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OFFICE OF THE AUDITOR-GENERAL

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Morning Ame.*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS  
GARISSA UNIVERSITY COLLEGE**

**FOR THE YEAR  
ENDED 30 JUNE 2015**

RECEIVED  
KENYA NATIONAL AUDIT OFFICE  
DATE 22/12/2015



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**GARISSA UNIVERSITY COLLEGE**  
*(A CONSTITUENT COLLEGE OF MOI UNIVERSITY)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

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



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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

The Garissa University College was established on 12<sup>th</sup> 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:

- Principal;
- Deputy Principal (Administration, Finance and Planning); and
- Deputy Principal (Academic and Student Affairs);
- Registrar (Academic and Student Affairs);
- Registrar (Administration, Finance and Planning);
- Librarian; and
- Head of Finance

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal;	Prof. Ahmed Abdikadir Osman
2.	Deputy Principal (AFP);	Prof. Kirimi Henry Kiriamiti
3.	Deputy Principal (ASA);	Prof. Genevieve Atamba Mwayuli
4.	Registrar (ASA);	Dr. Issack Mohamed Noor
5.	Ag. Registrar (FAP);	Ms. Cameline Mmbone Muhindi
6.	Ag. Librarian;	Mr. Iddi Webukha Juma
7.	Ag. Head of Finance	CPA Teddy Kiplagat Bett

### (e) Fiduciary Oversight Arrangements

The Institution has a council which provides the overall key oversight; also the council has established Audit and risk committee activities as well as Finance and development committee to assist in the oversight activity.

**(f) Garissa University College Headquarters**

P.O. Box 1801  
GPO 70100  
Garissa University College Building  
College Road, Off. Kismayu Road  
Garissa, KENYA

**(g) Garissa University College Contacts**

Telephone :( 254) 773 827763  
E-mail: infor@guc.ac.ke  
Website: www.guc.ac.ke

**(h) Garissa University College Bankers**

1. Kenya Commercial Bank  
Eldoret Main Branch  
P.O Box 560 - 30100  
Eldoret, Kenya
2. Equity Bank  
Garissa Branch  
P.O. Box 700 - 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>1. Amb. Dr Hukka Wario Council Chairman 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>2. Prof. Richard Kiprono Mibey VC Moi University B.A , M.Sc Biology , M.Sc Plant Pathology, D.Ed Agricultural Education and Extension, PhD.</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>
 <p>3. Mrs. Florence Lisa Chelimo Council Member M.Sc. Foods and dietetics, and MBA Strategic Management</p>	<p><b>Date of birth:</b> 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>



4. Mr. Julius Mwabu  
 Council Member  
 BSc. Geology, MSc. Environmental & Information Systems, Professional Masters Degree – Applied Geomorphological & Engineering geological Survey.

**Date of Birth:** 29<sup>th</sup> November, 1967

MSc – Environmental & Information Systems (JKUAT); Professional Masters Degree – Applied Geomorphological & Engineering geological Survey (ITC-Netherlands); BSc Geology (UoN)

Over 20 years in work experience in public sector.



5. Mr. Salah Abdi Sheikh  
 Council Member  
 PhD candidate, MBA Finance, BCom, CPA (K), MKIM

**Date of Birth:** 14/12/1978

PhD candidate (JKUAT), MBA Finance (Nairobi), BCom (Nairobi), CPA (K), MKIM

Over 10 years of working experience in Auditing, Management Consultancy and Teaching.



6. Mr. John Kahugu Munge  
 Council Member  
 Alternate to the PS National Treasury

**Date of Birth:** 1959

CPA-Experience in Finance, Accounting and Investment

Over 20 years of working experience in Public Management, Debt, Investments and Finances.



**Date of Birth:** 1973

Masters in Education Planning.

Over 14 years of work experience in Education Sector.

7. Mr. James Muchiri Ndung'u  
Council Member  
Alternate to the PS Ministry of Education,  
Science and Technology (MOEST)  
Masters in Education Planning



**Date of Birth:** 20/01/1960

**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)

Has over 30 years of work experience.  
Currently he is the acting Principal, Garissa  
University College

8. Prof. Ahmed Abdikadir Osman  
Council Secretary  
PhD Curriculum and Instruction; M.Ed  
Secondary Education; MA International  
Studies and BA (English & History, Ohio)



### **COUNCIL MEMBERS**

- |                              |                                   |
|------------------------------|-----------------------------------|
| 1) Amb. Dr Hukka Wario       | Chairman                          |
| 2) Prof. Richard Mibey       | VC Moi University                 |
| 3) Mrs. Florence Chelimo     |                                   |
| 4) Mr. Julius Mwabu          |                                   |
| 5) Mr. Salah Sheikh          |                                   |
| 6) Mr. John Kahugu Munge     | Alternate to PS National Treasury |
| 7) Mr. James Muchiri Ndung'u | Alternate to PS MOEST             |
| 8) Prof. Ahmed A. Osman      | Secretary                         |

