

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EMBU UNIVERSITY COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2016**

*Paper laid by the Leader
of Majority on 2/2/17*







KENYA NATIONAL AUDIT OFFICE
EMBU HUB
22 DEC 2016
1738
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EMBU UNIVERSITY COLLEGE

(A Constituent College of the University of Nairobi)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS)



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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Embu University College (EUC) was established through by legal notice No. 65 of 17th June 2011 as a Constituent College of University of Nairobi.

The College admitted the first group of students in April, 2013 through Joint Admission Board. Student population rose from 120 students in the year 2013/2014, to 2910 during the 2015/16 financial year. During the first year of existence, Embu University College mainly offered Science and agricultural based academic programmes. Additional market-driven programmes have been introduced with time, including Business and Economics, Nursing and Education Programmes.

(b) Our mandate

The Mandate of Embu University College, as provided by Embu University College Order of 2011 (Legal Notice No. 65) includes:

- To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and skill to the life, work and welfare of citizens of Kenya,
- To participate in discovery, transmission, and preservation and enhancement of knowledge and to stimulate the intellectual participation of students in the economic, social, cultural, scientific and technological development of Kenya,
- To provide and advance university education and training to appropriately qualified candidates, leading to conferment of degrees and award of diplomas and certificates and such other qualifications as Council and the Senate shall from time to time determine and in so doing contribute to manpower needs,
- To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University College, and
- To examine and make proposals for new faculties, schools, institutes, departments, resource and research centres, study courses and subjects of study.

Vision

A dynamic epicentre of excellence in training and research for service to humanity.

Mission

To generate, advance and disseminate knowledge through training, research, and innovation for the development of humanity

Philosophy

Enhancing human capacity through relevant education, research and training.

Core Values

- Integrity
- Innovativeness

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- Professionalism
- Teamwork and
- Customer focus

(c) Principal Activities

The mandate of Embu University College is to generate, advance and disseminate knowledge through training, research and innovation and offer extension services to communities surrounding Embu County, other parts of Kenya, the East Africa Community and across the world.

Key Management

The College is run by the Management Board headed by the Principal. The Management Board comprises the Principal, Deputy Principals, the Registrar (Principal's Office), Human Resource Manager, Director Academic and Student Services, and the Head of Finance.

(d) Fiduciary Management

The key management personnel who held office during the period are:

Designation	Name
1) Principal	Prof. Daniel M. Njiru
2) Deputy Principal (PAF)	Prof. Eucharua U. Kenya
3) Deputy Principal (ARE)	Prof. Kotut Kiplagat
4) Registrar (Principal's Office)	Mrs. Margaret Otolo
5) Head of Finance	Mr. Lawrence Kamonjo
6) Human Resource Manager	Mr. Isaac Ominde
7) Estates Manager	Mr. Peter Muiruri
8) Director Academic and Student Services	Mr. Julius Maore

(e) Fiduciary oversight arrangements

Embu University College has Council Audit and Risk Management Committee that plays oversight role in the College operations. The Audit and Risk committee independently reviews the operations of the College and regularly reports to Council. The Committee holds quarterly meetings to review College financial and non-financial operations and reports to University Council.

(f) Head office/Registered Office

Embu University College
Meru-Nairobi Highway
P. O. Box 6 - 60100
Embu, Kenya

(g) College Address

P.O. Box 6-60100 Embu, Kenya

Email: principal@embuni.ac.ke/info@embuni.ac.ke

Website: www.embuni.ac.ke

Tel: +254 20 244 4136

+254 727 933 950

+254 788 199 505

(h) Bankers

- (a) Barclays Bank of Kenya - Embu Branch
- (b) Kenya Commercial Bank of Kenya - Embu Branch
- (c) Equity Bank - Embu Branch
- (d) Cooperative Bank of Kenya - Embu Branch
- (e) National Bank of Kenya - Embu Branch

(i) Auditors

Embu University College being a fully government owned entity is audited by the Auditor General. The office of the Auditor General is an independent office established and whose roles and responsibilities are defined under the Constitution of Kenya. The postal address and the physical location of the office of the Auditor General is given below:





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

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(j) Embu University College Council

During the year under review, the University College Council comprised of eight members including the Principal, who is the Chief Executive Officer. Summaries of their profiles are given below:





 <p>Dr. Margaret Gikuhi Council Chairperson</p>	<p>Date of Birth: 23rd February 1954</p> <p>Holds a Doctorate degree in Philosophy of Education.</p> <p>Has a wide experience in academics and administration.</p> <p>Has held various leadership positions with the Teachers Service Commission. She is currently serving as a director in a consultancy firm.</p>
 <p>Mr. Evans Atambo Principal Secretary Representative, Ministry of Ed. Science and Technology</p>	<p>Date of Birth: October 20th, 1973</p> <p>Holder of a master degree in curriculum Development. Currently pursuing PhD in curriculum studies.</p> <p>Has wide experience in the education sector, both in teaching and administration.</p>
 <p>Mr. Samuel Kiiru Principal Secretary Representative, National Treasury</p>	<p>Date of Birth: October 20th, 1969</p> <p>He holds a Master degree in Economics. He is currently working at the National Treasury as the Head of Budget Policy. Has a wealth of experience in policy review, fiscal analysis, Macro level planning, program and performance budgeting, project appraisal, monitoring and evaluation and is a trainer on programme and performance budgeting.</p>
 <p>Mr. Kiema Mwendia Council Member</p>	<p>Date of Birth: 23rd April 1973</p> <p>Holds a Master degree in Project Planning and Management. Has a wealth of experience in areas such as project design and implementation, monitoring and evaluation and in strategic planning attained from his many years of service in both the public and private sectors in Kenya.</p>

	<p>Date of Birth: 9th May 1958 Holds a Doctorate in Horticulture from University of Guelph, Canada and MSC (Agronomy from UON). She is a seasoned academician with wide experience in academics, research and administration. She has served in several training and outreach programs in both public and community organizations, nationally and continentally. She is currently an Associate Professor at the University of Nairobi.</p>
<p>Prof. Margaret Hutchinson Council Member</p>	<p>Date of Birth: 31st March 1953 Holds a Doctorate in Organization Development and Transformation. Has expansive experience in public service attained when he served in various capacities in both teaching and administration departments in various sectors in Kenya. He has also held various responsibilities such as being a panelist for Kenya Institute of Education and the Directorate of Industrial Training.</p>
	<p>Date of Birth: 4th September 1962 Holds a Masters in Development Finance. She has a wide experience in the finance industry and held other responsibilities such as Board Director. She is currently serving as the head of Government and Public Sector Relationship Management with a local Bank.</p>
<p>Dr. John Onsati - Council Member</p>	<p>Date of Birth: 6th September 1961 Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University. Has vast experience spanning over 30 years in Administration, Academic & Research in Universities, Colleges and Research Institutions.</p>
	<p>Prof. Daniel Mugendi Council Secretary</p>
<p>Ms. Agnes Ndwiga - Council Member</p>	

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(k) Embu University College Management Team

The University College had eight members in its Management board during the year. Their brief profiles are as follows:

 <p>Prof. Daniel Mugendi</p>	<p>Principal</p> <p>Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University.</p>
 <p>Prof. Eucharika U. Kenya</p>	<p>Deputy Principal, Planning Administration & Finance</p> <p>Holds a PhD in Applied Entomology from River's State University of Science & Technology, Nigeria. In addition she has a Master Degree in Medical Parasitology and a Bachelor of Science in Zoology from University of Nigeria.</p>
 <p>Prof. Kiplagat Kotut</p>	<p>Deputy Principal, Academic Research & Extension</p> <p>Holds a PhD in Phytoplankton Ecology, a Master of Science Degree in Plant Ecology, and a Bachelor of Education (Science)</p>
 <p>Mrs. Margaret Otolo</p>	<p>Registrar, Office of the Principal</p> <p>Holds a Master of Business Administration Degree and B.Ed (Arts) Degree from Kenyatta University. Presently pursuing Doctorate studies in Entrepreneurship.</p>

EMBU UNIVERSITY COLLEGE MANAGEMENT TEAM (CONTINUED)



Mr. Isaac B. D. Ominde

Human Resource Manager

Holds a Master Degree in Strategic Management from Kenyatta University in addition to a Bachelors' Degree from University of New Brunswick, Canada.



Mr. Lawrence Kamonjo

Head of Finance

Holds a Master Degree in Finance, and a Bachelor of Education (Arts); both from Kenyatta University. In addition, he is a CPA (K).



Mr. Julius Maore

Director Academic and Student Affairs

Holds a Bachelor of Arts from Kenyatta University. He is currently pursuing Master of Arts degree at Kenyatta University.



Peter Kabuthi Muiruri

Estate Manager

Holds a Bachelor of Arts (B. Econ.) Degree from the University of Nairobi. He is a registered Quantity Surveyor, and a members of Architectural Association of Kenya

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REPORT OF THE COUNCIL CHAIRMAN FOR THE PERIOD ENDED 30TH JUNE, 2016

Foreword

It is my great honor to present annual report for Embu University College for the period ended 30th June, 2016. I am pleased to report that the University College continues recording remarkable improvement in its financial and operational performance despite serious economic challenges globally. The University Council looks forward to coordinated effort of all the key University players and stakeholders, to ensure that this growth is sustained.

Strategic Focus

As a commitment towards realisation of its mandate, Embu University College during the year under review continued implementing its Strategic Plan for the period 2014 - 2018.

The strategic plan has the following key areas:

- i. Development & enhancement of Infrastructure
- ii. Promoting Leadership and Governance
- iii. Expanding capacity of operations and services
- iv. Recruitment and development of Human Resources
- v. Mainstreaming information and communication technology
- vi. Developing effective collaborations and partnerships
- vii. Responding to emerging issues affecting Embu University College
- viii. Resource mobilization and effective management

As we move into the future, we will remain focused on the strategies to be able to take advantage of emerging opportunities for business growth and sustainability. The University College Council is committed to providing the necessary support to the University Management in their every effort towards implementing the strategic plan for the ultimate realization of the mandate of the University College.

Achievements

Within the four years that Embu University College has been in existence, it has made various remarkable achievements, which include:

- (i) Became ISO 9001:2008 certified within 12 months of its formation.
- (ii) Recorded exemplary performance in the Performance contracting activities, to become the first constituent college to obtain an excellent score.
- (iii) Developed basic requisite facilities from the scratch and making them available for use when needed. Among the completed projects are:
Health Unit, hostel with bed capacity of 200 students, diagnostic lab, Staff lounge, learning Centre which comprises of classrooms and offices, Incinerator, Gate B and acceleration/deceleration lanes, Multipurpose hall and the Library.
- (iv) Developed a five year strategic plan covering the period 2014 – 2018, which is currently being implemented.
- (v) Recorded growth in student population from zero to 2,910 students.
- (vi) Fulfilled all the requirements for award of charter.

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REPORT OF THE COUNCIL CHAIRMAN FOR THE PERIOD ENDED 30TH JUNE, 2016 (continued)

Key Challenge

A major challenge that Embu University College has faced since inception is inadequate funding for developing various requisite infrastructure. Of key concern is the reduction of the 2015/2016 development budget at the end of the Financial Year, from the initial allocation of Ksh 313,720,000/= to Ksh 196,860,000/=. This reduction truly interrupted the existing work schedules, leading to delay in completion of the ongoing projects.

