEMENT OF CHANGES IN NET ASSETS

	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Revenue Reserves Kshs '000	Total Kshs '000
As at 1 July 2014	171,976	-	95,079	267,055
Transfers from reserves	95,079	-	(95,079)	-
Surplus for the year	-	-	130,529	130,529
Capital development grants	54,353	-	-	54,353
Revaluation amount restated	-	267,044	-	267,044
As at 30 June 2015	321,408	267,044	130,529	718,981
				;
As at 1 July 2015	321,408	267,044	130,529	718,981
Transfers from reserves	130,529	-	(130,529)	-
Surplus for the year	-	-	4,169	4,169
Capital development grants	16,386	-	-	16,386
As at 30 June 2016	468,323	267,044	4,169	739,536

The revenue reserves included in the statements of changes in net assets is the surplus for the given period as per the statement of financial performance; whereas the capital reserve included in the statement for the period under consideration represents the previous year's revenue reserve which has been transferred to the capital reserve and the capital expenditure for the period.

STATEMENT OF CASHFLOWS

GARISSA UNIVERSITY COLLEGE			
STATEMENT OF CASH FLOWS			
FOR THE YEAR ENDED 30 JUNE 2016			
	NOTE	2015 - 2016	(restated)
		Kshs '000	2014 - 2015
			Kshs '000
CASH FLOWS FROM OPI	23		
Receipts			
Capitation grants		238,074	341,550
Capital Development Grants		32,021	118,260
Public Donations		44	591
Finance income		1,860	302
Tuition Fees		14,612	34,028
Accommodation		-	4,519
Catering Sales		-	4,999
Rental Income		321	496
Sundry Income		8	6,137
Total Receipts		286,938	510,882
Payments			
Personal Emolument		201,689	177,966
Council committee Expenses		14,943	16,655
Operations and Maintenance costs		51,448	168,588
Audit Fees Provision		700	700
Total Payments		268,780	363,908
Surplus/(Deficit)		18,158	146,974
Non-Cash Movement			
Increase/(Decrease) in Payables		(16,479)	(20,048)
Increase in Provisions		700	-
Decrease/(Increase) in other Current Assets		3,536	(6,717)
Decrease/(Increase) in Receivables		72,847	(63,675)
Net cashflows from operating activities		78,762	56,533
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	21	(71,066)	(386,203)
Disposal/Revaluation of Asset:	21	-	32,649
Net cash flows used in investing activities:		(71,066)	(353,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Reserve		16,386	7,803
Revaluation Reserve		-	267,044
Repayment of Borrowings		-	-
Net cash flows from financing activities		16,386	274,847
Net increase in cash and cash equivalent		25,518	(22,173)
Cash and cash equivalents at the beginning of		62,347	84,521
Cash and cash equivalents :	17	87,865	62,347

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
GARISSA UNIVERSITY COLLEGE
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED 30 JUNE 2016

		ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
		2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
		Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
	REVENUE					
1	Exchequer Grants	241,550	-	241,550	238,074	(3,477)
2	Tuition & Other Charges	3,500	-	3,500	6,382	2,882
3	Other Income	1,494	-	1,494	3,144	1,650
	TOTAL INCOME	246,545	-	246,545	247,599	1,054
	EXPENSES					
1	Personal Emoluments	193,755	6,673	200,427	201,482	(1,054)
2	Council Committee Expenses	5,000	9,943	14,943	14,943	-
3	Operations and Maintenance costs	47,790	(15,561)	32,229	32,229	-
	Total Expenditure	246,545		247,599	248,653	(1,054)
	Budget Surplus/(Deficit)	-	-	(1,054)	(1,054)	(0)

- ✓ The adverse variance of Kshs. 3.4 Million is attributed to non-remittance of a portion of Exchequer grants by the Government in the months of May and June
- ✓ The favourable variance of Kshs. 2.8 Million and Kshs. 1.6 Million for Tuition and Other Income respectively are attributed to under estimation of the income to be generated since the University College anticipated less activity and low enrolment level.
- ✓ Personal Emoluments was budgeted at Kshs. 193.7 Million, an increase from the previous year's Kshs. 177.9 Million to cater for hardship allowance.
- ✓ Council expenses was budgeted at Kshs. 5 Million since the University College anticipated less activity during the year which wasn't the case. Council did interviews for the Principal and Deputy Principal among others.

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30TH JUNE 2016

1. Statement of compliance and basis of preparation – IPSAS 1

The Garissa University College's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). Garissa University College adopted IPSAS in the year 2014 following the gazettelement of Public Sector Accounting Standard Board (PSASB), which was established under the Public Finance Management (PFM) Act No. 18 of 24th July, 2012. PSASB, issued financial reporting standards and guidelines to be adopted by all state organs and public entities, of which the University College complies with and consistently applies to all the years presented.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Garissa University College and all values are rounded to the nearest thousand (Ksh000); and have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Exchequer Grants

Exchequer grants and other grants from the government are recognised as income in the period in which they relate

Donations

Donations have been recognized as income over the period they have been received to match with the related cost or assets intended to compensate for.