### **COUNCIL COMMITTEES**

#### **a) COUNCIL FINANCE, DEVELOPMENT AND GENERAL PURPOSE COMMITTEE**

- |                              |                                   |
|------------------------------|-----------------------------------|
| 1) Mr. Julius Mwabu          | Chairman                          |
| 2) Mr. John Kahugu Munge     | Alternate to PS National Treasury |
| 3) Mr. James Muchiri Ndung'u | Alternate to PS MOEST             |
| 4) Prof. Richard Mibey       |                                   |
| 5) Amb. Dr Hukka Wario       |                                   |
| 6) Prof. Ahmed Osman         |                                   |




#### **b) COUNCIL HUMAN RESOURCES COMMITTEE**





- |                              |                                   |
|------------------------------|-----------------------------------|
| 1. Mrs. Florence Chelimo     | Chairperson                       |
| 2. Mr. Salah Sheikh          |                                   |
| 3. Mr. John Kahugu Munge     | Alternate to PS National Treasury |
| 4. Mr. James Muchiri Ndung'u | Alternate to PS MOEST             |
| 5. Mr. Julius Mwabu          |                                   |
| 6. Prof. Richard Mibey       |                                   |
| 7. Amb. Dr Hukka Wario       |                                   |
| 8. Prof. Ahmed Osman         |                                   |

#### **c) COUNCIL AUDIT AND COMPLIANCE COMMITTEE**

- |                              |                                   |
|------------------------------|-----------------------------------|
| 1) Mr. Salah Sheikh          | Chairperson                       |
| 2) Mr. John Kahugu Munge     | Alternate to PS National Treasury |
| 3) Mr. James Muchiri Ndung'u | Alternate to PS MOEST             |
| 4) Mrs. Florence Chelimo     |                                   |

### III. MANAGEMENT TEAM

 <p><b>1. Prof. Ahmed Abdikadir Osman</b>          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 &amp; History, Ohio); Dip Ed (English Language &amp; Literature, Siriba Teachers College, 1984)</p>	<p><b>Ag. Principal</b></p> <p><b>Areas of Specialty/Research interest:</b>          School Administration and Supervision of Instruction</p> <p><b>Professional/key Skills;</b>          Curriculum planning and Development.</p> <p>Over 30 years of experience in Education</p>
 <p><b>2. Prof. Henry Kirimi Kiriamiti</b>          PhD (Chemical and Environmental Engineering, Enciacet, Toulouse 1999);          Advanced post-graduate degree (DEA) Process Engineering: Major in specific reactors and new separation methods Ensiacet, Toulouse, France 1993;          Bachelors &amp; Masters Chemical &amp; processes Engineering Technical University of Wroclaw, Poland 1986</p>	<p><b>Deputy Principal</b>          Administration, Finance and Planning</p> <p>Chemical and Environmental Engineering(17)</p>
 <p><b>3. Prof. Genevieve Atamba Mwayuli</b>          PhD- Moi University (2004); M.Phil. - Moi University (1995); B.Ed- University of Nairobi (1984).</p>	<p><b>Deputy Principal</b>          Academic and Students' Affairs</p> <p>Environmental Biology(13)</p>

 <p>4. <b>Dr. Issack Mohamed Noor</b> 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><b>Registrar</b> Academic and Students' Affairs</p> <p>Livestock Production Systems</p> <p>Over 33 years of public service experience (with veterinary department; and teaching and research at University).</p>
 <p>5. <b>Ms. Cameline Mmbone Muhindi</b> MBA</p>	<p><b>Ag. Registrar</b> Administration, Finance and Planning</p> <p>Human Resources (14)</p>
 <p>6. <b>Mr. Iddi Webukha Juma</b> 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><b>Ag. Librarian</b> Library and Information Studies (15)</p> <p>15 years working experience in Library and Information related sectors both in institutions of high learning and the civil society.</p> <p>Professional training in Informatic Science (IT, Media, Publishing and Records Management) with specialization in Library and Information services.</p>
 <p>7. <b>CPA Teddy Kiplagat Bett</b> BCom-KCA University, Project submitted for the award of MBA (Finance)- Kenyatta University; CPA (K)</p>	<p><b>Ag. Head of Finance</b> Accounting and Finance (7)</p> <p>Professional Accountant with over 7 years' experience in auditing and assurance, Accounting and Finance in both Public and Private Sector.</p>

#### IV. CHAIRMAN'S STATEMENT

I am pleased to present this report for the year ended 30 June 2015. This year, despite the April 2<sup>nd</sup> terror attack, my condolence to the family of the deceased heroes and heroines, was another year where the Institution 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 has been dealt a major blow following the attack and it's my hope that with Government support, we'll spring back and come out more stronger. The University College Council has been focused in ensuring that the necessary learning infrastructure is provided and that qualified academic and administrative staff are recruited. Despite the existing financial constraints, the Council has to a large extent achieved these objectives through prudent utilization of funds.

