



REPUBLIC OF KENYA



*Paper laid*  
*By the hon. Hon. Aden Duale MP on Wed 27/9/2017.*  
*M. Mwangi*



OFFICE OF THE AUDITOR-GENERAL



# REPORT

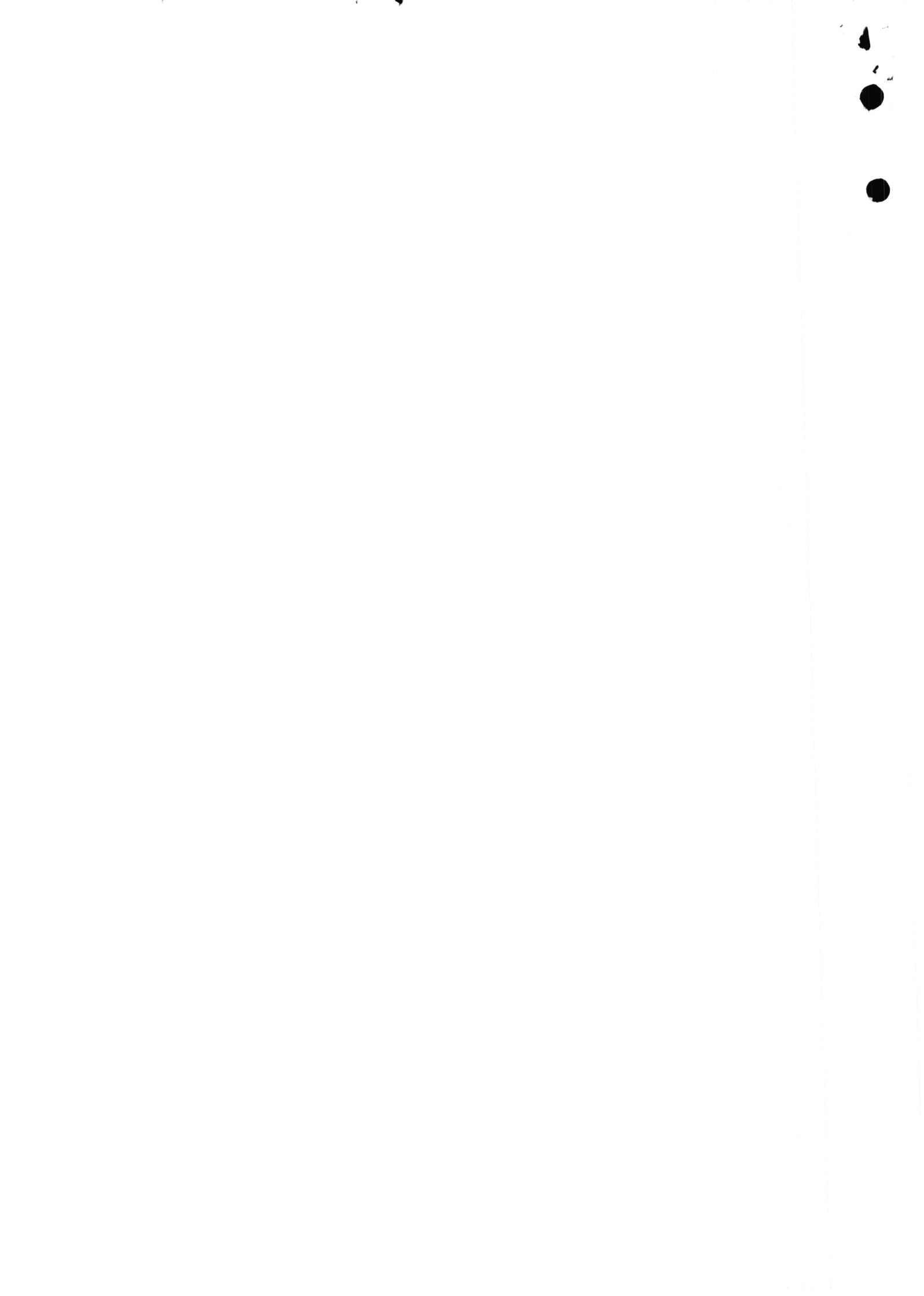
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
UNIVERSITY OF KABIANGA

FOR THE YEAR ENDED  
30 JUNE 2016





**UNIVERSITY OF KABIANGA**  
**P.O BOX 2030-20200 KERICHO, KENYA**  
**TEL: 020-2172665**

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**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES**  
**(UNIVERSITY OF KABIANGA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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## KEY UNIVERSITY INFORMATION AND MANAGEMENT

### BACKGROUND INFORMATION

#### INTRODUCTION

University of Kabianga was officially decreed by His Excellency the former President of the Republic of Kenya Hon. Mwai Kibaki at Kabianga High School grounds on the 10<sup>th</sup> of May, 2007 as a campus of Moi University.