To address the financial challenge, the University College Council, and the Management constantly appeals to the government through the Ministry of Education Science and Technology to boost budgetary allocation to Embu University College. In addition, Embu University College identified a private financier through Public Private Partnership (PPP) to fund the construction of new hostels to accommodate the rapidly growing student population. The current accommodation capacity is 740 against student population of 2910 during the year under review. The projected student population by the end of the year 2016/2017 is 4580. In addition to the PPP programme, the University Council is currently in the process of expanding and diversifying the internally generated revenues to supplement funds from the government.

Future outlook

Kenya is emerging as one of the most attractive investment destinations in the continent, and is poised to be one of the fastest growing economies in East Africa. It is projected that the growth momentum will be sustained by a stable macroeconomic environment, rapid infrastructural investments and favourable business environment among other economic drivers. The Government of Kenya has given Education top priority in its agenda. This is evidenced by free primary education, and the subsidized secondary education. Consequently, demand for University education is on the rise, and is expected to grow exponentially. Embu University College is currently expanding its facilities and diversifying its academic programs to take advantage of this situation.

At Embu University College we believe in quality education and services, to our customers. We have put in place and documented effective quality delivery systems. We strive with determination, to take the top position in the University ranking in Kenya, as we uphold our core values.

Appreciation

I wish to express my sincere appreciation and deep gratitude to the Government of Kenya through the Ministry of Education Science and Technology and the National Treasury, for the support accorded to Embu University College during year under review.

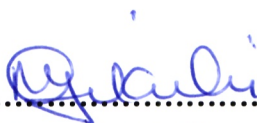
Further, I wish to convey my appreciation to my colleagues who served in Embu University College Council during the year for their invaluable contribution and dedication in guiding the University College towards achievement of remarkable results.

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REPORT OF THE COUNCIL CHAIRMAN FOR THE PERIOD ENDED 30TH JUNE, 2016 (continued)

My special recognition and gratitude goes to the Management and staff of Embu University College for the tireless effort and dedicated service, which led to exemplary performance in the academic, administrative and performance contracting activities.

To our valued students, customers and stakeholders, we are grateful for choosing Embu University College, and for your sustained support and faith in us.



.....
Dr. Margaret M. Gikuhi
CHAIRPERSON – EMBU UNIVERSITY COLLEGE COUNCIL

Date: 22/12/2016

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2016**

REPORT OF THE PRINCIPAL'S FOR THE PERIOD ENDED 30TH JUNE 2016

It is my pleasure to present the Annual Report and Financial Statements for the financial year ended June 30th, 2016.

1) Background Information

Embu University College was established through by legal notice No. 65 of 17th June 2011 as a Constituent College of University of Nairobi. The University received its first group of student in April 2013. The first intake only attracted 120 students. The University student population grew to 2190 students by the end of the FY 2015/2016.

2) Non-financial information

(a) Student population

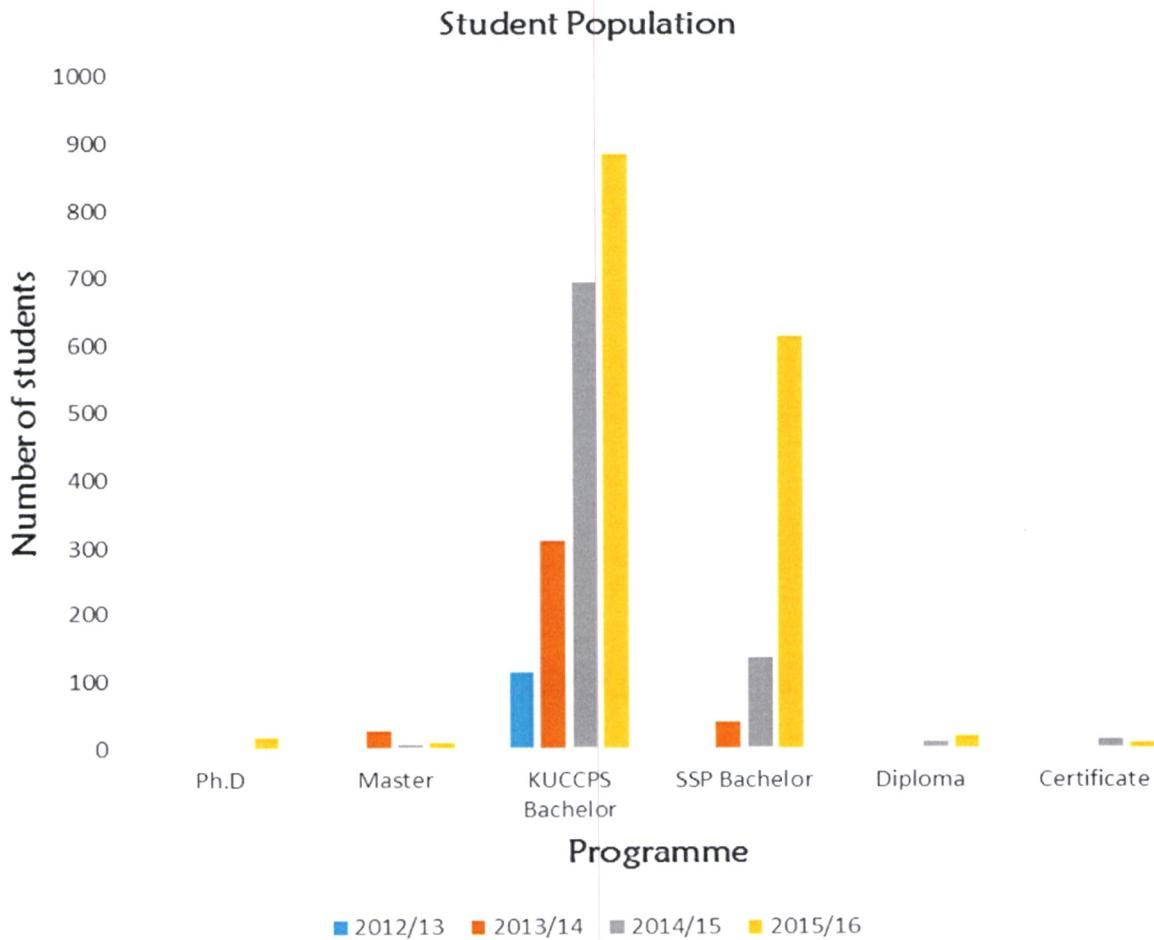
Embu University College admits both the Government sponsored (KUCCPS) and the Self sponsored (SSP) students. Up to the end of the financial year 2015/2016, the University College had a student population of 2910 students. The number is expected to rise to 8900 by the end of the FY 2018/2019. Details of movement in the student numbers since inception of the College is displayed below both in tabular form as well as graphically.

	2012/13	2013/14	2014/15	2015/16
Ph.D	0	0	2	17
Master	0	27	6	9
KUCCPS Bachelor	114	312	694	886
SSP Bachelor	2	40	135	614
Diploma	0	0	10	19
Certificate	0	0	13	10
Total	116	379	860	1555
Cumulative total	116	495	1355	2910

Table 1: Student population since the inception of Embu University College

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(b) Academic programmes

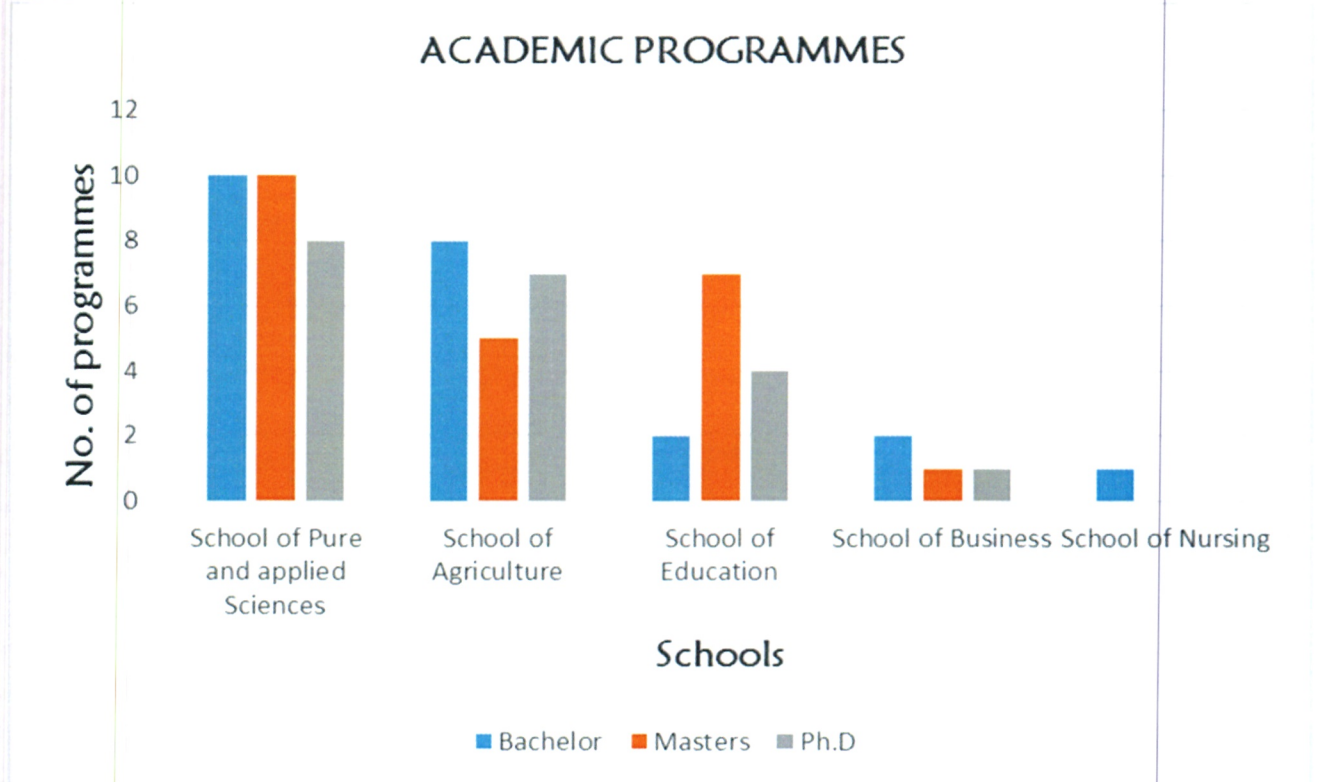
During the year under review, the Embu University College had five academic schools, namely:

- 1) School of Pure and applied Sciences
- 2) School of Agriculture
- 3) School of Education and social sciences
- 4) School of Business and economics
- 5) School of Nursing

The number of departments and academic programmes existing per school, during the year under review, were as tabulated below:

School	Number of departments	Number of academic programmes on offer		
		Bachelor	Masters	Ph.D
School of Pure and applied Sciences	3	10	10	8
School of Agriculture	3	8	5	7
School of Education	1	2	7	4
School of Business	1	2	1	1
School of Nursing	4	1	0	0

Table 2: Number of academic programmes per department



c) Performance Contracting (PC)

At the commencement of the year under review, the University Council signed the 2015/16 Performance Contract with the Government of Kenya through the Ministry of Education Science & Technology. The University Management remained committed to ensuring that all operations are conducted within the stipulated legal framework. To this end, all performance contracting activities were undertaken in line with the issued PC guidelines.