The Institution is still pursuing the acquisition of a larger parcel of land, to be able to roll out some of its programmes and for expansion. In this regard, the University College has commenced on construction of a 750 students' hostels. We therefore appeal to the Government to assist in the allocation of more land.

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 appeal to the Government to consider increasing both our recurrent and capital budgets to enable the Institution meet its funding deficit which will negatively impact on the development of the Institution.

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.

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the report for the year ended 30 June 2015. This year, despite the 2<sup>nd</sup> April Terror attack, we witnessed remarkable achievements in the growth of the Garissa University College. Following the attack, we were brought to our knees in the 4<sup>th</sup> quarter, but it's my believe that we will emerge more strongly.

The expansion programme that the University College has embarked on will see the Institution enhance access to higher education to many students across the country and more so in the Northern region. I commend the University College Council for taking a leading role in this exercise.

The demand for higher education continues to increase in the coming years as a consequence of the free primary education programme and tuition waiver at the secondary school level. Public Universities therefore have to hasten their capacity building strategies in order to address this demand.

I believe the time is ripe for GUC to clearly define the impact that it seeks to achieve and this year's business plans bear testimony to our state of readiness to do this. Our mandate and value system as an institution guides us on what training and research we undertake; how we perform it; and how we choose to use the knowledge gained through our training and research programs.

Institutions such as the GUC need to play a central role in providing viable and sustainable solutions to the country's current and anticipated challenges. At GUC, it is our search for progress and solutions to social-economic and environmental challenges that stimulate our work. We share, as an institution, a solution-driven and innovative approach.

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 recognised 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 also seeks to develop 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 institution. Subsequently, this network will form the foundation of developing automation systems within the institution 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 capitalise on the multidisciplinary skills and expertise that reside within the institution to produce brilliant work for the benefit of all Kenyans.

### **Financial Performance Highlights**

During the year, there was an increase in both the number of students and the programme offered in the University.

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 Institution and increase in student numbers.

Further, the university college incurred huge expenses following the April 2<sup>nd</sup> Terror attacks towards the compensation of the families of the deceased as well as on the medical bills for the surviving students. Additional costs are expected to be incurred towards reconstruction and rebuilding of the institution to its initial status and make it better. All these costs, amounting to Kshs. 85 Million, were out of the institution's financial year budget and it dealt a major blow to our finances.

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.

## 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 Institution. 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 Institution'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 12 meetings.

### **Council Committees**

The Council discharges its oversight responsibility through Council Committees. There are three main Committees of the Council namely, Council Human Resources and Strategy Committee, Council Audit and Risk Committee and Council Finance and General Purpose Committee. The membership of the Committees is as indicated on page VII of this Report.

**Key Management Team:** The Principal, as the leader of the management team, is responsible for effectively and efficiently managing the resources of the Institution on behalf of the Council and delivering value for the stakeholders through implementation of the strategy and policies of the Institution as approved by the Council. The core mandate of the management Team is to efficiently and effectively convert the resources of the Institution in order to deliver the strategic outcomes of the Institution, 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 Institution's strategy which is then approved by the Council on all the parameters have been agreed. Whereas delivery of the Institution'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 Institution and the Council and management are committed to upholding the high standards of good corporate governance throughout the operations.

## 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. GUC has been involved in activities ranging 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 Institution has achieved this in a number of ways.

The Institution also held an open day during the year and this enabled it showcase the programmes we are offering and mentoring the students from various secondary schools who attended like Garissa High School, Iftin Girls Secondary, MbalaMbala Secondary school.

### **ENVIRONMENT:**

GUC continues to actively engage in environmental conservation and management programmes as its contribution to cleaner and better environment so as to deliver on environmental concerns other than the social and economic considerations. This year, the Institution carried out tree caring exercise in the 'Greening Garissa initiative'. Students were taught how to care for a tree till it's mature and its importance to the environment.

Garissa University College joined the World in the celebration of the World Environment Day on 5th June 2015. The theme for this year was focussed on responsible management of the planet's natural resources and the official slogan for the year is 'Seven Billion Dreams. One Planet. Consume with Care'. The Institution embarked on a weeklong awareness creation towards responsible management of the Planet's natural resources. The Institution initiated activities such as consuming enough that you require and donating excess to disadvantage groups as well as community clean-ups. Students from the Institution were involved in the clean-up exercise and visiting of children's home and orphanage within the county to donate the excess they had gathered.

### **HEALTH:**

Contribution to Garissa General Hospital and the dispensary within the Institution. 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 Institution and the region.

We've been involved in clean-up exercises for the general hospital, which was well received by the general public and the health personnel.



## VIII. REPORT OF THE COUNCIL

The Council submit their report together with the draft financial statements for the year ended June 30, 2015 which show the state of the Garissa University College's affairs.

### **Principal activities**

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

### **Results**

The results of the Garissa University College for the year ended June 30, 2015 are set out on page to 5.