The Kabianga Complex which included the Kabianga High School & Primary School and Kabianga Farmers Centre has a long history dating to 1925 and has been a centre of excellence in Farmer's Training, Teacher Education, Secondary, Primary Education and the 300 Acre Kipsigis County Council Tea Farm. Indeed the current Kericho Teachers' Training College was situated at the Kabianga Complex until 1963 when it was moved to the current location in Kericho Town.

The facility was officially handed over to Moi University by the Ministry of Agriculture on 8<sup>th</sup> November, 2007 and admitted its first group of 150 students on November 26, 2007. The Campus was elevated to a Constituent University of Moi University by a Gazette Notice dated the 29<sup>th</sup> of May, 2009. The University was subsequently elevated to fully fledged status through an award of Charter vide Universities Act, 2012.

The University of Kabianga is situated in what was formerly Kabianga Farmers Training Centre. The Training Centre facility was established in 1959 and managed by the Ministry of Agriculture to provide short courses, worksh.ops/seminars, and exhibition and extension services to the farming community, in the South Rift Region of Kenya.

University of Kabianga, in fulfilling its mission of community outreach, Research and extension, takes over the mandate of its successor, Kabianga Farmers Training Centre of the Ministry of Agriculture.

The University stands on about 110 acres and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

Since its inception, the University embarked on the expansion of physical facilities. These include library, modern hostels, laboratories, health unit, lecture theatres, water treatment plant, septic tank elevated water tank and Network Infrastructure. Plans are underway to put up more administrative offices to cater for the surging demand.

## **VISION, MISSION AND CORE VALUES**

### **VISION:**

To be a leading University in scientific innovation for the betterment of humanity.

### **MISSION:**

To create, preserve and transfer knowledge and technology through quality and entrepreneurial education, research, extension, and partnership with government, industry and non-state actors whilst ensuring a sustainable environment.

### **CORE VALUES:**

1. Promoting and defending intellectual and academic freedom, scholarship, innovation and relentless search for truth.
2. Fostering teamwork, collaboration, creativity and innovation,
3. Effective communication, tolerance and a culture of peace.
4. Valuing excellence, quality and service, openness, consultation, efficiency and effectiveness.
5. Recognizing competence, meritocracy, exemplary leadership, equality, integrity and national patriotism.
6. Continually improving services in order to remain competitive and relevant.

## **PRINCIPAL ACTIVITIES OF THE UNIVERSITY**

The main activities of the University of Kabianga are as follows:

- (i) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya.
- (ii) To participate in the research, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya.
- (iii) To provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs;

- (iv) To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University;
- (v) To examine and make proposals for new faculties, schools , institutes , departments, resource and research centres, degree courses and subjects of study;
- (vi) To play a leading role in the development and expansion of the opportunities for higher education and research;
- (vii) To contribute to industrial and technological developments through innovations and technology transfer.
- (viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, and consultancy services;
- (ix) To participate in commercial ventures and other activities for the benefit of the institution, the community and stakeholders;
- (x) To contribute to agriculture, industrial and technological development of Kenya in collaboration with industrial and other institutions through the transfer of appropriate technology;
- (xi) To provide programmes, products and services in ways that reflect the principles of equity and social justice;
- (xii) To facilitate student mobility between different programmes at different training institutions , universities and industry; and
- (xiii) To foster the general welfare of all staff and students.









## **GOVERNANCE STRUCTURE**

The Key Governance Structures of the University of Kabianga are:

- i. University Council
- ii. University Management Board
- iii. University Senate

## FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibilities were:

S/N	Designation		Name
1.	Vice-Chancellor		<b>Prof. Wilson K. Kipngeno, MBS</b> B.Sc M.Sc (UoN), PhD(California, Riverside),
2.	Deputy Vice- Chancellor (Admin- istration and Finance)		<b>Prof. Eric Koech, MBS</b> B.Sc (UoN), M.Sc (Mc Gill), PhD (North Wales, UK)
3.	Ag. Deputy Vice- Chancellor  (Academic and Student Affairs)		<b>Prof. Joash Kibett</b> Diploma (Egerton) BSc. (West Virginia, USA), M.Sc (Illinois, USA), PhD.(Egerton University)
4.	Deputy Vice- Chancellor (Planning, Research and Development)		<b>Prof. Marion Mutugi ,EBS</b> BSc. (Philippine Union College), M.Sc UoN, PhD (Edinburgh University), Diploma in Leadership,(San Francisco) Executive MBA (JKUAT)
5.	Ag. Finance Officer		<b>Mr. Willy K. Koech</b> BBM Accounting(Moi University), CPA (K), MBA (UoK),
6.	Deputy Registrar (Administra- tion)		<b>Mr. Peter Kimalel</b> BA(Moi University), MBA (UoK), PG Dip HRM (Moi University)
7.	Deputy Registrar (Academic & Student Affairs)		<b>Dr. Cecilia Sang</b> BEd. Home Science (KU), M.Ed. (Egerton University), PhD.(Egerton University)
8.	Deputy Registrar ( Planning, Re- search & Development)		<b>Dr. Rev. Edwin Too</b> BTh. (KHEU) M.Ed (University of Manchester) M.Div.(AIU), PhD (Kabarak University),