The University PC scores since inception were as follows:

Year	Score	Rating
2012/2013	2.6897	Very good
2013/2014	2.7062	Very good
2014/2015	1.9826	Excellent
2015/2016 (self-evaluation)	2.0334	Excellent

Table 3: Performance contracting rating

Financial Performance

During the FY 2015/2016, Embu University College was granted a total of Ksh 618,102,550 from the Government of Kenya as follows:

Recurrent grants:	Ksh 421,242,550
Development grants:	Ksh 196,860,000
Total	Ksh 618,102,550

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From internal sources, the University raised a total of Ksh 215,089,675/=

The overall financial performance during the year improved significantly compared to the FY 2014/2015, and the earlier years as follows:

Total revenue increased by 50.33 % from Ksh 423,280,105 in 2014/2015 to Ksh 636,332,224 in 2015/2016, while the net surplus increased by 1863.25% from Ksh (7,533,656) in 2014/2015 to Ksh 132,837,151 in 2015/2016

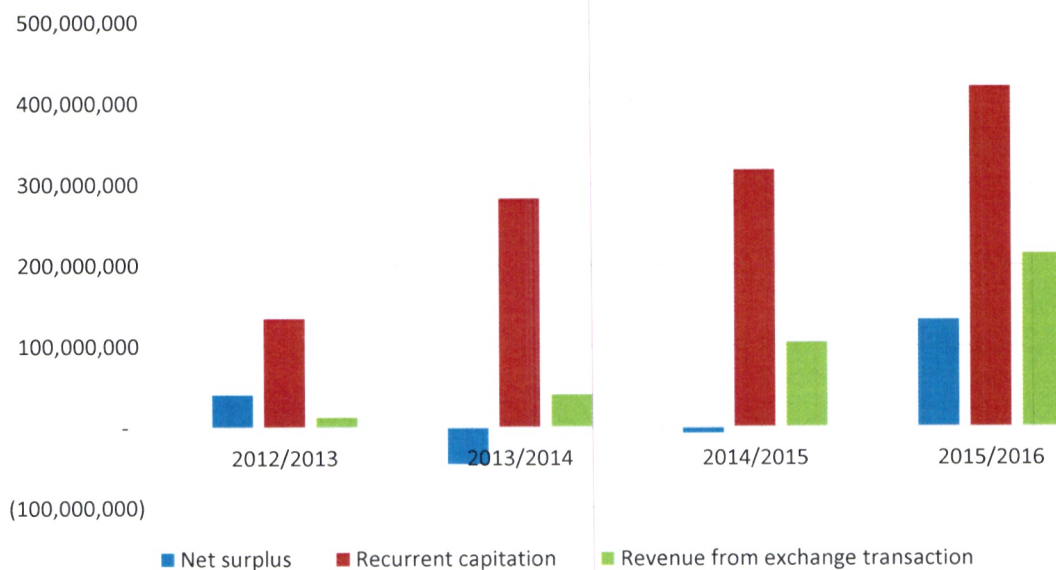
Current assets grew by 96.8 % from Ksh 113,846,088 in 2014/2015 to Ksh 224,080,970 in 2015/2016. The total assets increased by 21.1 % from Ksh 1.77 billion in 2014/2015 to Ksh 2.145 billion. Current liabilities increased by 99.85% from Ksh 38.7 million to 77.446 million, while the total liabilities increased by 34.78% from 122.79 million in 2014/2015 to 165.50 million in 2015/2016

Based on the above, it is evident that current assets grew by a greater extent compared to the current liabilities. This indicates that the liquidity position of Embu University has improved, reducing the persistent doubt as to its going concern status. The University College Management shall continue ensuring that all the University funds are utilized prudently at all times.

Graphically, the financial performance of Embu University College is presented below:

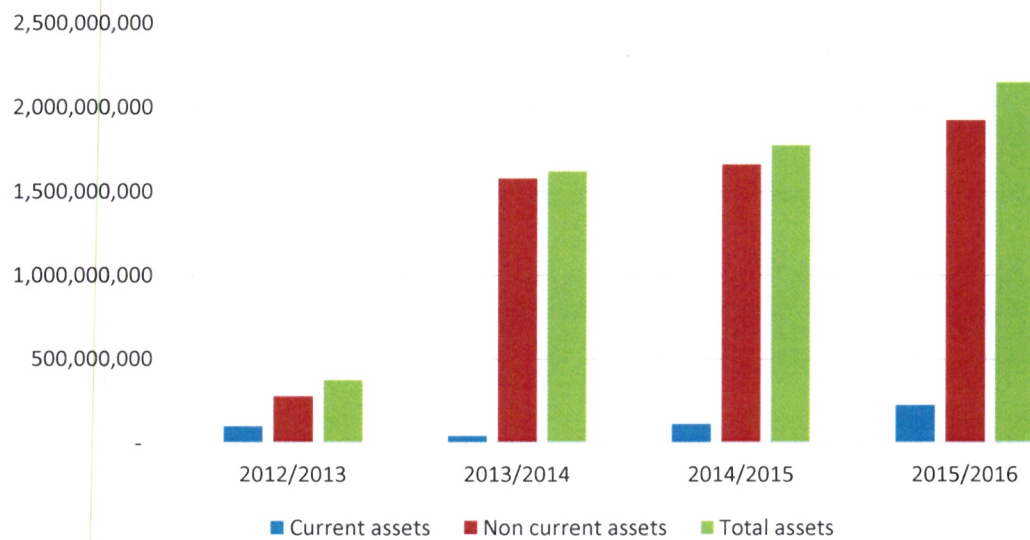
(i) Revenues

Revenue for the period between 2012/2013 and 2015/2016



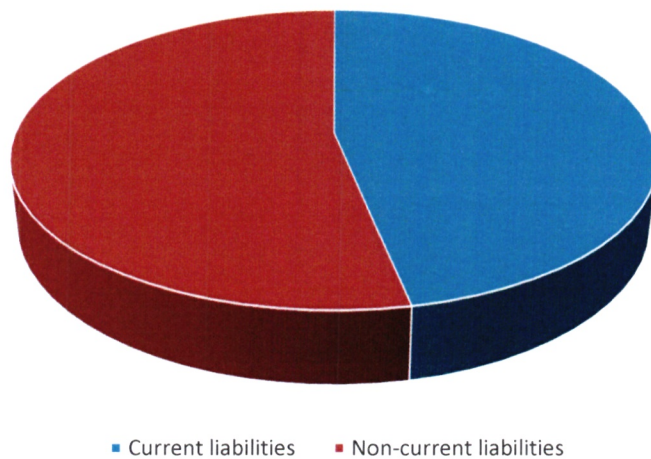
(ii) Assets

Assets for the period between 2012/2013 and 2015/2016



(iii) Liabilities

Liabilities as at 31st June, 2016



(4) Delivery of the University’s mandate

Embu University College has a vibrant management team that is fully committed to full delivery of the University’s mandate. Through their tireless effort, the Management has positioned the University College on top of the list of the rapidly growing Universities in Kenya. The University management will continue exercising good governance in the day to day running of the University in line with the accepted principles of corporate governance. The University management assures all the stakeholders of effective partnership, to ensure that Embu University College continues playing the leading role in the development and expansion

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of opportunities for higher education and training, research and support for innovative approaches for the development of humanity.

(5) Appreciation

I wish to express my sincere and deep gratitude to the University College Council, Ministry of Education, Science and Technology, and the National Treasury for their continued support and guidance to the University Management. My gratitude also goes to all the members of the Embu University College staff for working tirelessly towards achieving the University goals. Last but not least, I wish to sincerely thank all our students, customers and other stakeholders for accepting to partner with us. We appreciate you very much for your steadfast support and contribution towards the success that we have made so far.



.....
Prof. Daniel Mugendi Njiru, (Ph.D)
PRINCIPAL

Date: 22/12/2016

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
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CORPORATE GOVERNANCE**

Introduction

Embu University College Council recognizes the importance of applying high standards of corporate governance as a key contributor to its long term success, value and prosperity. This enables effective and efficient decision making and creates a conducive atmosphere for the Council to discharge their duty to promote success, while taking into account the interest of stakeholders. The University College Council has established effective governance through a combination of strong process and structures, underpinned by the right values and culture.

Corporate Governance Statement

Good corporate governance entails establishment and enhancement of sustainable value for our stakeholders, through adoption of ethically driven business structures, procedures and processes. The Council and the Management of Embu University College ensures that corporate governance guidelines and best practices are followed in the delivery of the University mandate, and that all corporate affairs are managed in a fair and transparent manner, and in compliance with the Mwongozo Code of Governance which was established by the Government to provide guidance on effective leadership, governance and management of public resources.

University College Council

The University Council is at the centre of good governance practice for protection of long-term interests of all our stakeholders. The Council provides leadership, oversight to Management, integrity and good judgment in directing the operations in the best interest of the stakeholders for continued viability and sustainability. The University College Council is vested with powers and authority by relevant laws of Kenya, in discharging its mandate, and to effectively fulfill its corporate governance responsibility towards stakeholders. The University College Council and Management remain steadfastly committed to the adoption of corporate governance best practices in support of the University Vision to provide world-class services that delight our customers, create value for money and meet stakeholders' expectations.

Induction and capacity building for Directors

Council members regularly attend trainings on corporate governance and other relevant areas to equip them with the knowledge that is required to effectively discharge their responsibilities. Induction programme for new Council members is conducted to enhance understanding of the nature of our business and operations with presentations by the top Management highlighting the University College performance and strategy. During the year under review, Council members attended relevant training and capacity building programmes.

Meetings of the University College Council

Dates for University Council meetings in the ensuing year are decided in advance and scheduled in a work plan. The Council holds its regular meetings on quarterly basis to transact planned business of the University College. However, special meetings of the Council may be called when there is business to transact. During the FY 2015/2016, the Board held four (4) regular

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and no special meeting. Members of the Council receive adequate notice and detailed documents on issues to be discussed in good time to enable them prepare for the meetings.

The table below gives a summary of the meetings held by the University Council and its committees:

Name of the Committee	Members	Meetings held	No. of meetings attended
Full Council	1. Dr. Margaret Gikuhi - Chairperson	4	4
	2. Mr. Samuel Kiiru - Member		4
	3. Mr. Evans Atambo - Member		4
	4. Ms. Agnes Ndwiga - Member		4
	5. Dr. John Onsati - Member		4
	6. Mr. Kiema Mwendia - Member		4
	7. Prof. Margaret Hutchinson - Member		4
	8. Prof. Daniel Mugendi - Secretary		4
Finance and general purpose	1. Prof. Margaret Hutchinson - Chairperson	4	3
	2. Mr. Samuel Kiiru - Member		4
	3. Mr. Evans Atambo - Member		4
	4. Ms. Agnes Ndwiga - Member		4
	5. Prof. Daniel Mugendi - Secretary		4
Building & infrastructure	1. Mr. Kiema Mwendia - Chairperson	4	4
	2. Mr. Samuel Kiiru - Member		4
	3. Mr. Evans Atambo - Member		4
	4. Mr. John Onsati - Member		4
	5. Prof. Daniel Mugendi - Secretary		4
Audit and Risk Management	1. Ms. Agnes Ndwiga - Chairperson	4	4
	2. Mr. Samuel Kiiru - Member		4
	3. Mr. Evans Atambo - Member		4
	4. Dr. John Onsati - Member		4
	5. Mr. Kiema Mwendia - Member		4
	6. Mr. Francis Ngure - Secretary		4
Staff Terms and Conditions of Service	1. Dr. John Onsati - Chairperson	2	2
	2. Mr. Samuel Kiiru - Member		2
	3. Mr. Evans Atambo - Member		2
	4. Prof. Margaret Hutchinson - Member		2
	5. Prof. Daniel Mugendi - Secretary		2

Remuneration of Embu University College Council

Council members are entitled to sitting allowance for every meeting attended, lunch allowance, accommodation allowance and mileage reimbursement where applicable, within set limits of the government for state corporations. In addition, the Chairman of the University Council is paid a monthly honorarium and telephone allowance also at the limits for state corporations.