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Income from students is recognized as it accrues unless collectability is in doubt.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis

for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Kenya and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Fixed Assets Depreciation: Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Buildings	2%
Furniture, plant and equipment	12.5%
Motor vehicles	25%
Computers	33 ¹ / ₃ %

Freehold land is not depreciated as it is deemed to have an infinite life. Leasehold land is amortised over the unexpired lease period.

e) Work in progress

Work in progress represents properties (buildings) under construction. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

f) Inventories – IPSAS 12

Inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is

measured at the lower of cost and current replacement cost. Costs of issues are calculated using 'First in First Out' (FIFO) method.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University College.

g) Provisions – IPSAS 19

Provisions are recognized when the University College has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the University College expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

h) Employee benefits – IPSAS 25

Retirement benefit plans

Garissa University College provides retirement benefits for its employees. The University College joined the Moi University Pension Scheme, a contributory pension scheme for eligible employees. The assets of the scheme are held in a separate trustee administered fund and is funded by both the university and the employees

The University College also contributes to statutory contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs. 200 per employee per month. The University College's contributions to the above schemes are charge to the income and expenditure account in the year in which they relate

i) Related Party Disclosures – IPSAS 20

Garissa University College regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa.

The National Government and Members of Council are regarded as related parties in preparation of these financial statements. National Government transactions have been disclosed under revenue from non-exchange transactions (government/exchequer grants); while Members of Council have been disclosed under council committee expenses (board expenses) in the statement of financial performance.

j) Borrowing costs – IPSAS 5

Interest income is accrued on a time proportion basis.

k) Trade and Other Receivables

Receivables are recognised when commitments are effected at their nominal value; this comprise of both exchange and non-exchange receivables.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and short-term deposits on call which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks that the University College had accounts with as at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests to authorised officers of the University College which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the University College's financial statements in conformity with IPSAS, management made judgments, estimates and assumptions that affected the reported amounts of revenues, expenses, assets and liabilities, and are expected to disclose contingent liabilities, at the end of the reporting period, if any.

Key areas of Judgement in applying the University's accounting policies are as follows;

Property and equipment

Critical estimates are made by the University Council in determining the depreciation rates for property and equipment.

o) Financial Risk Management

The University College's activities expose the institution to a variety of financial risks including credit and liquidity risks. The University College's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University College does

not hedge any risks and has in place practices to ensure that credit is extended to students and customers with an established credit history.

The University College's financial risk management policy is detailed below:

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University College. The University College's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University College's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.

p) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

3. CAPITATION GRANTS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
July	20,129	20,129
August	20,129	20,129
September	20,129	20,129
October	20,129	20,129
November	20,129	20,129
December	20,129	20,129
January	20,129	20,129
February	20,129	40,129
March	20,129	40,129
April	20,129	40,129
May	18,391	40,129
June	18,391	40,129
Total Capitation Grants	<u>238,074</u>	<u>341,550</u>

In the months of May and June, a portion of the capitation grants, amounting to Kshs. 3,476,886, was not disbursed.

4. DEVELOPMENT GRANTS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
1st Half ~ April, 2016	14,830	59,130
2nd Half ~ June, 2016	17,191	59,130
	<u>32,021</u>	<u>118,260</u>

5. PUBLIC CONTRIBUTIONS & DONATIONS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Donations	44	591
	<u>44</u>	<u>591</u>

The donations were received from good Samaritans in solidarity with the University College following the attack amounting to Kshs. 43,530.

6. TUITION AND RELATED CHARGES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Tuition fees	11,762	20,513
Registration fees	90	640
Students' ID charges	22	144
Examination fees	108	1,140
Medical fees	135	1,354
Activity fees	90	962
Application fees	273	55
Attachment fees	-	73
Field Trips	-	181
Amenity fees	90	931
Computer Fees	899	6,299
GUSCO Fees	45	386
GUSCO Ann. Subscip	90	592
Caution Money	1,010	759
	<u>14,612</u>	<u>34,028</u>

The total amount of Kshs. 14,612,233 comprise of student debtors of Kshs. 7,411,700.

7. OTHER SERVICES RENDERED

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Accommodation	-	4,519
Catering sales	-	4,999
Rental (Staff)	321	496
Transport	8	-
	<u>329</u>	<u>10,014</u>

The rental income is from the University College's staff quarters whereas the transport income is from students being offered the transport services

8. FINANCE INCOME

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Interest on Deposits	1,860	302
	<u>1,860</u>	<u>302</u>

The interest on deposits was generated on the fixed deposit account for the amount fixed during the year.