## **FIDUCIARY OVERSIGHT ARRANGEMENTS**

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the Committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council. In the financial year 2015/2016 the following Committees were in place:

### **i) EXECUTIVE COMMITTEE**

- |      |                          |   |
|------|--------------------------|---|
| i.   | Dr. Florence K. Nyamu    | <b>Chairman</b>                           |
| ii.  | Mr. Charles Obiero       | Member Representing PS MEST               |
| iii. | Mr. Wesley K. Too        | Member Representing P/S National Treasury |
| iv.  | Eng Charles K. Koske     | Member                                    |
| v.   | Prof. Wilson K. Kipngeno | Secretary                                 |

### **ii) PLANNING, BUILDING AND DEVELOPMENT COMMITTEE**

- |      |                          |                            |
|------|--------------------------|----------------------------|
| i.   | Eng. Charles K. Koske    | <b>Chairman</b>            |
| ii.  | Ms. Millen N. Noni       | Member                     |
| iii. | Mr. Charles Obiero       | Rep. P/S MEST              |
| iv.  | Mr. Wesley Too           | Rep, P/S National Treasury |
| v.   | Prof. Wilson K. Kipngeno | Secretary                  |

### **iii) APPOINTMENTS, PROMOTIONS, TERMS AND CONDITIONS OF SERVICE COMMITTEE**

- |      |                          |                           |
|------|--------------------------|---------------------------|
| i.   | Dr. Florence K. Nyamu    | <b>Chairman</b>           |
| ii.  | Dr. Roba D. Sharamo      | Member                    |
| iii. | Eng. Charles K. Koske    | Member                    |
| iv.  | Mr. Wesley K. Too        | Rep P/S National Treasury |
| v.   | Mr. Charles Obiero       | Rep.P/S T MEST            |
| vi.  | Prof. Wilson K. Kipngeno | Secretary                 |

**iv) RESEARCH, TRAINING, STATUTES, SEALING AND HONORARY DEGREE COMMITTEE**

- |      |                           |                 |
|------|---------------------------|-----------------|
| i.   | Dr. Roba D. Sharamo       | <b>Chairman</b> |
| ii.  | Mr Charles Obiero         | Rep P/S MEST    |
| iii. | Mr Gabriel Muthwale       | Member          |
| iv.  | Ms. Millen N. Noni        | Member          |
| v.   | Prof. Wilson K. Kipng'eno | Secretary       |

**v) AUDIT COMMITTEE**

- |      |                       |                           |
|------|-----------------------|---------------------------|
| i.   | Mr. Gabriel Muthwale  | <b>Chairman</b>           |
| ii.  | Mr. Vincent A. Chokaa | Member                    |
| iii. | Mr. Charles Obiero    | Rep P/S MEST              |
| iv.  | Mr. Wesley K. Too     | Rep P/S National Treasury |
| v.   | Mr. Peter K.Sang      | Secretary                 |

**vi) STAFF DISCIPLINARY COMMITTEE**

- |      |                           |                 |
|------|---------------------------|-----------------|
| i.   | Mr. Vincent A.Chokaa      | <b>Chairman</b> |
| ii.  | Mr. Gabriel Muthwale      | Member          |
| iii. | Mr. Charles Obiero        | P/S MEST        |
| iv.  | Prof. Wilson K. Kipng'eno | Secretary       |

**vii) FINANCE, RESOURCE MOBILIZATION AND GENERAL PURPOSES COMMITTEE**

- |      |                          |                           |
|------|--------------------------|---------------------------|
| i.   | Dr. Florence K. Nyamu    | <b>Chairman</b>           |
| ii.  | Mr. Charles Obiero       | Rep P/S MEST              |
| iii. | Mr. Wesley K. Too        | Rep P/S National Treasury |
| iv.  | Eng. Charles K. Koske    | Member                    |
| v.   | Mr. Vincent A. Chokaa    | Member                    |
| vi.  | Prof. Wilson K. Kipngeno | Secretary                 |

**viii) APPEALS BOARD**

- |      |                     |                           |
|------|---------------------|---------------------------|
| i.   | Ms. Millen N. Noni  | <b>Chairman</b>           |
| ii.  | Mr. Charles Obiero  | Rep P/S MEST              |
| iii. | Mr. Wesley K. Too   | Rep P/S National Treasury |
| iv.  | Dr. Roba D. Sharamo | Member                    |

**REGISTERED OFFICE**

University Of Kabianga  
Off Kericho- Kisii Road  
P.O Box 2030 - 20200,  
KERICHO.

**UNIVERSITY CONTACTS**

Telephone: 020-2172665

E-mail: [vc@kabianga.ac.ke](mailto:vc@kabianga.ac.ke)

Website: [www.kabianga.ac.ke](http://www.kabianga.ac.ke)

**BANKERS OF THE UNIVERSITY**

1. Co-operative Bank, Kericho Branch.
2. Kenya Commercial Bank Kericho Branch.
3. Standard Chartered Bank Kericho Branch.