Loans to Council members

Embu University College does not give loans to the Council members.

Internal controls

Internal control systems at Embu University College were designed to meet the particular needs, and address the risks to which it is exposed with procedures intended to provide effective internal financial control. The University Council is obligated to maintain a sound system of internal controls to safeguard University assets.

Risk management

Risk management is an integral part of Embu University College that ensures long term viability and sustainability. The University College continues to implement its Risk Management Policy with the objective of managing identified business and operational risks in a structured and systematic manner.

The Risk Management policy is designed to:

- (i) Identify risks or threats that affect the achievement of the vision, mission and core values of the University College.
- (ii) Take advantages of opportunities in order to create value to customers and other stakeholders
- (iii) Establish appropriate mitigation measures to counter negative effects of the risks.

The University Council through its Audit and Risk Management Committee exercises oversight role on the Risk Management processes implemented by the Management. During the year under review, the Council reviewed the Risk Register to enhance internal effectiveness in addressing emerging risks.

Ethical standards

Embu University College works towards ensuring that the Management and staff conduct themselves with integrity and professionalism in accordance with the approved Code of Conduct, which stipulates expectations and holds people accountable for their conduct. The Code of Ethics is a public statement that stipulates expectations and holds us accountable for our business conduct. Embu University College through the office of the Human Resources Manager, and the Integrity Committee carries out integrity awareness, training, risk assessments and enforcements of corruption prevention measures. The Management has established mechanisms for receiving complaints and making follow-ups on allegations and cases of unethical conduct. Objective analysis of reported cases is done and appropriate action instituted to control and discourage unethical behaviour. Embu University College collaborates with Ethics and Anti-corruption Authority to entrench a culture of ethics and integrity.

University Management Board

Embu University College has a Management Board that comprises of eight member. Their profiles are captured on page 6 to 7 of this annual report.

The board meets at least once a week, with its main business including:

- a) To review performance
- b) To consider policy and business issues including strategic measures.

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

- c) To review documents before they are tabled to the University Council for consideration and approval.

Communication with shareholders

Embu University College values and maintains good relations with shareholders as fostered through effective communication. Stakeholders' meetings, University website and corporate announcements through the media, provide opportunities to communicate with our shareholders. In addition, shareholders have a direct access to the Principal who responds to a wide range of issues.



.....
Prof. Daniel Mugendi Njiru, (Ph.D)
PRINCIPAL

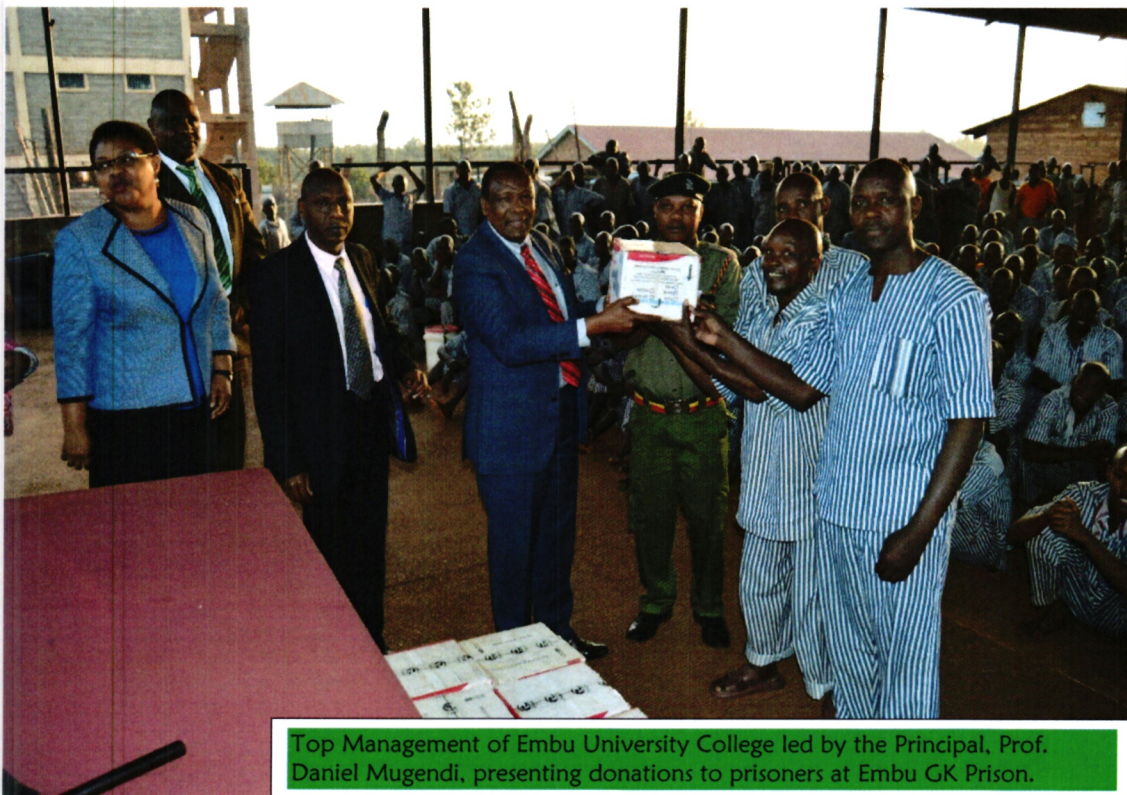
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**EMBU UNIVERSITY COLLEGE
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2016
CORPORATE SOCIAL RESPONSIBILITY**

Embu University College integrates social and environmental concerns in its operations and interactions with its stakeholders. This encourages a positive relations and impact on the environment by the stakeholders who include students, other customers, employees, investors and the neighboring communities. The University College Council and the Management is fully committed to maintaining a cordial relations with the University stakeholders at all times.

During the year under review, Embu University College undertook the following activities in the fulfilment of its corporate social responsibility objectives:

- 1) Offered research grants and 40 % fee waivers to staff studying at Embu University College.
- 2) Donated books worth Ksh 2,200,000/= to secondary schools in Embu County.
- 3) Offered the following medical services to staff and students for free, in collaboration with the Ministry of Health, Embu level 5 Hospital:
 - (i) Sensitization on HIV prevention, and elimination of stigma and discrimination.
 - (ii) Blood sugar checks
 - (iii) Nutritional counselling
 - (iv) Blood pressure checks and counselling on lifestyle change
- 4) Participated in various activities for schools within Embu County, such as prize giving and education forums.
- 5) Started a financial aid kitty for supporting needy students.
- 6) Mobilised neighbouring community in tree planting exercise.
- 7) Hosted various schools, both secondary and primary, on educational visits and exposed them to practical operations in Agriculture.
- 8) Offered free career talks to student in various school in Embu and the neighbouring counties.

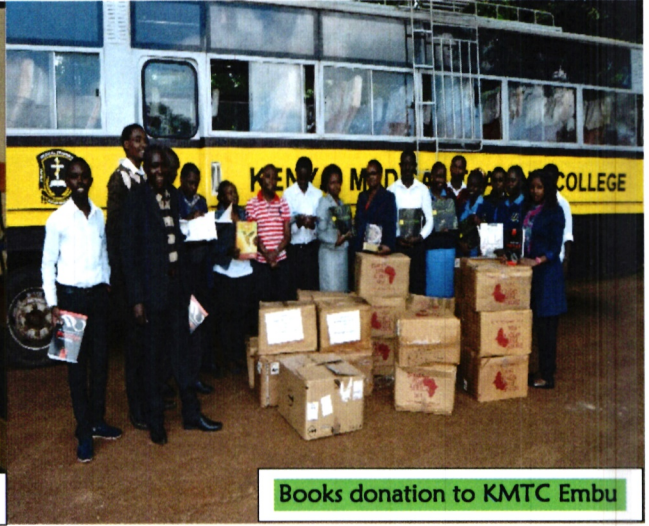


Top Management of Embu University College led by the Principal, Prof. Daniel Mugendi, presenting donations to prisoners at Embu GK Prison.

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**



Free medical session at EUC



Books donation to KMTc Embu



Staff members and students participating in clean-up of Embu town



Farmers in a free training at Embu University College

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

REPORT OF THE COUNCIL MEMBERS

Embu University Council submits their report together with the financial statements for the period ended 30th June, 2016 which show the state of affairs of the University College

PRINCIPAL ACTIVITIES

The principal activities of the University College are to generate, advance and disseminate knowledge through training, research and innovation and offer extension services to communities within Embu County, other parts of Kenya, the East Africa Community and across the world.

RESULTS

The results of the Embu University College for the period ended 30th June, 2016 are set out on pages 26 to 31.

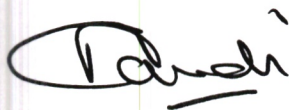
UNIVERSITY COLLEGE COUNCIL MEMBERS

The members of the Council who served during the year are shown on pages 4 to 5 in accordance with the University College's Legal Notice No.65 of 17th June 2011.

AUDITORS

The Auditor General is responsible for the statutory audit of the University College in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the University College Council



Prof. Daniel Mugendi Njiru
PRINCIPAL

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the University College Council to prepare financial statements in respect of University College, which give a true and fair view of the state of affairs of the College at the end of the financial year 2015/2016 and the operating results of the College for that year. The Council members are also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The University Council is also responsible for safeguarding the assets of the University College.

The Council members are responsible for the preparation and presentation of the University College's financial statements, which give a true and fair view of the state of affairs of the 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 the 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 the College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSASs), and in the manner required by the PFM Act and the State Corporations Act. The Council members are of the opinion that the University College's financial statements give a true and fair view of the state of University College's transactions during the financial year ended June 30th, 2016, and of the University College's financial position as at that date. The University 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.

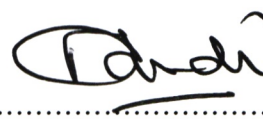
Nothing has come to the attention of the Councils members to indicate that the University College will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University College's financial statements were approved by the Embu University College Council on 16th September, 2016 and signed on its behalf by:



.....
Dr. Margaret M. Gikuhi
CHAIRMAN



.....
Prof. Daniel Mugendi Njiru
SECRETARY

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Embu University College set out on pages 26 to 48, 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 a statement of comparison of budget and actual amount 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 judgment, 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

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

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

Staff Debtors

The total receivables for the year which comprise receivables from exchange transaction and receivables from non-exchange transactions balances of Kshs.17,767,574 and Kshs.54,865,657 respectively both totaling to Kshs.72,033,231 increased by Kshs.34, 513, 313 (47%) from Kshs.38,148,045 as at 30 June 2015 to Kshs.72,033,231 as at 30 June 2016. However, included in the receivable from non-exchange transactions balance of Kshs.54,865,657 were staff debtors totaling Kshs.14,846,711 which further included Kshs.612,773 advanced to an employee. Scrutiny of the documents supporting the advance indicated that it arose as a result of irregularities which occurred in the cash office between 31 May and 4 November 2013 where the officer was a cashier.