### **Council**

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

### **Auditors**

The Auditor General is responsible for the statutory audit of Garissa University College accordance with the Section ... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council

XXX

Corporate Secretary

Nairobi

Date: .....

## IX. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 6 of the Public Finance Management Act, 2012 and section 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 Garissa University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The council is also responsible for safeguarding the assets of the Institution.

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 Institution for and as at the end of the financial year ended on June 30, 2015. 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 Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that Garissa University College's financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30, 2015, and of the Institution's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution's financial statements as well as the adequacy of the systems of internal financial control.

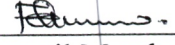
Nothing has come to the attention of the Council to indicate that the Institution will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Garissa University College's financial statements were approved by the Council on 15<sup>th</sup> September, 2015 and signed on its behalf by:

  
\_\_\_\_\_  
Council Chairman

  
\_\_\_\_\_  
Council Member

  
\_\_\_\_\_  
Council Member

## X. REPORT OF THE INDEPENDENT AUDITORS ON GARISSA UNIVERSITY COLLEGE

We have audited the accompanying financial statements of Garissa University College for the year ended June 30, 2015, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (vi) a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 Garissa University College'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 Garissa University College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Garissa University College as at June 30, 2015, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

\_\_\_\_\_  
Auditor General

\_\_\_\_\_  
Date

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
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 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Garissa University College set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of cash flows and statement of changes in net assets 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 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

#### **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 15 of the Public Audit Act, 2003 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 (ISSAIs). 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

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*Garissa University College – Annual Report and Financial Statements for the year ended 30 June 2015*

material misstatement of the financial statements, whether due to fraud or error. In making those risk the 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 the University'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. Non- Current Assets**

The statement of financial position as at 30 June 2015 reflects a net book value of Kshs.512.796 million representing Land, Buildings, Work in Progress, Computers, Copiers, Motor Vehicles and Furniture, Plant and Equipment acquired by the university during the financial year 2014/2015. However, no documentary evidence was made available for audit to ascertain the ownership of the land and the buildings. Further, the university did not avail its fixed assets register for audit review. As a result, the accuracy, completeness, ownership and valuation of the fixed assets balance of Kshs.512.796 million could not be confirmed.

#### **2. Unanalyzed Capital Reserves**

During the financial year under review, it was observed that an amount of Ksh.321.408 million in respect of Capital reserve disclosed in the statement of financial position was not analyzed and was not supported by the statement of changes in the net assets, ledgers and schedules.

In view of the above, it was not clear how the capital reserve increased from Kshs.218.526 million to Kshs.321.408 million.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Garissa University College as at 30 June 2015, 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 Public Finance Management Act, 2012 and 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 was Kshs.459.7million with Kshs.341.5million (67.1%) allocated to capitation and Kshs.118.2million (32.9%) to development as follows:-

Item	Actual Kshs. "000"	Budgeted Allocation Kshs. "000"	Absorption Rate %	% OF Total Expenditure
Capitation	341.5	341.5	100%	74.3%
Development	118.2	118.2	100%	25.7%
Total	459.7	459.7	100%	100%

Total amount of budget approved for the University was fully utilized.

#### 1.2 Over/Under Expenditure

Item	Budget 2014/2015 Kshs. "000"	Actuals 2014/2015 Kshs. "000"	Over	Under Kshs. "000"
Personal Emoluments	230,527	177,966	-	52,561
Council Committee Expenses	16,660	16,655	-	5
Operation & Maintenance Costs	119,027	75,527	-	7,726
	423,501	363,208	-	60,292

Personal Emoluments had surplus of Kshs.52.56 million due to the recruitment exercise which was not concluded at the end of the financial year and under expenditure of Kshs.7.7 million on operations and maintenance due to the operating activities which did not take place following the terror attack. The University underspent by Kshs.60.22 million on personal emoluments, council committee expenses and operations and maintenance.

#### 1.3 Revenue Analysis

During the financial year review, the University had a revenue deficit of Kshs.58.534 million on tuition and other charges which was caused by nonpayment of fees following the 2 April 2015 terror attack.

Item	Final Budget Kshs. "000"	Actual Kshs. "000"	Over Kshs. "000"	Under Kshs. "000"
Exchequer Grants	341,550	341,550	-	-
Tuition & Other Charges	93,782	35,248	-	58,534
Other Income	88,168	88,168	-	-
<b>TOTAL INCOME</b>	<b>523,501</b>	<b>464,967</b>		<b>58,534</b>

## 2.0 Human Resource Policies

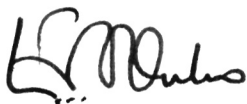
The University did not have human resource manual and policies for the management of its human resource.

## 3.0 IT Environment

During the financial year under review it was observed that the Garissa University College had a department of IT but it was not fully equipped with both the infrastructure and equipment. It was not clear why the University did not make use of the IT Department which is very important for research and other operations.

Further, the information technology unit was not fully staffed to support their integrity for University operations.