**INDEPENDENT AUDITORS**





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

**(a) PRINCIPAL LEGAL ADVISER**

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

**MEMBERS OF THE UNIVERSITY COUNCIL**

<p><b>Dr. Florence Kiragu Nyamu, OGW</b> <b>Chairman</b></p> <p>B. Ed. (Science) (UoN), Ed. M (Harvard), Ed.D (Harvard)</p>		<p>Dr. Florence Nyamu has served as an education specialist with the Forum for African Women Educationalists (FAWE) and as a consultant with the Center for African Family Studies (CAFS). Dr. Nyamu serves on the boards of a number of educational institutions and is the author of numerous papers on girls, education, development and human rights. She was appointed the Council Chairman of University of Kabianga on 20<sup>th</sup> March 2013.</p>
<p><b>Prof. Wilson K. Kipngeno, MBS</b> <b>Secretary</b></p> <p>B.Sc, M.Sc (UoN), Ph.D (California, Riverside)</p>		<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration Planning and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University College since May 2009.</p>
<p><b>Mr. Gabriel M. Muthwale , OGW</b> <b>Member</b></p> <p>B.Sc (UoN), M Ed.(Dalhousie)</p>		<p>Mr. Gabriel Muthwale is a seasoned teacher. He started his career at Machakos School in Jan 1972 as a Maths and Physics teacher. Over the years, he has served in many academic institutions at different positions that include; Deputy Principal (Kenya Technical Teachers' College), Principal (Nairobi Technical Training Institute), Senior Principal (Kenya Polytechnic) among other others. His appointment as Council Member took effect from 20<sup>th</sup> March 2013.</p>

<p><b>Eng. Charles K. Koske,</b> <b>Member</b></p> <p>B.Sc (Eng) (UoN), M.Sc (Eng) (Cranfield, UK), DSM</p>		<p>Mr. Charles Koske is an Agricultural Engineer, a field he has a wealth of experience having practised since 1981. He has served in senior positions for various projects. Among the Major positions he held previously include Principal Engineer, Project Implementation for IDA and Managing Director, National Water Conservation and Pipeline Corporation. He currently serves as the Deputy General, National Irrigation Board. He was appointed a Council member on 20<sup>th</sup> March, 2013.</p>
<p><b>Ms Millen N. Noni,</b> <b>Member</b></p> <p>B.Sc. (Geology) UoN M.Sc (Glasgow)</p>		<p>Ms Millen Ndemiso Noni is a Geoscientist who has expanded her skills in analysing and interpreting geological, geothermal and geophysical information. She has rich experience on mapping natural resources by remote sensing using GIS. Her previous work experience includes Teachers' Service Commission where she served for Thirteen years. She is currently working with National Museums of Kenya. Ms Millen N. Noni was appointed as Council member of University of Kabianga on 20<sup>th</sup> March 2013.</p>
<p><b>Dr. Roba D. Sharamo,</b> <b>Member</b></p> <p>B Sc. (KU) M.A.(Brandeis University, Waltham, USA), Ph.D (George Mason University, USA)</p>		<p>Dr. Roba D. Sharamo is an analytical thinker, diplomat, researcher and manager with over fifteen years experience. His career interests include conflict management, policy advising, peace building and post-conflict development planning in fragile and weak political environments. He has worked and researched in Kenya, Uganda, Ethiopia and U.S on a variety of conflict management. He was appointed a Council member on 20<sup>th</sup> March, 2013.</p>
<p><b>Mr. Vincent A. Chokaa,</b> <b>Member</b></p> <p>B.A, LLB, LLM (UoN)</p>		<p>Mr. Vincent A. Chokaa is an experienced lawyer having worked as a Senior Legal officer in the Ministry of Labour. He is currently an Advocate of the High Court of Kenya and Sub-ordinate Courts. He was appointed a Council member on 20<sup>th</sup> March, 2013.</p>

**Mr. Charles Obiero,**  
**Rep. Principal Secretary, Ministry of Education Science and Technology**








Mr. Charles Obiero represents the Principal Secretary, State Department of Education. He is a Senior Assistant Director of Education in the Ministry of Education, Science and Technology. He was appointed a Council member on 20<sup>th</sup> March, 2013.

**Mr Wesley K. Too**  
**Rep. Principal Secretary, National Treasury**







Mr. Wesley K. Too represents the Principal Secretary, National Treasury. He is a Senior Assistant Director of External Resources in the National Treasury; Resources Mobilization Department. He was appointed a Council member on 20<sup>th</sup> March, 2013.