However, the amount has not been recovered to date. The officer has since died and although the University filed a case on 25 June 2016 at Nyeri Law Courts against the estate of the deceased, no reasons were given as to why the University took over two (2) years to take action.

In the circumstances, the accuracy and recoverability of the receivables balance of Kshs. 72,033,231 as at 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Embu University College as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Embu University College Order, 2011.

Other Matter

1.0 Budget and Budgetary Control

During the year under review, the University had a total revenue budget of Kshs.800,901,516 while the actual collection was Kshs.833, 056,115 as tabulated below:-

1.1 Revenue Collection

Revenues	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
Government Grants			
Recurrent Grant	421,242,550	421,242,550	-
Development Grant	196,860,000	196,860,000	-
Sub Total	618,102,550	618,102,550	-
			-
Internally Generated Revenues			
Accommodation	7,336,000	8,102,594	(766,594)
Tuition Fees	146,918,653	160,055,150	(13,136,497)
Catering	14,128,066	15,350,863	(1,222,797)
Farm Income	4,300,000	4,121,073	178,927
Rent Income	4,800,000	5,097,220	(297,220)
Other Income	5,316,247	22,276,665	(16,960,418)
Sub Total	182,798,966	214,953,565	(32,154,599)
Total	800,901,516	833,056,115	(32,154,599)

The total incomes exceeded the budgeted amount by Kshs.32,154,599 with the only collection below the budget being the farm income.

The total expenditure budget was Kshs.800,901,516 comprising of Kshs.512,658,874 (64%) for recurrent and Kshs.288,242,642 (36%) for development expenditures.

1.2 Development Expenditure

The development expenditure analyses is tabulated in the table below:

Development Expenditure	Budget (Kshs)	Actual (Kshs)	Variance	Performance (%)
i) Fencing Compound	3,344,166	2,642,566	701,600	79
ii) Administration Block	173,475,400	154,153,424	19,321,976	89
iii) Office Block	30,270,070	27,643,583	2,626,487	91
vii) Construction of Animal House	2,043,886	2,043,886	-	100
viii) Diagnostic lab, sickbay and HIV counselling and testing room	6,571,075	6,310,131	260,944	96
ix) Herbarium	1,085,749	1,085,749	-	100
x) Bore hole project	2,188,965	113,123	2,075,842	5
xi) Multipurpose hall	12,750,000	9,575,855	3,174,145	75
xii) Construction of classrooms (Farm)	7,218,164	6,950,757	267,407	96
xiii) Gate (acceleration)			(123,800)	102

and deceleration lanes)	7,687,167	7,815,317		
xiv) Construction of incenerator	831,394	-	831,394	0
xv) Construction of ramp to Computer Lab	770,423	-	770,423	0
xvi) Library (Phase 1)	40,006,183	9,433,997	30,572,186	24
Total Development expenditure	288,242,642	228,897,041	59,345,601	79

The university had an overall performance of 79% of the development budget. Notably was the Gate (acceleration and deceleration lanes) which had an over expenditure of Kshs.1,256,803 and the projects were ongoing as at the closure of the financial year. However, the approval for the re-allocation was not availed for audit review.

In the circumstances and considering that the University had received more revenue than budgeted, the under expenditure of Kshs. 59,345,601 in its development budget could not be justified.

1.3. Recurrent Expenditure

The University had a recurrent budget of Kshs.512,658,874 and an actual expenditure of Kshs.494,076,770 resulting in an under – expenditure of Kshs.18,582,104 as shown below;

Appendix 1: Recurrent Budget Analyses

Expenses	Actuals	Budget	Variance
Employee costs			
Basic Salary	120,566,242	121,921,480	(1,355,238)
House Allowance	74,203,120	74,252,144	(49,024)
Part Time Teaching	35,096,253	31,135,509	3,960,744
Pension and Gratuity	25,697,755	23,699,041	1,998,714
Commuter Allowance	25,221,673	23,193,800	2,027,873
Temporary Employees	16,512,821	16,470,400	42,421
Medical Expenses	9,674,160	9,431,350	242,810
Travel and Subsistence Allowance	8,543,418	6,116,941	2,426,477
Leave Allowance	1,946,182	1,944,539	1,643
External Travel	968,187	1,463,350	(495,163)
Staff Training	229,541	885,900	(656,359)
External Examiners	667,652	667,652	-
Staff Scholarship	1,221,986	560,150	661,836
Responsibility Allowance	8,448,164		8,448,164
Entertainment	4,572,262		4,572,262
Domestic Worker Allowance	1,958,664		1,958,664
Furniture Allowance	312,000		312,000
Uniform Allowance	40,000		40,000

Book Allowance	312,000		312,000
Telephone Allowance	2,200,003		2,200,003
Security Allowance	1,022,400		1,022,400
Water and Electricity Allowance	1,679,917		1,679,917
Passage and Baggage	93,552		93,552
Research Allowance	-		-
Total Employee costs	341,187,952	311,742,256	29,445,696
			-
Remuneration of university council	9,285,000	9,438,500	(153,500)
Deans/Directors/Chairmen Allowances		24,779,821	
Repairs and maintenance			
Maintenance of Buildings	16,095,545	8,523,960	
Maintenance of Plant & Equipment	382,904	584,960	
Grounds Maintenance	1,282,451	1,750,700	
Minor Works	-	8,620,930	
	17,760,900	19,480,550	
Research grants	14,416,832	619,200	13,797,632
			-
General expenses			-
Academic board and senate	1,297,262	1,028,950	268,312
Advertisement and publicity	3,359,320	5,094,500	(1,735,180)
Audit fee	522,000	800,000	(278,000)
Bank charges	258,141	216,930	41,211
Ceremonies & celebrations	237,325	879,920	(642,595)
Charter award expenses	2,132,306	4,790,050	(2,657,744)
Cleaning materials	412,666	1,456,400	(1,043,734)
Conference and seminars	534,771	588,100	(53,329)
Electricity	7,560,221	9,203,800	(1,643,579)
Farm expenses (Commercial)	3,328,082	3,984,600	(656,518)
Farm expenses (Research)	80,555	270,800	(190,245)
Field course	285,550	287,050	(1,500)
Foodstuff	18,275,066	15,261,750	3,013,316
Fuel and gases	1,361,940	1,549,473	(187,533)
Funeral	55,000	55,000	-
Games & Sport	1,855,220	2,096,650	(241,430)
Hire of security	3,619,234	3,630,360	(11,126)
HIV AIDS & Disability	93,200	160,000	(66,800)
Honors and awards	7,000	2,000	5,000
ICT Expenses	342,431	577,550	(235,119)
Insurance	3,961,947	3,961,947	-

Internet expenses	2,830,208	2,000,000	830,208
ISO expenses	706,189	700,000	6,189
Kitchenware (Cutlery)	570,580	763,960	(193,380)
Legal fee	314,200	399,700	(85,500)
Local exhibition	1,687,815	573,250	1,114,565
Management board expenses	1,346,534	1,200,000	146,534
Membership & subscription	159,046	184,121	(25,075)
Non- pharmaceuticals	159,904	312,430	(152,526)
Other office expenses	846,458	742,030	104,428
Performance contracting	171,617	248,650	(77,033)
Pharmaceuticals	969,947	1,276,130	(306,183)
Postage	72,790	100,000	(27,210)
Printing & publishing	1,047,787	1,498,800	(451,013)
Professional contracted services	433,033	1,038,000	(604,967)
Sanitary services	1,010,205	1,048,000	(37,795)
Staff uniform	187,771	345,344	(157,573)
Stationery	5,608,260	5,677,050	(68,790)
Statutory payments (KUCCPS)	1,772,000	1,722,000	50,000
Student welfare	846,654	816,103	30,551
Teaching materials	2,243,555	1,194,314	1,049,241
Teaching practice	14,699	350,000	(335,301)
Telephone expenses	403,499	399,900	3,599
Tender/Procurement committees	100,000	100,000	-
Transport operating expenses	4,213,668	5,000,000	(786,332)
Water & Conservancy	7,755,859	7,463,382	292,477
Library Expenses	-	6,710,380	
Student Awards and Bursaries	-	500,000	
General Expenses Total	85,051,515	98,259,374	(13,207,859)
Total Expenses	467,702,199	464,319,701	3,382,498
Equipments:			
Plant & Equipment	6,423,025	14,874,270	(8,451,245)
Computer H/ware & S/ware	14,784,266	14,419,753	364,513
Furniture and Equipment	5,167,280	9,140,150	(3,972,870)
Motor Vehicles	-	9,905,000	(9,905,000)
Sub Total	26,374,571	48,339,173	(21,964,602)
Grand Totals	494,076,770	512,658,874	(18,582,104)

Further, an over – expenditure of Kshs.32,480,294 was noted on twenty four (24) items as follows;

Item	Budget (Kshs)	Actuals (Kshs)	Variance (Kshs)
Part Time Teaching	31,135,509.00	35,096,253.00	3,960,744.00
Pension and Gratuity	23,699,041.00	25,697,755.00	1,998,714.00

Commuter Allowance	23,193,800.00	25,221,673.00	2,027,873.00
Temporary Employees	16,470,400.00	16,512,821.00	42,421.00
Medical Expenses	9,431,350.00	9,674,160.00	242,810.00
Travel and Subsistence Allowance	6,116,941.00	8,543,418.00	2,426,477.00
Leave Allowance	1,944,539.00	1,946,182.00	1,643.00
Staff Scholarship	560,150.00	1,221,986.00	661,836.00
Research grants	619,200.00	14,416,832.00	13,797,632.00
Academic board and senate	1,028,950.00	1,297,262.00	268,312.00
Bank charges	216,930.00	258,141.00	41,211.00
Foodstuff	15,261,750.00	18,275,066.00	3,013,316.00
Honors and awards	2,000.00	7,000.00	5,000.00
Internet expenses	2,000,000.00	2,830,208.00	830,208.00
ISO expenses	700,000.00	706,189.00	6,189.00
Local exhibition	573,250.00	1,687,815.00	1,114,565.00
Management board expenses	1,200,000.00	1,346,534.00	146,534.00
Other office expenses	742,030.00	846,458.00	104,428.00
Statutory payments (KUCCPS)	1,722,000.00	1,772,000.00	50,000.00
Student welfare	816,103.00	846,654.00	30,551.00
Teaching materials	1,194,314.00	2,243,555.00	1,049,241.00
Telephone expenses	399,900.00	403,499.00	3,599.00
Water & Conservancy	7,463,382.00	7,755,859.00	292,477.00
Computer H/ware & S/ware	14,419,753.00	14,784,266.00	364,513.00
Totals	160,911,292.00	193,391,586.00	32,480,294.00

However, the required Council Authority sanctioning the Kshs.32,480,294 over – expenditure was not made available for audit review.