My opinion is not qualified in respect of these matters.



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

**Nairobi**

**07 September 2016**

XI. STATEMENT OF FINANCIAL PERFORMANCE

<b>GARISSA UNIVERSITY COLLEGE</b>			
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>FOR THE YEAR ENDED 30 JUNE 2015</b>			
	<b>NOTE</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Revenue from Non-exchange Transactions</b>			
Capitation grants	2(a) & 3 & 4	341,550	241,550
Capital Development grants	2(a) & 4	118,260	
Public Contributions & Donati	2(a) & 5	591	-
		<b>460,401</b>	<b>241,550</b>
<b>Revenue from Exchange Transactions</b>			
Tuition and related charges	2(a) & 6	34,028	18,074
Other services rendered	2(a) & 7	10,014	6,889
Finance Income-Investments	2(a) & 8	302	-
Sundry income	2(a) & 9	6,137	184
		<b>50,481</b>	<b>25,148</b>
<b>Total Revenue</b>		<b>510,882</b>	<b>266,698</b>
<b>EXPENSES</b>			
Personal Emolument	10	177,966	78,041
Council committee Expenses	11	16,655	8,434
Depreciation Expenses	12	16,445	8,918
Operations and Maintenance c	13	168,588	75,527
Audit Fees Provision	20	700	700
		<b>380,353</b>	<b>171,619</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>130,529</b>	<b>95,079</b>

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



**XII. STATEMENT OF FINANCIAL POSITION**

<b>GARISSA UNIVERSITY COLLEGE</b>			
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 30 JUNE 2015</b>			
	<b>NOTE</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	2(f) & 14	8,048	2,179
Trade and other receivables	15	189,577	125,622
Bank Guarantee		-	280
Cash and bank balances	16	62,347	84,521
		<b>259,972</b>	<b>212,602</b>
<b>NON- CURRENT ASSETS</b>			
Land	2(d) & 21	35,000	-
Buildings	2(d) & 21	265,148	34,736
Work in Progress	2(d) & 21	171,975	113,553
Computers ,copiers	2(d) & 21	5,747	5,435
Motor Vehicles	2(d) & 21	16,670	10,792
Furniture Plant Equipment	2(d) & 21	18,255	10,321
		<b>512,796</b>	<b>174,838</b>
<b>TOTAL ASSETS</b>		<b>772,768</b>	<b>387,440</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	53,079	73,127
Bank liability		8	8
Provisions	20	700	700
		<b>53,786</b>	<b>73,835</b>
<b>NON-CURRENT LIABILITIES</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>53,786</b>	<b>73,835</b>
<b>NET ASSETS</b>		<b>718,981</b>	<b>313,605</b>
<b>RESERVES</b>			
Revenue Reserves		130,529	95,079
Revaluation Reserve		267,044	-
Capital Reserves		321,408	218,526
<b>TOTAL RESERVES</b>		<b>718,981</b>	<b>313,605</b>

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

Principal

Date: 29/9/2015

Chairman of the Council

Date: 29/09/2015

**XIII. STATEMENT OF CHANGES IN NET ASSETS****VARISSA UNIVERSITY COLLEGE****STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2015**

	Capital Reserves Kshs '000	Revenue Reserves Kshs '000	Total Kshs '000
As at 1 July 2013	-	171,976	171,976
Transfers from reserves	171,976	(171,976)	-
Surplus for the year	-	95,079	95,079
Capital development grants	-	-	-
As at 30 June 2014	<u>171,976</u>	<u>95,079</u>	<u>267,055</u>
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
As at 30 June 2015	<u>321,408</u>	<u>130,529</u>	<u>451,937</u>

#### XIV. STATEMENT OF CASHFLOWS

GARISSA UNIVERSITY COLLEGE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015			
	NOTE	2014 - 2015 Kshs '000	2013 - 2014 Kshs '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Capitation grants		341,550	241,550
Capital Development Grants		118,260	
Public Donations		591	-
Finance income		302	-
Tuition Fees		34,028	18,074
Accomodation		4,519	2,106
Catering Sales		4,999	4,783
Rental Income		496	-
Sundry Income		6,137	184
<b>Total Receipts</b>		<b>510,882</b>	<b>266,698</b>
<b>Payments</b>			
Personal Emolument		177,966	78,041
Council committee Expenses		16,655	8,434
Operations and Maintenance costs		168,588	75,527
Audit Fees		700	700
<b>Total Payments</b>		<b>363,908</b>	<b>162,701</b>
<b>Surplus/(Deficit)</b>		<b>146,974</b>	<b>103,997</b>
<b>Non-Cash Movement</b>			
Increase/(Decrease) in Payables		(20,048)	73,127
Increase in Provisions		-	700
Decrease/(Increase) in other Current Assets		(5,869)	(2,179)
Decrease/(Increase) in Receivables		(63,675)	(125,902)
<b>Net cashflows from operating activities</b>		<b>57,381</b>	<b>49,743</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	20	(387,051)	(181,599)
Disposal/Revaluation of Assets	20	32,649	-
<b>Net cash flows used in investing activities</b>		<b>(354,403)</b>	<b>(181,599)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital Reserve		7,803	46,550
Revaluation Reserve		267,044	-
Repayment of Borrowings			
<b>Net cash flows from financing activities</b>		<b>274,847</b>	<b>46,550</b>
<b>Net increase in cash and cash equivalent</b>		<b>(22,174)</b>	<b>(85,306)</b>
Cash and cash equivalents at the beginning of		84,521	169,827
<b>Cash and cash equivalents at the end of</b>	17	<b>62,347</b>	<b>84,521</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**PROPOSED RECURRENT BUDGET 2014/15**