9. SUNDRY INCOME

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Sale of tender documents	10	26
Fines, penalties	-	915
Account Regularization	8	-
Hire of University Facilities	795	5,196
	<u>812</u>	<u>6,137</u>

10. PERSONAL EMOLUMENTS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Basic Salary	87,204	87,593
House Allowance	51,015	46,451
Gratuity & Pension	16,600	13,978
Commuter Allowance	14,256	11,813
Passage , Baggage & Leave	356	759
Parttime Teaching	7,386	5,721
Hardship Allowance	21,557	-
Other Personal Allowance	3,316	11,651
Total Personal Personal Emoluments	<u>201,689</u>	<u>177,966</u>

During the year, an item of hardship allowance was introduced as per the Salaries and Remuneration commission (SRC) guidelines.

11. COUNCIL MEETING EXPENSES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Council's Meeting expenses	14,943	16,655
Total Council Expenses	<u>14,943</u>	<u>16,655</u>

12. DEPRECIATION & AMORTIZATION EXPENSES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Property, plant and equipment	14,102	16,445
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation Expense	<u>14,102</u>	<u>16,445</u>

13. OPERATIONS AND MAINTENANCE COSTS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Insurance Expense	-	811
Postal & Telegram Expense	10	281
Official Entertainment	36	57
Electricity, water & Conservan	3,846	7,045
Publishing & printing	750	273
Advertising & Publicity	1,541	1,837
Legal expense	-	15
ASK Shows & Other Exhibition	210	210
Open & Cultural Day Expenses	70	55
GUSO welfare	-	906
Public Engagement & Communication Strateg	-	40
Staff Devt/Scholarship-Academic	-	161
Conferences & Seminars	246	649
Staff Medical care	2,818	4,441
Postgraduate Programme	500	-
Research Programme	15	198
Purchase of plant& Equipt-acad	300	-
Maintanance of Plant & Equipment	-	626
Maintenance of computers	-	20
Recruitment Expense	-	619
External Examiners	94	2,742
Medical expense & healthcare	198	28,576
Maintainace of catering & Host	4	1,294
Devlpt of Academic Programme&	844	1,853
Hotel Accomodation & Hospitality expenses	702	1,618
Staff development-Non academic	72	91
Rent & Rates	1,636	2,495
Senate & Deans Committee Expenses	1,120	720
Purchase of Bycycle and Motorcycle	130	-
Computer expense & software	65	181
Hire of Facilities	50	547
Internet services & Communication Expenses	1,936	970
Purchase of MIS & FMIS	-	13
Maintenance of Healthcare and Medical Equip	200	-
ISO & ISO Related Expenses	516	936
Contract services & Subscription	1,182	278
ICT Infrastructure	-	495
Bank charges	179	247
Corporate social responsility	-	122
Stationeries	476	3,594
Substance, Travelling&Accomm	4,330	29,344
Vehicle Running & Maintainance	3,047	4,539
Uniforms & Clothing	280	585
Telecomm Expense	-	156
Books, Periodical & Journals	-	14
Teaching Materials	-	2,072
Computer & Accessories	11,017	-
KUCCPs Charges	36	532
Library books & other Expense	7,176	8,841
Training & Capacity building	1,109	518
Exam materials & Expense	-	-
Student Activities	-	547
Sport& Recreational Activities	-	834
Catering & Hostel materials	-	851
Cleaning materials & detergent	661	24,467
Oil,lubricants & LPG Gas	136	57
Maintainance of building & sta	-	2,995
Maintenance of Water & Sewerage	402	5,380
Maintainance of Ground & Parks	285	540
Teaching Practice/Field Course	214	711
Security service,system&equipt	2,891	5,483
Catering Expenses	-	-
Publication Materials	37	382
Maintainance of Lab Equipment	-	67
Maintainance of Stores	81	2,200
Maintainance of Classrooms	-	2,980
Maintenance and repair works of Equipments	-	9,477
Total Operations & Maintenance Costs	51,448	168,588

14. INVENTORIES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Consumable stores (Stationeries & Lab Chemi	1,426	4,848
Central Stores ~ Security tools	1,388	2,699
Clinic ~ Medicines & other consumables	367	501
Total inventories at the lower of cost and net realizable value	3,182	8,048

15. TRADE AND OTHER RECEIVABLES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Amounts falling due within one year:-		
Student fees debtors	16,730	9,318
Other debtors and accruals	100,000	180,258
Other PSSP debtors	-	-
	116,730	189,577
Provision for doubtful debts	-	-
	116,730	189,577