In the circumstances, the revenue over-collection of Kshs.32,154,599, the recurrent budget over-expenditure of Kshs.32,480,294 and the development budget under-expenditure of Kshs.59,345,601 renders the entire budget unrealistic and the University did not meet its budget targets and objectives.

2.0 Ethnic Balance

A review of the staff biodata during the year revealed that one community had 36% of the staff work force as follows;

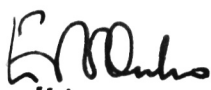
S/NO	Ethnicity /Tribe	Acad	Senior	Middle	Lower	Total	%age
1	Embu	9	1	42	37	89	36
2	Kalenjin	6	0	7	0	13	5.2
3	Kamba	4	1	4	2	11	4.5
4	Kikuyu	15	4	30	6	55	22.3

5	Kisii	4	1	4	2	11	4.5
6	Luhya	6	2	6	1	15	6
7	Luo	4	1	3	3	11	4.5
8	Meru	13	2	17	8	40	16
9	Somali	1	0	0	0	1	0.5
10	Taita	0	0	1	0	1	0.5
	Total	62	12	114	59	247	100

However, Article 27 Section 65 of the Constitution of Kenya requires that no single ethnic group should hold more than 30% of the work force in a public institution.

In the circumstances, the University was in breach of the Constitution during the financial year ended 30 June 2016.

My opinion is not qualified in respect to these matters.



FCPA Edward R.O Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 January 2017

EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016

EMBU UNIVERSITY COLLEGE
STATEMENT OF FINANCIAL PERFORMANCE FOR PERIOD ENDED ON 30TH JUNE, 2016

		2015/2016	2014/2015
	Note	(Ksh)	(Ksh)
Revenue from non-exchange transactions			
Government recurrent grants	3	421,242,550	318,242,551
Revenue from exchange transactions			
Rendering of services	4	183,508,607	86,039,993
Rental revenue	5	5,097,220	4,972,474
Farm activities	6	4,121,073	3,630,189
Other incomes	7	22,362,775	10,394,899
		215,089,675	105,037,555
Total revenue		636,332,224	423,280,105
Expenses			
Employee costs	8	340,495,632	296,028,272
Remuneration of University Council		9,285,000	7,429,599
Depreciation and amortization expense	9	35,089,832	36,377,595
Repairs and maintenance	10	17,705,302	9,885,702
Research grants	11	14,517,802	6,065,211
General expenses	12	86,941,505	76,451,082
Total expenses		504,035,073	432,237,461
Surplus/(Deficit) from operations		132,297,151	(8,957,356)
Other gains/(Losses)	13	540,000	1,423,700
Surplus/(Deficit) from operations		132,837,151	(7,533,656)

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2016

ASSETS	NOTE	2015/2016 (Ksh)	2014/2015 (Ksh)
Current assets			
Cash and cash equivalents	14	144,468,770	39,767,534
Receivables from exchange transactions	15	17,167,574	8,766,925
Receivables from non-exchange transactions	16	54,865,657	29,381,120
Inventories	17	7,578,969	5,930,509
Investments	18	-	30,000,000
		224,080,970	113,846,088
Non-current assets			
Property, plant and equipment	9	1,914,202,674	1,651,287,879
Biological assets	19	7,333,500	6,793,500
		1,921,536,174	1,658,081,379
Total assets		2,145,617,143	1,771,927,467
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	68,190,177	31,661,186
Refundable deposits from customers	21	1,019,000	621,994
Provisions for audit fee	22	1,293,035	1,888,000
Payments received in advance	23	6,444,062	4,580,765
Provisions for bursaries	24	500,000	-
		77,446,274	38,751,945
Non-current liabilities			
Caution money	26	6,490,000	2,482,000
CBA refund	27	81,560,000	81,560,000
		88,050,000	84,042,000
Total liabilities		165,496,274	122,793,945
Net Assets			
Development grants	28	600,708,178	403,848,178
Revaluation Reserve	29	1,289,348,660	1,289,348,660
Accumulated surplus	30	56,832,031	(77,063,317)
Other grants	31	33,232,000	33,000,000
		1,980,120,869	1,649,133,521
Total Net Assets and liabilities		2,145,617,143	1,771,927,466

The financial statements were approved by the University College Council and signed on its behalf by:



Dr. Margaret M. Gikuhi
CHAIRPERSON



Prof. Daniel M. Njiru (PhD)
PRINCIPAL

Date 22/12/2016

Date 22/12/2016

EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016

STATEMENT OF CHANGE IN NET ASSETS
FOR THE PERIOD ENDED 30TH JUNE, 2016

	Revaluation reserve	Government development grants	Accumulated surplus	Other grants	Total
	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)
Balance as at 1st July 2014	1,289,348,660	200,961,511	(69,529,661)	-	1,420,780,510
Surplus/(deficit) for the period	-	-	(7,533,656)	-	(7,533,656)
Development grants	-	202,886,667	-	-	202,886,667
Other grants	-	-	-	33,000,000	33,000,000
Balance as at 30th June, 2015	1,289,348,660	403,848,178	(77,063,317)	33,000,000	1,649,133,521
Balance as at 1st July 2015	1,289,348,660	403,848,178	(77,063,317)	33,000,000	1,649,133,521
Prior year adjustment (Note 32)	-	-	2,743,067	-	2,743,067
Surplus for the period	-	-	132,837,151	-	132,837,151
Loss on disposal of library books	-	-	(1,684,870)	-	(1,684,870)
Other grants	-	-	-	232,000	232,000
Development grant for the year	-	196,860,000	-	-	196,860,000
Balance as at 30th June, 2016	1,289,348,660	600,708,178	56,832,031	33,232,000	1,980,120,869

Other grants

This represents a grant of Ksh 232,000/= from the Equity Bank meant for purchasing a high mast street light.

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30TH JUNE, 2016

OPERATING ACTIVITIES	Notes	2015/2016 (Ksh)	2014/2015 (Ksh)
Receipts			
Government grants	3	421,242,550	291,722,338
Rendering of services	4 & a	181,389,804	85,321,368
Rental income	5 & b	5,386,620	4,972,474
University farm	6	4,121,073	3,630,189
Debtors recovery (June 2015 capitation)		26,520,213	-
Other income	7 & c	22,507,749	10,394,899
		661,168,007	396,041,267
Payments			
Employees expenses	8 & d	339,930,780	296,028,272
Council expenses		9,285,000	7,429,599
Repairs and maintenance	10	17,705,302	9,885,702
Research grants	11	14,517,802	6,065,211
General expenses	e	69,102,482	68,976,453
Creditors payment		13,918,125	112,928,805
		464,459,490	501,314,042
Net cash flows from operating activities		196,708,517	(105,272,775)
INVESTING ACTIVITIES			
Purchase of property, plant, equipment		(279,099,281)	(61,968,665)
Net cash flows from investing activities		(279,099,281)	(61,968,665)
FINANCING ACTIVITIES			
Development grants from the Government	g	156,860,000	202,886,667
Grant from the Equity Bank		232,000	-
Net cash flows from financing activities		157,092,000	202,886,667
Net change in cash and cash equivalent		74,701,236	35,645,227
Cash and cash equivalent as at 1st July 2015		69,767,534	34,122,306
Cash and cash equivalent - 30th June 2016		144,468,770	69,767,533

NOTES TO THE CASH FLOW

a) Rendering of services	183,508,607
Add: Fee receivable for 2014/2015 FY	8,022,583
Additional Caution money	4,008,000
Student Union subscription	410,550
Deferred fees for 2015/2016	6,444,062
Interest receivable b/f	285,390
Farm income receivable b/f	260,777
Less: Deferred fees for 2014/2015 FY	(4,580,765)
Less: Fee receivable 2015/2016	(16,969,400)
	181,389,804

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

NOTES TO THE CASH FLOW STATEMENT (Continued)

b) Rental income	5,097,220
Add: Rent commercial rent deposit	<u>289,400</u>
	5,386,620
c) Other income	22,362,775
Add: Deferred resarch income c/f	2,466,847
Less: Deferred research income b/f	<u>(2,321,874)</u>
	22,507,749
d) Employees expenses	340,495,632
Less: Voluntary pay cut	<u>(564,852)</u>
	339,930,780
e) General expenses	86,941,505
Add: Audit fee paid b/f	768,965
Staff Advances	12,632,877
Less: Accruals	<u>(31,220,253)</u>
Provision for audit fee	(522,000)
Provision for bad debts	(647,073)
Provision for bursaries	(500,000)
Add: Increase in the Inventory	<u>1,648,460</u>
	69,102,482
f) Purchase of PPE	299,689,497
Less: Additional Retention	<u>(20,590,215)</u>
	279,099,281
g) Development grants from the Government	196,860,000
Received during the year	(156,860,000)
Balance c/f	40,000,000

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

**EMBU UNIVERSITY COLLEGE
STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNT AS AT 30TH JUNE, 2016**

	Original budget	Final budget	Actual on comparable basis	Performance difference
	2015/2016	2015/2016	2015/2016	2015/2016
	(Ksh)	(Ksh)	(Ksh)	(Ksh)
Receipts				
Government recurrent grants	321,242,550	421,242,550	421,242,550	-
Government development gran	313,720,000	196,860,000	196,860,000	-
Accommodation fee	6,500,000	7,336,000	8,102,594	766,594
Tuition fee	100,000,000	146,918,653	160,055,150	13,136,497
Catering	18,000,000	14,128,066	15,350,863	1,222,797
Farm income	7,000,000	4,300,000	4,121,073	(178,927)
Rent income	4,800,000	4,800,000	5,097,220	297,220
Other income	500,000	5,316,247	22,362,775	17,046,528
	771,762,550	800,901,516	833,192,225	32,290,709
Payments				
Employee costs	296,442,550	318,064,386	340,495,632	(22,431,246)
Remuneration of the Council	9,500,000	9,438,500	9,285,000	153,500
Repairs and maintenance	10,500,000	19,480,550	17,705,302	1,775,248
Research grants	1,000,000	619,200	619,180	20
General expenses	140,600,000	116,717,065	86,941,505	29,775,560
Payments on capital items	313,720,000	336,581,815	299,689,497	36,892,318
Total expenditure	771,762,550	800,901,516	754,736,116	46,165,400
Surplus/(Deficit) for the period	-	-	78,456,109	78,456,109

Notes:

Tuition fee:

Due to aggressive direct marketing activities the actual fee revenue raised exceed the amount that had been budgeted for.

Other incomes:

The variance resulted from the donor funded research grants worth Ksh 13,898,622 received on behalf of academic staff during the year. This could not be captured in the University budget because Embu University College was not directly the grants. Individual researchers source for the grants independently and undertake each research projects according to the stipulated terms and conditions for each project. Received amount was recognised as an income and later expensed gradually according to the requirement of the project.

Employee costs and General expenses: The noted variance resulted from the difference in the classification of items in the Statement of Financial performance, and in the Budget. In the Statement of the Financial performance, some items such as medical expenses are classified as employee costs while in the budget, they are captured as independent items. Owing to this, the actual amount in the Statement of Financial Performance appears bigger than the figure in the budget. On the same note, some items such as travel and subsistence are clasified under employee costs, but grouped under general items in the budget. That is why employee costs appears overspent while the general expenses appear underspent.