## UNIVERSITY MANAGEMENT TEAM

S/N	Designation		Name
1.	<b>Vice-Chancellor</b>		<b>Prof. Wilson K. Kipngeno, MBS</b> B.Sc M.Sc (UoN), PhD (California, Riverside),
2.	<b>Deputy Vice- Chancellor (Administration and Finance)</b>		<b>Prof. Eric Koech, MBS</b> B.Sc (UoN) M.Sc (Mc Gill PhD (North Wales, UK),)
3.	<b>Ag. Deputy Vice- Chancellor (Academic and Student Affairs)</b>		<b>Prof. Joash Kibett</b> Diploma (Egerton) BSc. (West Virginia), USA M.Sc Illinois, (USA), PhD.(Egerton University)
4.	<b>Deputy Vice- Chancellor (Planning, Research and Development)</b>		<b>Prof. Marion Mutugi ,EBS</b> PhD (Edinburgh University), M.Sc UoN, BSc. (Philippine Union College), Diploma in Leadership,(San Francisco) Executive MBA (JKUAT)
5.	<b>Ag. Finance Officer</b>		<b>Mr. Willy K. Koech</b> BBM Accounting(Moi University), CPA (K), MBA (UoK)
6.	<b>Deputy Registrar (Administration)</b>		<b>Mr. Peter Kimalel</b> BA(Moi University), PG Dip HRM (Moi University), MBA (UoK)
7.	<b>Deputy Registrar (Academic &amp; Student Affairs)</b>		<b>Dr. Cecilia Sang</b> BEd. Home Science (KU), M.Ed. (Egerton University), PhD.(Egerton University)



8.	<b>Deputy Registrar ( Planning, Research &amp; Development)</b>		<b>Dr. Rev. Edwin Too</b> BTh. (KHEU), M.Div.(AIU), M.Ed (University of Manchester) PhD (Kabarak University),
9.	<b>Ag. ICT Director</b>		<b>Mr. Geoffrey K. Sowek</b> BSc.Computer Science (Egerton University)
10.	<b>Legal Officer</b>		<b>Ms. Robai W. Ayuma</b> LLB ( Moi University), Dip. in Law (Kenya School of Law)
11.	<b>Ag. Deputy University Librarian</b>		<b>Dr. Festus K. Ngetich</b> BSc. Information Sciences (Moi University), MPhil (Moi University), PhD. (Moi University)

## CHAIRMAN'S STATEMENT

It gives me great pleasure to present University of Kabianga's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2016. The University recorded a marked improvement during the period under review in the following areas: student enrolment, staff recruitment and development of academic programmes and infrastructure aimed at enhancing access to higher education.

I acknowledge the University's commitment to producing well equipped graduates in their disciplines. The University is keen in ensuring that whatever programmes they pursue, they will acquire the necessary skills, knowledge, experience and confidence to be exemplary leaders in their professional lives. To be role models in their communities and become responsible citizens wherever in the world their careers might take them. To this end, I am delighted to note that this has been achieved.

The University Council is mandated to mobilize resources and utilize them effectively and efficiently to promote higher education. This mandate is enshrined in our University Charter, 2013. In addition, the Council is committed to embracing best practices in governance and in line with this; the Council developed the 2016-2020 University Strategic Plan for implementation, a Council Charter and Code of Conduct to guide its operations in accordance with Mwongozo: The Code of Conduct and Ethics for State Corporations.

The Council is pleased with the efforts the University Management has continued to undertake to enhance the quality and relevance of Academic programmes offered by the University and its commitment to continue to sustain ISO 9001:2008 Standards as evidenced by the recertification audits conducted during the year. The continued certification signals continual improvement and maintenance of quality service delivery by the University through accountability, transparency and improved efficiency to be a world class University.

I wish to thank the Government of Kenya and other stakeholders for funding our projects during the financial year. The University's student population is growing fast and we continue to appeal for support for the projects in our strategic plan such as a modern Library Complex, IT infrastructure, Lecture Theatre Blocks and Administration Block among others to enable the University achieve its core mandate in the provision of quality teaching, research and extension services.

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

SIGNATURE: .....  
DR. FLORENCE K. NYAMU, OGW  
CHAIRMAN OF COUNCIL

DATE: .....29.9.2016.....

## VICE-CHANCELLOR'S STATEMENT

I am pleased to present the 4<sup>th</sup> Annual Report and Financial Statements for the University of Kabianga for the year ended 30<sup>th</sup> June, 2016. The University has undergone significant transformation within the reporting period that will provide a platform to build on in the future.


During the year under review, the University received minimal increased government grants to finance its recurrent budget from **Ksh. 506,078, 500** in financial year 2014/2015 to **Ksh. 575,084,500** in financial year 2015/2016. The development funding was **Ksh. 140,879,967** compared to **Ksh.147,966,667** in FY 2014/2015 resulting in a reduction of **Ksh. 7,086,700**.

It is also important to note that there was a remarkable improvement in internally generated funds from **Ksh. 485.9 Million** in financial year 2014/2015 to **Ksh. 531.5 Million** in financial year 2015/2016. This represents 9% growth and is attributed to the growth in student enrolment from 7603 to 8978 distributed in seven (7) Schools with over sixty (60) Academics programmes. This is an indication that the University has continued to occupy a niche in the competitive higher education sector.