**GARISSA UNIVERSITY COLLEGE**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

		ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
		2014-2015	2014-2015	2014-2015	2014-2015	2014-2015
		Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
	<b>REVENUE</b>					
1	Exchequer Grants	241,550	100,000	341,550	341,550	-
2	Tuition & Other Charges	93,782	-	93,782	35,248	(58,534)
3	Other Income	88,168	-	88,168	88,168	-
	<b>TOTAL INCOME</b>	<b>423,501</b>	<b>100,000</b>	<b>523,501</b>	<b>464,967</b>	<b>(58,534)</b>
	<b>EXPENSES</b>					
1	Personal Emoluments	230,527	-	230,527	177,966	52,561
2	Council Committee Expenses	9,500	7,160	16,660	16,655	5
3	Operations and Maintenance costs	183,474	(7,160)	176,314	168,588	7,726
	<b>Total Expenditure</b>	<b>423,501</b>		<b>423,501</b>	<b>363,208</b>	<b>60,292</b>
	<b>Budget Surplus/(Deficit)</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>	<b>101,758</b>	<b>1,758</b>

**Notes:**

- 1) The Tuition & Other Charges deficit of Kshs. 58.534 Million is attributed by the outstanding fees which could not be collected following the April 2nd Terror Attack
- 2) Personal Emoluments surplus of Kshs. 52.56 Million is attributed to the recruitment exercise which was in progress
- 3) Operations and Maintenance costs of Kshs. 7.7 Million is attributed to the operating activities which didn't take place following the Terror Attack.

## XVI. NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements 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

#### **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.

#### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and 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. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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 the area where the Entity operates 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 <sup>1</sup> / <sub>3</sub> %

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

## **e) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### **Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### **f) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, 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.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

#### **g) Provisions – IPSAS 19**

Provisions are recognized when the Entity 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 Entity 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 Entity 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 Entity 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 statements of the period in which the change occurs.

#### **h) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

#### **i) Changes in accounting policies and estimates – IPSAS 3**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **j) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

The Entity provides retirement benefits for its employees and councillors. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and



prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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 hat 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 Institution's contributions to the above schemes are charge to the income and expenditure account in the year which they relate

#### **k) Borrowing costs – IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance. Interest income is accrued on a time proportion basis

#### **l) Cash and cash equivalents**

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

#### **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 Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### **Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

### **Provisions**

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

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

**o) 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, 2015.

<b>3. CAPITATION GRANTS</b>			
	<b>2015</b>		<b>2014</b>
	<b>Kshs '000</b>		<b>Kshs '000</b>
July	20,129		-
August	20,129		68,980
September	20,129		15,070
October	20,129		17,357
November	20,129		15,264
December	20,129		15,264
January	20,129		15,264
February	40,129		-
March	40,129		30,528
April	40,129		21,282
May	40,129		12,035
June	40,129		30,506
<b>Total Capitation Grants</b>	<b>341,550</b>		<b>241,550</b>
<b>4. CAPITAL DEVELOPMENT GRANT</b>			
	<b>2015</b>		<b>2014</b>
	<b>Kshs '000</b>		<b>Kshs '000</b>
1st Half ~ October, 2014	59,130		-
2nd Half ~ January, 2015	59,130		-
	<b>118,260</b>		<b>-</b>
<b>5. PUBLIC CONTRIBUTIONS &amp; DONATIONS</b>			
	<b>2015</b>		<b>2014</b>
	<b>Kshs '000</b>		<b>Kshs '000</b>
<b>Donations - From Ministry of Environment, Water &amp; Natural Resources</b>	591		-
	<b>591</b>		<b>-</b>

<b>6. TUITION AND RELATED CHARGES</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Tuition fees	20,513	9,526
Registration fees	640	97
Students' ID charges	144	121
Examination fees	1,140	580
Medical fees	1,354	725
Activity fees	962	484
Application fees	55	63
Attachment fees	73	
Field Trips	181	-
Amenity fees	931	484
Computer Fees	6,299	4,835
GUSCO Fees	386	193
GUSCO Ann. Subscrip	592	484
Caution Money	759	484
	<b>34,028</b>	<b>18,074</b>
<b>7. OTHER SERVICES RENDERED</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Accommodation	4,519	2,106
Catering sales	4,999	4,783
Rental (Staff)	496	-
	<b>10,014</b>	<b>6,889</b>
<b>8. FINANCE INCOME</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Interest on Deposits	302	-
	<b>302</b>	<b>-</b>
<b>9. SUNDRY INCOME</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Sale of tender documents	26	178
Fines, penalties	915	6
Hire of University Facilities	5,196	
	<b>6,137</b>	<b>184</b>