Payments on capital items: This resulted from delay in releasing the Ksh 40 million that was granted to Embu University College in the 2015/2016 Supplementary Budget 2

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016
NOTES TO THE FINANCIAL STATEMENTS**

1. Statement of compliance and basis of preparation

The University College 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 University College. 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

Government grants

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

Rendering of services

The University College 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.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is recognized when earned.

Rental income

Rental income arising from operating leases on rental property is recognized on occupancy of the property and included in revenue.

b) Budget information

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) Property, plant and equipment

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. The depreciation is calculated on the reducing balance to write down the cost of each asset to its residual value over its estimated useful life using the following rates:

Land	0%
Buildings	2.5%
Motor Vehicles	25%
Furniture & Fittings	12.5%
Computer & Printers	30%
Office Equipment	12.5%
Library books	20%

d) Financial assets

Initial recognition and measurement: Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

e) Inventories

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.

f) Provisions

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.

g) 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.

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

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

The University College 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

The University College provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which University College pays fixed contributions into a separate Pension Scheme 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.

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

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 authorized 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

The preparation of the University College'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.

o) 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 University College based its assumptions and estimates on parameters available when the 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 University College. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

p) 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:

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

q) Provisions

The cost of any program to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

r) 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.

s) Reserves

(i) Accumulated surplus

The accumulated surplus is used to absorb retained earnings or losses from statement of financial performance.

(ii) Development grants

This represents the cumulative development capitation for purchase of Property, Plant and Equipment.

(iii) Revaluation reserve

The revaluation reserve arose from revaluation of property plant, and equipment. When revalued property and equipment are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to the Accumulated Surplus.

t) Donor research grants

This represents the amounts of money granted to the University teaching staff by donors in support their research projects. The University College holds the grants monies in trust, and ensures prudent utilization of the grants by the concerned researcher. The grant is recognized in the books of accounts as income for the year during which it was received. All payments from the grants are expensed against the income recognized.

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2016**

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE, 2016

	2015/2016	2014/2015
Note 3: Government Capitation	(Ksh)	(Ksh)
These are government recurrent grants	421,242,550	318,242,551
Note 4: Rendering of services		
Tuition - KUCCPS	71,387,398	67,817,111
Tuition - SSP	88,667,752	-
	160,055,150	67,817,111
Accommodation	8,102,594	6,026,000
Catering income	15,350,863	12,196,882
	183,508,607	86,039,993
Note 5: Rental revenue	5,097,220	4,972,474
This is income from rental premises		
Note 6: Farm revenue	4,121,073	3,630,189
These are sales from the University farm		
Note 7: Other incomes		
Tender application forms	118,000	39,500
Research grants	13,898,622	6,326,660
Bank Interest	5,591,439	3,212,680
Hire of Facilities	959,903	487,298
Health Unit	172,130	96,862
Miscellaneous Income	1,601,982	118,009
Disposal of obsolete items	20,700	113,890
	22,362,775	10,394,899
Note 8: Employee costs		
Basic Salary	120,654,093	122,918,265
Responsibility allowance	10,588,499	8,750,867
Commuter allowance	23,578,887	24,403,432
Entertainment	4,572,262	4,387,466
Leave allowance	1,946,182	41,998
House allowance	74,203,302	71,061,709
Domestic worker allowance	1,958,664	1,958,664
Part time teaching	35,610,217	6,698,762
Furniture allowance	312,000	312,000
Uniform allowance	40,000	20,000
Book allowance	312,000	312,000
Telephone allowance	2,165,457	2,043,141
Security allowance	1,022,400	1,022,400
Water & electr. Allowance	1,679,917	1,644,595

EMBU UNIVERSITY COLLEGE**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2016**

	2015/2016	2014/2015
	(Ksh)	(Ksh)
Passage & Baggage	93,552	104,825
Temporary employees	16,568,419	9,391,406
Medical expenses	9,674,160	9,103,057
Pension & gratuity	25,697,755	20,326,146
External examiners	667,652	582,852
Staff training	843,407	1,293,304
Travel and Subsistence allowance	6,571,150	5,950,642
External travel	1,127,537	2,200,000
Research allowance	-	500,741
Staff scholarship	608,120	1,000,000
	340,495,632	296,028,272

EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2016

Note 9. Property, plant and equipment

	Land (Ksh)	Buildings (Ksh)	Motor Vehicle (Ksh)	Plant & Equipment (Ksh)	Furniture & Fittings (Ksh)	Computer Hardware (Ksh)	Work in progress (Ksh)	Library books (Ksh)	TOTAL (Ksh)
Cost									
As at 1 July, 2014	1,087,695,000	254,588,260	48,556,905	14,269,906	23,340,146	24,453,029	152,979,104	8,117,561	1,613,999,911
Additions	-	813,967	-	5,043,027	3,752,881	10,568,646	59,880,810	37,059,618	117,118,948
At 30 June, 2015	1,087,695,000	255,402,227	48,556,905	19,312,933	27,093,027	35,021,675	212,859,914	45,177,179	1,731,118,859
Additions	-	1,233,102	-	6,423,025	5,167,280	14,784,266	270,416,070	1,665,756	299,689,497
Disposal	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)
At 30th June, 2016	1,087,695,000	256,635,328	48,556,905	25,735,958	32,260,307	49,805,941	483,275,984	44,642,934	2,028,608,355
Depreciation and impairment									
Depreciation rate	0.00%	2.50%	25.00%	12.50%	12.50%	30.00%	0.00%	20.00%	
At 1 July, 2014	-	11,975,531	13,694,260	3,239,762	4,622,023	7,993,317	-	1,928,492	43,453,385
Depreciation charge	-	6,085,667	8,715,661	2,009,146	2,808,876	8,108,507	-	8,649,737	36,377,594
At 30 June, 2015	-	18,061,198	22,409,921	5,248,908	7,430,899	16,101,824	-	10,578,229	79,830,979
Depreciation charge	-	5,964,353	6,536,746	2,560,881	3,103,676	10,111,235	-	6,812,941	35,089,832
Disposal depreciation	-	-	-	-	-	-	-	(515,130)	(515,130)
At 30th June, 2016	-	24,025,551	28,946,667	7,809,789	10,534,575	26,213,059	-	16,876,040	114,405,682
Net book values									
At 30th June, 2016	1,087,695,000	232,609,777	19,610,238	17,926,168	21,725,732	23,592,882	483,275,984	27,766,894	1,914,202,674
At 30th June, 2015	1,087,695,000	237,341,028	26,146,984	14,064,025	19,662,129	18,919,850	212,859,914	34,598,949	1,651,287,879

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH
JUNE, 2016**

Note 10: Repairs and Maintenance

Maintenance of buildings	16,039,947	7,937,587
Maintenance of Plant & equipment	382,904	364,869
Grounds Maintenance	1,282,451	1,583,246
	17,705,302	9,885,702

Note 11: Research grants

Research expense - University funded	619,180	392,380
Research expense - Donor funded	13,898,622	5,672,831
	14,517,802	6,065,211

Note 12: General expenses

Academic Board and Senate	1,032,262	-
Advertisement & publicity	4,547,135	4,528,572
Audit fee	522,000	696,000
Bank charges	258,141	287,122
Bad and doubtful debt	647,073	-
Bursaries	500,000	-
Ceremonies & Celebrations	237,325	-
Charter award expenses	2,132,306	-
Cleaning materials	412,666	1,393,716
Conference & Seminars	534,771	154,417
Electricity	7,560,221	6,336,168
Ex-gratia	-	100,000
Farm expenses (Commercial)	3,328,082	2,573,933
Farm expenses (Research)	80,555	-
Fencing expense	-	1,380,004
Field course	285,550	344,165
Foodstuff	18,275,066	14,671,890
Fuel and gases	1,361,940	1,542,195
Funeral	55,000	195,050
Games & Sport	1,855,220	1,142,536
Hire of Security	3,619,234	3,095,197
HIV AIDS and Disabilty	129,450	-
Honors & awards	2,000	-
I.C.T expenses	342,431	1,824,003
Insurance	3,961,947	3,988,521
Internet expenses	1,915,653	-
ISO expenses	706,189	1,066,307
Kitchenware (Cutlery)	570,580	692,375
Legal fee	314,200	191,320
Library expenses	1,887,641	-
Local exhibition	500,000	494,712

**EMBU UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH
JUNE, 2016**

	2015/2016 (Ksh)	2014/2015 (Ksh)
Note 15: Receivables from Exchange Transactions		
Fees receivable	16,969,400	8,022,583
Interest receivable	-	285,390
Farm income receivable	198,175	458,952
	17,167,574	8,766,925

Note 16: Receivables from non-exchange Transactions

Government grants	40,000,000	26,520,213
Staff debtors	14,846,711	2,860,907
Rent receivable	18,946	-
	54,865,657	29,381,120

Staff debtors covers both the regular staff advances and researchers grants.

Note 17: Inventories

Stationery stores	1,499,548	1,122,784
Hardware Store	2,186,460	2,144,728
Farm store	276,872	336,760
Kitchen store	734,561	719,270
Kitchenware	-	-
Health Unit	833,638	546,585
Accommodation	379,362	49,600
Laboratory store	1,668,528	1,010,783
	7,578,969	5,930,509

Note 18: Investment (Fixed deposits)

Equity	-	30,000,000
	-	30,000,000

Note 19: Biological Assets

Mature cows	2,590,000	2,430,000
Chicken	580,000	346,000
Pigs	502,500	515,000
Goats	190,000	90,000
Fish	72,500	25,500
Coffee & Bananas	3,398,500	3,387,000
	7,333,500	6,793,500

Note 20: Trade and other Payables from exchange transactions

Trade payables	31,220,253	16,237,712
Retention on construction works	33,481,415	12,891,200
Students Union Subscription	456,810	210,400
Deferred Donor Researchers grants	2,466,847	2,321,874
Voluntary pay cut	564,852	-
	68,190,177	31,661,186

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	2015/2016 (Ksh)	2014/2015 (Ksh)
Note 21: Refundable Deposits from Customers		
Rent Deposit	660,400	326,974
Unclaimed funds	358,600	295,020
	<u>1,019,000</u>	<u>621,994</u>

Note 22: Provision for audit fee		
Balance brought forward	1,888,000	1,392,000
Add: Current year provision	522,000	696,000
Less: Payment for the year	- 768,965	(200,000)
Previous year overstatement adjustment	- 348,000	-
	<u>1,293,035</u>	<u>1,888,000</u>

Note 23: Payments Received in Advance		
Deferred fees income	6,444,062	4,580,765

Note 24: Provision for bursary 500,000 -
This is an amount that has been set aside to support needy students of Embu University College.

Note 25: Provision for bad debts 647,073 -
This is the amount of money owed to the University College by staff members who left, one of whom is deceased. The University College is pursuing recovery of the amount in a law Court.

Note 26: Caution money 6,490,000 2,482,000
This is the amount the University receives from students to cater for any damage to the University property by the student. The amount is refundable at the end of the course less any damage charges.

Note 27: CBA refund 81,560,000 81,560,000
Embu University College received Ksh 106 Million for CBA implementation in the FYs 2012/2013 and 2013/2014. At that time the University was new and did not have CBA arrears to pay. The amount was immediately re-allocated to other University votes, and spent. The Ministry of Ed. & Technology later directed that the money be refunded to other Universities. Ksh 24.44 million was refunded, leaving the above balance .