The University of Kabianga continued to make substantial progress during the year in terms of development. The University completed Phase II of Lecture Theatres which provided more space for students and staff. This project was funded by the Government through GoK development grants.

I would like to express my sincere appreciation to the University Council for providing policy and strategic direction; staff for dedicated service and students for their illustrious academic pursuit. The University could not have achieved the progress realized without the much needed financial support from the Government of Kenya during the period under review.

Finally, I would like on behalf of the University to thank all stakeholders for their co-operation that saw us complete the year successfully.

SIGNATURE.....  
PROF. WILSON K. KIPNGENO, MBS  
VICE-CHANCELLOR

DATE: 29.9.2016.....

## CORPORATE GOVERNANCE STATEMENT

The members of Council have committed themselves to the service of University of Kabianga and to uphold the tenets of good corporate governance by being innovative, transparent, accountable, persons of integrity, socially responsive, as well as promote excellence and exercise fairness in all their dealings.

### The Council

The Council consists of 9 members inclusive of the Vice-Chancellor as the Secretary. The Council members consist of the following:

NO.	NAME	TITLE
1.	Dr. Florence Kiragu Nyamu	Chairman
2.	Mr. Gabriel. M. Muthwale	Member
3.	Eng. Charles Koske	Member
4.	Ms Millen N. Noni	Member
5.	Dr. Roba D. Sharamo	Member
6.	Mr. Vincent A. Chokaa	Member
7.	Prof. Wilson K. Kipngeno	Secretary
8.	Dr. Belio Kipsang- Upto May 2016	Ex-Officio
9.	Prof. Colletta Suda- May 2016 to date	Ex-Officio
10.	Dr. Kamau Thugge	Ex-Officio

The biographies of the Council Members are published on page xi-xiii. These Council Members possess a broad range of skills, qualifications and experiences required to direct the affairs of the University.

### Council Responsibilities

The University Council is the governing body of the University through which the University shall:

- a) Administer the property and funds of the University
- b) Receive, on behalf of the University donations, endowments, gifts, grants or other moneys and disbursements there from to the University or other bodies or persons
- c) Approve the appointment criteria and terms and conditions of service of staff
- d) Provide for the welfare of staff and students
- e) Make after consultation with the Senate, regulations governing the conduct and discipline of students of the University.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The University is committed to improving the lives of special groups (youth, women and persons with disability) by making contributions of both time and resources to empower them with knowledge and skills. The University Council and Management have anchored CSR activities to its Strategic Plan 2016-2020 under the key result area of community outreach and extension services. The CSR programmes carried out are relevant, sustainable and in line with institutional mandate. Out of the budgeted research allocations, 22% was earmarked for CSR activities.

During the period under review, the Division of Planning, Research and Development through extension services organized two workshops. The first one was held on 25<sup>th</sup> February, 2016 which brought together two special groups, Women and Persons with Disability from Kericho County, drawn from six (6) constituencies. One Hundred and ninety eight (198) participants attended the Workshop as shown in the Table 1 below:

**Table 1: Workshop for women and Persons with Disability (PWD's)**

SN	Constituency	Number of Women	Number of PWD's	Total
1.	Kipkelion East	6	0	6
2.	Kipkelion West	24	0	24
3.	Ainamoi	39	6	45
4.	Belgut	55	5	60
5.	Sigowet/Soin	5	4	9
6.	Bureti	53	1	54
<b>GRAND TOTAL</b>		<b>182</b>	<b>16</b>	<b>198</b>

The objectives of the workshop were two-fold:-

- 1.) To educate the participants and their groups about the beneficial research findings at the University of Kabianga that are affordable for income generation and betterment of livelihoods; and
- 2.) To sensitize the participants on the 30% procurement opportunities reserved for special groups that are available at the University.

The second workshop was held on 31<sup>st</sup> March, 2016. The workshop was organized by the Division of Planning, Research and Development and the Department of Physical Sciences, School of Science and Technology. The guest speaker was Dr. Moses Langat from University of Surrey, UK. The presentation was titled “**A Decade of Natural Products Research: Quest for High Value Chemicals**”.

The main objective was to create awareness on the importance of alternative medicine (herbal). The target group was the local people who are involved in alternative and complementary medicine (herbalists). Thirty seven (37) herbalists from Kericho, Bomet and Transmara Counties attended the workshop as shown in Table 2 below:

**Table 2: Workshop for Herbalists**

SN	County	Number of Men	Number of Women	Total
1	Kericho	17	2	19
2	Bomet	8	9	17
3	Transmara	1	0	1
<b>GRAND TOTAL</b>		<b>26</b>	<b>11</b>	<b>37</b>

## REPORT OF THE COUNCIL

The Council submit their reports together with the audited financial statements for the year ended 30<sup>th</sup> June, 2016 which show the state of affairs for University of Kabianga.