**10. PERSONAL EMOLUMENTS**

	2015	2014
	Kshs '000	Kshs '000
Basic Salary	87,593	41,197
House Allowance	46,451	21,170
Gratuity & Pension	13,978	6,123
Commuter Allowance	11,813	4,473
Passage , Baggage & Leave	759	275
Parttime Teaching	5,721	-
Other Personal Allowance	11,651	4,803
<b>Total Personal Personal Emoluments</b>	<b>177,966</b>	<b>78,041</b>

**11. COUNCIL MEETING EXPENSES**

	2015	2014
	Kshs '000	Kshs '000
Council's Meeting expenses	16,655	8,434
<b>Total Council Expenses</b>	<b>16,655</b>	<b>8,434</b>

**12. DEPRECIATION & AMORTIZATION EXPENSE**

	2015	2014
	Kshs '000	Kshs '000
Property, plant and equipment	16,445	8,918
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization Expen</b>	<b>16,445</b>	<b>8,918</b>

### 13. OPERATIONS AND MAINTENANCE COSTS

The following are included in Operations and Maintenance Costs:

	2015 Kshs '000	2014 Kshs '000
Insurance Expense	811	168
Postal & Telegram Expense	281	59
Official Entertainment	57	-
Electricity, water & Conservan	7,045	2,506
Publishing & printing	273	140
Advertising & Publicity	1,837	6,416
Legal expense	15	145
ASK Shows & Other Exhibition	210	-
Open & Cultural Day Expenses	55	-
GUSO welfare	906	706
Public Engagement & Communication Strateg	40	-
Staff Devt/Scholarship-Academic	161	-
Conferences & Seminars	649	-
Staff Medical care	4,441	944
Research Programme	198	-
Purchase of plant& Equipt-acad	-	151
Maintanance of Plant & Equipment	626	-
Maintanance of computers	20	-
Recruitment Expense	619	1,160
External Examiners	2,742	719
Medical expense & healthcare	28,576	35
Maintainace of catering & Host	1,294	488
Devlpt of Academic Programme&	1,853	515
Hotel Accomd&Hospitality expen	1,618	515
Staff delpt-Non academic	91	50
Rent & Rates	2,495	-
Senate & Deans Committee Expenses	720	-
Computer expense & software	181	288
Hire of Facilities	547	-
Internet services& comm expens	970	1,996
Purchase of MIS & FMIS	13	-
ISO & ISO Related Expenses	936	-
Contract services&subscriptn	278	15
ICT Infrastructure	495	-
Bank charges	247	125
Corporate social responsibility	122	50
Pre-establishment Expense	-	14,615
Stationeries	3,594	4,584
Substance, Travelling&Accomm	29,344	10,559
Vehicle Running & Maintenance	4,539	1,291
Uniforms & Clothing	585	-
Telecomm Expense	156	3
Books, Periodical & Journals	14	-
Teaching Materials	2,072	80
KU & Colleges Central placement	532	100
Library books & other Expense	8,841	586
Training & Capacity building	518	-
Exam materials & Expense	-	226
Student Activities	547	-
Sport& Recreational Activities	834	2,250
Catering & Hostel materials	851	2,827
Cleaning materials & detergent	24,467	312
Oil, lubricants & LPG Gas	57	322
Tyres & Tubes	-	125
Maintainance of building & sta	2,995	1,272
Maintenance of Water & Sewerage	5,380	522
Maintenance of Ground & Parks	540	-
Teaching Practice/Field Course	711	-
Security service, system&equipt	5,483	1,914
Catering Expenses	-	16,749
Publication Materials	382	-
Maintainance of Lab Equipment	67	-
Maintenance of Stores	2,200	-
Maintenance of Classrooms	2,980	-
Maintenance and repair works of Equipments	9,477	-
<b>Total Operations &amp; Maintenance Costs</b>	<b>168,588</b>	<b>75,527</b>