16. CASH AND BANK BALANCES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
KCB-Capital Development A/c	82,257	1,416
KCB- Payment A/c	(966)	(1,001)
KCB- Deposit A/c	623	1,663
KCB - Disaster Fund A/c	27	
Equity - GSSP Collection A/c	122	38,959
Equity - PSSP Collection A/c	5,797	5,446
Equity Bank- Accomodation A/c	2	15,864
Barclays Bank - Disaster A/c	3	
	87,865	62,347

17. BANK BALANCES

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Kenya Commercial Bank	81,940	2,078
Equity Bank	5,922	60,269
Barclays Bank of Kenya	3	-
	87,865	62,347

18. CASH AND CASH EQUIVALENTS

	2015 - 2016	2014 - 2015
	Kshs '000	Kshs '000
Bank	87,865	62,347
Cash-on-hand and intransit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	87,865	62,347

19. TRADE AND OTHER PAYABLES

	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Amounts falling due within one year:-		
Recurrent and capital creditors	16,513	37,523
Retention Fund	18,982	14,080
PSSP Creditors	-	-
Prepaid Fees	1,105	1,475
	36,600	53,079

20. OTHER LIABILITIES AND PROVISIONS

	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Provision for audit fees	1,400	700
	1,400	700

There has been an increase in provision since the audit fee has not been paid so far as the University College is yet to receive the audit reports for the financial years 2012/2013, 2013/2014 and 2014/2015.

21. PROPERTY, PLANT AND EQUIPMENT

	Land Kshs '000	Buildings Kshs '000	W.I.P Kshs '000	Furniture, plant and Kshs '000	Computers, copiers and Kshs '000	Motor vehicles Kshs '000	Total Kshs '000
At 1 July 2015	35,000	265,147	171,975	18,255	5,747	16,670	512,795
Disposals/capitalized	-	-	-	-	-	-	-
Additions	-	21,772	49,294	-	-	-	71,066
At 30 June 2016	35,000	286,919	221,269	18,255	5,747	16,670	583,861
DEPRECIATION							
At 1 July 2015	-	6,120	-	4,082	6,006	9,154	25,363
Disposals	-	-	-	-	-	-	-
Charge for the year	-	5,738	-	2,282	1,914	4,168	14,102
Amortization for the ye	-	-	-	-	-	-	-
At 30 June 2016	-	11,858	-	6,364	7,920	13,322	39,464
NET BOOK VALUE							
At 30 June 2016	35,000	281,181	221,269	15,973	3,833	12,503	569,759
At 30 June 2015	35,000	265,147	171,975	18,255	5,747	16,670	512,795

The land in which the University College is operating on does not have a title deed having taken over from the Garissa Teachers Training College (GTTC). However, the University College has made efforts to acquire a title deed for the land from the Commission of Lands and currently awaiting the deed.

22. REFUNDABLE DEPOSITS FROM CUSTOMERS

	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Consumer deposits (Caution money)	1,010	759
Other deposits	-	-
Total Deposits	1,010	759

23. CASH FLOWS FROM OPERATING ACTIVITIES

	NOTE	2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Receipts			
Government grants		238,074	341,550
Capital Development Grants		32,021	118,260
Public Donations		44	591
Finance income		1,860	302
Tuition Fees		14,612	34,028
Accommodation		-	4,519
Catering Sales		-	4,999
Rental Income		321	496
Sale of tender documents		10	26
Fines & Penalties		-	915
Miscellaneous Income		802	5,196
		287,743	510,882
Payments			
Personal Emolument		201,689	177,966
Council Committee Expenses		14,943	16,655
Operations and Maintenance costs		51,448	168,588
Audit Fees Provisions		700	700
		268,780	363,908
Operating Surplus/(Deficit)		18,962	146,974
Non-Cash Movement			
Increase in Payables		(16,479)	(20,048)
Increase in Provisions		700	-
Increase in other Current Assets		3,536	(6,717)
Increase in Receivables		72,847	(63,675)
Net cashflows from operating activ		79,566	56,533

24. COMPUTER, COPIERS AND PRINTERS

		2015 - 2016 Kshs '000	2014 - 2015 Kshs '000
Net Book Value	21	3,833	5,747
Computers & Projectors in stores (Clos		-	-
		3,833	5,747

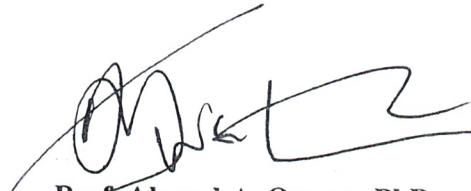
25. EVENTS AFTER THE REPORTING PERIOD


There are no material non-adjusting events after the reporting date.

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
We received management letters for the financial year ended 30 th June, 2014 and 2015 and we responded accordingly, however, the University College is yet to receive the External Audit Certificates/Report for the financial year ended 30 th June, 2013, 2014 and 2015.					


Prof. Ahmed A. Osman, PhD
Principal


Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council