### Principal activities

The principal activities of the University are to offer Higher Education, Research and Extension services.

### Results

The results of the University for the Year ended June 30, 2016 are set out on page 1.

### Members of Council

The Members of the Council who served during the year are shown on page xi-xiii.

### Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 68 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council



**PROF. W.K KIPNGENO, MBS  
VICE-CHANCELLOR**

DATE..........29.9.2016

## STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 68 (K) of the Public Finance Management Act, 2013 and Section 14 of the State Corporations Cap, 446 require the Council to prepare financial statements in respect of University of Kabianga, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University.

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


The statement of financial performance as indicated on page 1 shows a deficit Ksh.19,994,804 this was as a result of depreciation figure Ksh.74, 416,036 which does not involve movement of funds. All the receipt of income generated activities are as indicated in the financial statements.

Nothing has come to the attention of the Council Members to indicate that the University 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's financial statements were approved by the Council on 29<sup>th</sup> September, 2016 and signed on its behalf by:

  
CHAIRMAN OF THE COUNCIL

  
VICE-CHANCELLOR



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF KABIANGA FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kabianga University set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

#### **Auditor-General's Responsibility**

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

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

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*Report of the Auditor-General on the Financial statements of University of Kabianga for the year ended 30 June 2016*

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 audit opinion.

## **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kabianga University as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Universities Act 2012.

## **Other Matter**

### **1. Accounts Receivables**

The accounts receivables balance decreased by Kshs.34,023,429 from Kshs.105,627,122 as at 30 June 2015 to Kshs.71,603,693 as at 30 June 2016. The total receivables mainly comprised of student fee debtors gross of Kshs.75,299,068 which increased from Kshs.64,936,967 according to Note 13. An increase in student fees debtors was a violation of a fee policy which requires the student to clear the tuition fee before they are allowed to sit for exams. Further, though the University has provided for bad and doubtful debts in the financial statements there was no clear policy on how to recover the debts.

### **2. Property Plant and Equipment-Pineapple Plant Project**

The property plant and equipment balance includes work-in-progress of Kshs.208,265,187 as at 30 June 2016. As previously reported, the amount includes a sum of Kshs.1,075,100 paid to D.K Engineering Ltd for supply and installation of pineapple juice extraction equipment. Although the firm supplied the equipment in June 2014, it had not been installed as at the time of the audit exercise was being carried out in December 2016.

Further, the work-in-progress also includes a sum of Kshs.3,244,424 out of a total contract sum of Kshs.3,959,520 installment paid to a firm , Gravity Contractor Ltd for the construction of a building where the pineapple juice extraction equipment would be installed. The pineapple plant project was to be implemented to generate revenue for the University. At the time of the audit, the construction was complete but the equipment had not been installed. As earlier reported, the management cited disputes with the contractors as the reason for delay in implementation of the project. Consequently, besides not realizing the value for money paid to the contractors, the cost of the project is likely to escalate.

### **3. ICT Systems Control**

- i. Examination of ICT control systems revealed that there is no proper segregation of duties in the access rights granted to users. The system allocates unlimited rights

for each department. For instance, a finance office staff may initiate, edit, authorize and delete a transaction.

- ii. There was one user who had been granted two different accounts. As shown in the table below:

USERCODE	NAMES	EMAIL	EMP. NO.
Christopher Maina	Cmaina	cmaina@kabianga.ac.ke	14
Cmaina	Christopher Maina	cmaina@kabianga.ac.ke	14

- iii. There are five (5) active users who are staff of the vendor and among them, two (2) have super user rights as shown below:

USERCODE	NAMES	EMAIL
Skariuki	Steve Kariuki	skariuki@abnossoftwares.co.ke
Nbarasa	Alex Barasa	nbarasa@abnossoftwares.co.ke
Akinyua	Antony Kinyua	akinyua@abnossoftwares.co.ke
Dosienya	Dennis Osienya	dosienya@abnossoftwares.co.ke
Ckimani	Charles Kimani	ckimani@abnossoftwares.co.ke

As a result, users may process fictitious transactions, make unauthorized changes to student records in the system which may lead to loss of revenue or unmerited grades.

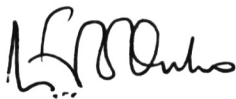
#### 4. Human Resource and Payroll

Analysis of the human resource bio data and the payroll processed for the period under review revealed the following:

- i. The data maintained in the human resource master file included the following records that have incomplete, duplicate and invalid data:
- three (3) officers whose personal identification numbers (PIN) are not captured in the system.
  - there were twenty nine (29) employees who had invalid pin in the system.
  - there were two (2) employees without national ID numbers.
  - twenty one (21) Employees without NHIF numbers.
  - twenty (20) employees whose job grades had not been indicated.
  - one hundred and thirty one (131) employees without NSSF number.
  - duplicated national identification (ID) numbers for twelve (12) casual staff
  - eight (8) casual staff without ID number

- three (3) employees whose dates of birth indicate that they were employed before attaining the statutory age of 18 years.
- ii. The processed payrolls were analyzed and the following findings were revealed:
- Twenty two (22) officers whose net pay is less than a third of the basic pay contrary to government regulations.