<b>14. INVENTORIES</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Consumable stores (Stationeries & Lab Chemi	4,848	860
Central Stores ~ Security tools	2,699	848
Clinic	501	471
<b>Total inventories at the lower of cost and net realizable value</b>	<b>8,048</b>	<b>2,179</b>
<b>15. TRADE AND OTHER RECEIVABLES</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Amounts falling due within one year:-		
Student fees debtors	9,318	1,422
Other debtors and accruals	180,258	124,200
Other PSSP debtors	-	-
	189,577	125,622
Provision for doubtful debts	-	-
	189,577	125,622
<b>16. CASH AND BANK BALANCES</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
KCB-Capital Development A/c	1,416	56,126
KCB- Payment A/c	(1,001)	3,387
KCB- Deposit A/c	1,663	9
Equity - GSSP Collection A/c	38,959	15,951
Equity - PSSP Collection A/c	5,446	2,107
Equity Bank- Accomodation A/c	15,864	6,940
	62,347	84,521
<b>17. BANK BALANCES</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Kenya Commercial Bank	2,078	59,523
Equity Bank	60,269	24,999
	62,347	84,521
<b>18. CASH AND CASH EQUIVALENTS</b>		
	<b>2015</b>	<b>2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Bank	62,347	84,521
Cash-on-hand and intransit	-	-
Short-term deposits	-	-
<b>Total cash and cash equivalents</b>	<b>62,347</b>	<b>84,521</b>

<b>19. TRADE AND OTHER PAYABLES</b>		<b>2015</b>	<b>2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Amounts falling due within one year:-			
Recurrent and capital creditors		37,523	71,808
Retention Fund		14,080	-
PSSP Creditors		-	42
Prepaid Fees		1,475	1,277
		<b>53,079</b>	<b>73,127</b>

<b>20. OTHER LIABILITIES AND PROVISIONS</b>		<b>2015</b>	<b>2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Provision for audit fees		700	700
		<b>700</b>	<b>700</b>

<b>21. PROPERTY, PLANT AND EQUIPMENT</b>							
	Land	Buildings	W.I.P	Furniture, plant and equipment	Computers, copiers and printers	Motor vehicles	Total
<b>COST/VALUATION</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
At 1 July 2014	-	34,736	113,553	10,321	6,283	10,792	175,686
Disposals/capitalized	-	(29,419)	-	-	-	(3,230)	(32,649)
Additions	35,000	265,242	58,422	10,542	2,333	14,665	386,203
At 30 June 2015	35,000	270,559	171,975	20,863	8,616	22,227	529,241
<b>DEPRECIATION</b>							
At 1 July 2014	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Charge for the year	-	5,411	-	2,608	2,869	5,557	16,445
Amortization for the year	-	-	-	-	-	-	-
At 30 June 2015	-	5,411	-	2,608	2,869	5,557	16,445
<b>NET BOOK VALUE</b>							
At 30 June 2015	35,000	265,148	171,975	18,255	5,747	16,670	512,796
At 30 June 2014	-	34,736	113,553	10,321	6,283	10,792	175,686

**NOTE:**

The land in which the University College stands does NOT have a title deed. The University college has made efforts to get the title deed from the Commission of Lands and currently awaiting the deed.



<b>22. REFUNDABLE DEPOSITS FROM CUSTOMERS</b>			
		<b>2015</b>	<b>2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Consumer deposits (Caution money)		759	482
Other deposits		-	-
<b>Total Deposits</b>		<b>759</b>	<b>482</b>
<b>23. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>2015</b>	<b>2014</b>
	<b>NOTE</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Receipts</b>			
Government grants		341,550	241,550
Capital Development Grants		118,260	-
Public Donations		591	-
Finance income		302	-
Tuition Fees		34,028	18,074
Accomodation		4,519	2,106
Catering Sales		4,999	4,783
Rental Income		496	-
Sale of tender documents		26	178
Fines & Penalties		915	6
Miscelaneous Income		5,196	-
		<b>510,882</b>	<b>266,698</b>
<b>Payments</b>			
Personal Emolument		177,966	78,041
Council Committee Expenses		16,655	8,434
Operations and Maintenance costs		168,588	75,527
Audit Fees		700	700
		<b>363,908</b>	<b>162,701</b>
<b>Operating Surplus/(Deficit)</b>		<b>146,974</b>	<b>103,997</b>
<b>Non-Cash Movement</b>			
Increase in Payables		(20,048)	73,127
Increase in Provisions		-	700
Increase in other Current Assets		(5,869)	(2,179)
Increase in Receivables		(63,675)	(125,902)
<b>Net cashflows from operating activities</b>		<b>57,381</b>	<b>49,743</b>
<b>24. COMPUTERS, COPIERS AND PRINTERS</b>			
		<b>2015</b>	<b>2014</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Net Book Value	21	5,747	6,283
Computers & Projectors in stores (Closing Stock)		-	(848)
		<b>5,747</b>	<b>5,435</b>

#### 25. Events after the reporting period

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

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

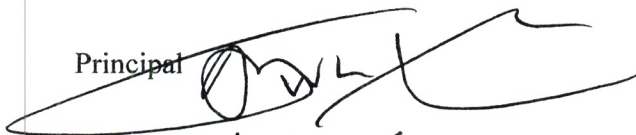
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	The audit report for the financial year ended 30 <sup>th</sup> June, 2014 has not yet been received by the University College				

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Principal



Date... 29/9/2015



Chairman of the Council

Date... 29/09/2015