Note 28: Development Grant		
Balance as at 1st July, 2015	403,848,178	200,961,511
Current year additions	196,860,000	202,886,667
Balance as at 30th June, 2016	<u>600,708,178</u>	<u>403,848,178</u>

Note 29: Revaluation Reserve	1,289,348,660	1,289,348,660
Change during the year	-	-
Balance c/f	<u>1,289,348,660</u>	<u>1,289,348,660</u>

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	2015/2016 (Ksh)	2014/2015 (Ksh)
Note 30: Accumulated Surplus/(Deficit)		
Balance as at 1st July, 2015	(77,063,317)	(69,529,661)
Prior year adjustment (Note 32)	2,743,067	-
Loss on disposal of Library books	(1,684,870)	-
Current year surplus	132,837,151	(7,533,656)
Balance as at 30th June, 2016	56,832,031	(77,063,317)

Note 31: Other grants

This represents the value of light mast and book were donated to Embu University College.

	33,232,000	33,000,000
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Note 32: Prior year adjustment

1) During the FY 2013/2014 and 2014/2015, provision for audit fee of Ksh 696,000/= was made. The amount invoiced for each year was Ksh 522,000/=. The adjustment represents the difference between the provision and the actual charge for the two years ie $2(696,000 - 522,000) = 348,000 =$

2) During the FY 2013/2014, Ksh.2,395,067 was erroneously charged to buildings maintenance account, instead of adding it to the WIP, the Biodigester project. This has now been adjusted in this Financial Statements

Note 33: Contingent Liability

S/No	Plaintiff	Estimated contingent liability (Ksh)
1.	Mrs. Phides Mbura Nyaga	1,205,549.90
2.	Mrs. Lilian Njagi	Dependent on the outcome of the case.

(a) Mrs. Phides Mbura Nyaga, the legal administrator of the estate of the late Mr. Faustine Mukui, who was an employee of Embu University College on one year contract sued the Embu University College for compensation of Ksh 1,205,549.90, alleging that the late husband was unfairly dismissed from employment. The case was filed in Nyeri Labour Court.

(b) Mrs. Lilian Njagi sued Embu University College for alleged wrongful termination of employment, and is seeking reinstatement. If the outcome of the case will be in her favour, she may sue for damages. The case was filed in Nyeri Labour Court.

Note 34: Financial Risk management

The University's activities expose it to a variety of financial risks including credit and liquidity and effects of foreign currency changes and changes in market prices. The University College's overall risk management focuses on unpredictability of changes in business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is extended to students and staff with an established credit history.

The university's financial risk management objectives and policies are detailed below:

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(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. Embu University's credit risk is primarily attributable to its fees revenue receivable. The amount presented in the Statement of Financial Position is gross amount expected from students. Embu University College in its four years of existence has never had any case of bad debt, and therefore no provision has been made for doubtful debts. This is mainly because the Higher Education Loans Board (HELB) has been financing majority of our student through loans, with tuition component of the loans being remitted directly to the University College bank account. The credit risk on liquid funds with financial institutions is low, because we bank our monies with reputable banks.

The amount and aging analysis of items that best represents the University's maximum exposure to credit risk is made up as follows:

	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30th June 2015				
Fee receivable	8,022,583	-	-	8,022,583
Deposits with financial institutions	30,000,000	-	-	30,000,000
Bank balances	39,767,534	-	-	39,767,534
Interest receivable	285,390	-	-	285,390
Farm income receivable	458,952	-	-	458,952
	78,534,459	-	-	78,534,459
As at 30th June 2016				
Fee receivable	-	16,969,400	-	16,969,400
Farm income receivable	198,175	-	-	198,175
Government grants	40,000,000	-	-	40,000,000
Staff debtors	14,846,711	-	647,073	15,493,784
Bank balances	144,468,770	-	-	144,468,770
Rent receivable	18,946	-	-	18,946
	199,532,601	16,969,400	647,073	217,149,074

Embu University's fee payment policy requires payment of fees within the first three weeks of a semester. Where the student is not able to pay fee within the first three weeks of the semester, they are required to either call off the semester, or apply for phased fee payment, where fee is paid in three instalments. No student is allowed to sit for examination with a fee balance, unless with a written commitment on to pay by a specified date. Consequently, students' receivables are categorized as past due. Past due amounts are those beyond the maximum established credit period and represent slow but paying students. These receivables continue to be serviced even though this is not done within the expected dates.

Concentration risk

The reported receivables from fees wholly relate to balances due from the students who are unrelated, thus there is no concentration risk.

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(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University College Management, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University College manages liquidity risk by maintaining banking facilities and through continuous monitoring of forecasts and actual cash flows. Prudent liquidity risk management includes maintaining sufficient cash to meet the University's obligations. The University management reviews its cash forecasts regularly and determines the University's cash requirement. However, Embu University College as a government funded institution, faces the risk of inadequate and delayed funding by the National Treasury. This implies that sometimes the University does not have sufficient cash to meet its operational costs and obligations on timely basis.

The table below analyses the University's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The reported balances equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30th June, 2015				
Trade and other payables	-	-	16,237,712	16,237,712
CBA refund (MOEST)	-	-	81,560,000	81,560,000
Student Caution Money	-	-	2,482,000	2,482,000
Deferred Donor research fund	-	2,321,874	-	2,321,874
Retention	-	-	12,891,200	12,891,200
Student union subscription	-	-	210,400	210,400
Deferred fees income	-	-	4,580,765	4,580,765
Rental deposit	-	-	326,974	326,974
Audit fee payable	-	-	1,888,000	1,888,000
Unclaimed funds	-	-	295,020	295,020
Total	-	2,321,874	120,472,071	122,793,945
As at 30th June, 2016				
Trade and other payables	-	-	68,190,177	68,190,177
Rent deposit	-	-	660,400	660,400
Unclaimed funds	-	-	358,600	358,600
Audit fee payable	-	-	1,293,035	1,293,035
Provision for bursaries	-	-	500,000	500,000
Payment received in advance	-	-	6,444,062	6,444,062
Student Caution Money	-	-	6,490,000	6,490,000
CBA refund (MOEST)	-	-	81,560,000	81,560,000
Total	-	-	165,496,274	165,496,274

(iii) Market risk

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

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a) Foreign exchange risk

Embu University College is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognized in the books of accounts. The foreign currency denominated financial instruments solely consist of bank balances.

b) Price risk

Embu University does not holds quoted shares that would be subject to price risk.

a) Cash flow and fair value interest rate risk

Embu University occasionally holds interest bearing assets in form of call deposits. The University Management is in regular contact with the bankers, in a bid to obtain the best available rates on fixed and call deposits. Embu University College currently does not have any borrowings in the form of loans or bank overdrafts.

Note 35: Related party disclosures

(i) University College Council and the Management Board.

During the year under review, the University College had one member of the Council, receiving remuneration on a full-time equivalent basis. Details of their remuneration are displayed below:

S/no.	Category	Number of people	Amount
1.	University College Council expenses	8	9,267,000
2.	Council member on full time equivalent	1	1,044,000
3.	Management Board - Salaries & Allowances	8	39,481,764
	TOTAL		49,792,764

(ii) Government of Kenya

The government of Kenya through the Ministry of Education Science & Technology is the key financier of the development projects and operations of Embu University College. During the financial year under review, the University College received Ksh 421,242,550 and Ksh 196,860,000 for recurrent and development grants respectively.

Note 36: Currency

The financial statements are presented in Kenya Shillings (Ksh).

Note 37: Borrowings

Embu University did not have any borrowing during the Financial Year under review.

Note 38: Other disclosure

Embu University College was awarded a charter by His Excellence the President of the republic of Kenya on 7th October, 2016. Following the award of charter, its name changing from Embu University College (EUC) to University of Embu.

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PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The table below gives a summary of issues raised by the external auditors, and the Management responses to the issues. The two issues were resolved as indicated below.

Issue No.	Issue / Observations from Auditor	Management comments	Responsible person	Status	Timeframe
1.0	<p>Unsupported contract payments. During the FY ended 30th June 2014, the University College proposed to construct an Administration Block at an estimated cost of Ksh 400,000,000. On 2 October, 2013, The University Contracted a firm – Gitutho Architects and Planners to provide the building design and supervise the construction works. The contract provided for reimbursement of travelling, photocopying, printing and binding expenses at predetermined rates. A review of fee notes number one to four revealed that during the year under review, the firm was reimbursed Ksh 2,530,280 in respect to traveling and printing and binding expenses. However, supporting documents made available for audit review amounted to Ksh 357,190 leaving a balance of Ksh 2,173,090 not supported. Consequently, the expenditure of Ksh 2,173,090 remain unsupported as at 30th June, 2015.</p>	<p>Relevant documents to support the expenditure in question were availed to the auditor for verification, and were confirmed satisfactory</p>	<p>Prof. Daniel Mugendi – Principal</p>	<p>Fully addressed</p>	<p>Fully addressed</p>
2.0	<p>Going concern and service</p>	<p>During the FY 2014/2015, Embu University College was</p>	<p>Prof. Daniel Mugendi – Principal</p>	<p>Fully addressed</p>	<p>Fully addressed</p>

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<p>The statement of financial performance reflects that the college made a deficit of Ksh 7,533,656 during the financial year ended 30th June 2015 (2013/2014 – Ksh 45,391,403)</p>	<p>Supplementary Budget II. Unfortunately, this amount was never released. Had the mother Ministry released the money, this would have greatly improved the liquidity position of the University College.</p>			
<p>Nevertheless, though on the overall the College recorded a deficit in its performance, the Management is glad to make the following observations for the FY 2014/2015:</p> <p>This has resulted to a decrease of revenue reserve from negative Ksh 69,529,661 as at 30th June, 2014 to negative Ksh 77,063,317 as at 30th June 2015. Further, the statement of financial position shows current assets of Ksh 113,846,088 which is less than the current liabilities of Ksh 122,793,945 by Ksh 8,947,857 and therefore the University's capacity in paying its obligations when they fall due is in doubt. In the circumstances, the University's financial position and performance is therefore precarious and its continued existence as a going concern and service sustainability is dependent upon continued support from the Government and creditors.</p>	<p>Nevertheless, though on the overall the College recorded a deficit in its performance, the Management is glad to make the following observations for the FY 2014/2015:</p>			
	<p>1) Total revenue for the year grew from Ksh 324, 114 779 to Ksh 423, 280,105 (30.6% growth)</p>			
	<p>2) The net deficit for the year decreased from Ksh 45,391,403 to Ksh 7,533,656 (83.4% growth)</p>			
	<p>3) Current assets improved from Ksh 43,443,244 to Ksh 113,846,088 (162% growth)</p>			
	<p>4) Current liabilities decreased by Ksh 75,785,115, from 198,579,060 to Ksh 122,793,945 (Liquidity improved by 38.2%)</p>			
	<p>In view of the above, it is clear that the liquidity position of Embu University College is on an upward trend. The University College therefore asserts that the University College is currently a going concern.</p>			

[Signature]

CHAIRPERSON OF THE UNIVERSITY COUNCIL

[Signature]

PRINCIPAL

Date: 22/12/2016

Date: 22/12/2016