Due to inaccuracies and unreliable information about the employees kept by the human resources department, the university may be making some irregular payments to staff and therefore the accuracy of the payment summary may not be confirmed.



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

**Nairobi**

**03 August 2017**

**STATEMENT OF FINANCIAL PERFORMANCE**

*University of Kabianga*  
*Statement of financial performance*  
**for the Year Ended June 30, 2016**

	Note	2,016 Ksh.	2015 Ksh.
<b>Revenue from non-exchange transactions</b>			
Exchequer Grants	3	575,084,500	506,078,500
<b>Revenue from exchange transactions</b>			
Tuition fees	4	393,063,861	356,834,669
Rendering of Services	5	24,863,882	28,117,322
Finance Income- Interest on Deposits	6	1,123,344	3,067,531
Rental income from facilities and equipment	7	1,214,863	1,774,651
Other Income	8	111,203,985	96,073,575
<b>Total Revenue</b>		<b>1,106,554,435</b>	<b>991,946,248</b>
<b>Expenses</b>			
Administrative Expenses	9	1,072,913,756	934,559,900
Marketing Expenses	10	14,120,925	28,164,885
Finance Costs	11	39,514,558	39,101,693
<b>Total Expenditure</b>		<b>1,126,549,239</b>	<b>1,001,826,478</b>
<b>Surplus/ (Deficit)</b>		<b>(19,994,804)</b>	<b>(9,880,230)</b>

The Financial Statements set out on pages 1 to 7 were signed on behalf of the University Council by:

.....  
**VICE-CHANCELLOR**

.....  
**CHAIRMAN OF THE COUNCIL**

Date.....

Date.....

## STATEMENT OF FINANCIAL POSITION

*University of Kabianga*  
*Statement of Financial Position*  
As at June 30, 2016

	Note	2015-2016 Ksh.	2014-2015 Ksh.
<b>Current Assets</b>			
Cash & Cash equivalents	12	120,142,709	43,924,079
Receivables from exchange transactions	13	71,603,693	105,627,122
Inventories	14	6,286,521	4,872,132
Short-Term investments	15	23,623,344	30,410,274
<b>Total Current Assets</b>		<b>221,656,267</b>	<b>184,833,607</b>
<b>Non- current Assets</b>			
Property, Plant & Equipment	20	1,695,791,184	1,645,373,962
Biological Assets	16	43,319,688	41,633,270
<b>Total Non- current Assets</b>		<b>1,739,110,872</b>	<b>1,687,007,232</b>
<b>Total Assets</b>		<b>1,960,767,139</b>	<b>1,871,840,839</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	17	162,199,837	183,728,347
Retention- WIP	18	21,370,222	37,091,518
<b>Non-Current Liabilities</b>			
Co-operative Bank Loan (20yrs)	19	253,750,000	268,750,000
<b>Total liabilities</b>		<b>437,320,059</b>	<b>489,569,865</b>
<b>Net assets</b>			
Capital Reserves		1,040,649,176	899,769,209
Revaluation Reserve		406,855,996	386,565,053
Accumulated Surplus		75,941,908	95,936,712
<b>Total Net Assets</b>		<b>1,523,447,080</b>	<b>1,382,270,974</b>
<b>Total net assets and liabilities</b>		<b>1,960,767,139</b>	<b>1,871,840,839</b>

The notes set out from pages 8 form an integral part of the Financial Statements

## STATEMENT OF CHANGES IN NET ASSETS

*University of Kabianga*  
*Statement of Changes in Net Assets*

	Capital Fund	Revaluation Reserves	Accumulated Revenue Reserves	Total
	Ksh.	Ksh.	Ksh.	Ksh.
<b>Balance as at 01/07/2014</b>	<b>751,802,542</b>	<b>383,929,383</b>	<b>105,816,942</b>	<b>1,241,548,867</b>
Surplus/Deficit for the year	-	-	(9,880,230)	(9,880,230)
Capital Grants	147,966,667	-	-	147,966,667
Biological Assets	-	2,635,670	-	2,635,670
<b>Balance as at 30/06/15</b>	<b>899,769,209</b>	<b>386,565,053</b>	<b>95,936,712</b>	<b>1,382,270,974</b>
Surplus/Deficit for the year	-	-	(19,994,804)	(19,994,804)
Biological	-	1,686,418	-	1,686,418
Library books	-	18,604,525	-	18,604,525
Capital Grants	140,879,967	-	-	140,879,967
<b>Balance as at 30/06/16</b>	<b>1,040,649,176</b>	<b>406,855,996</b>	<b>75,941,908</b>	<b>1,523,447,080</b>

*University of Kabianga*  
*Cash flow Statement*  
*for the Year Ended June 30, 2016 and June 30, 2015*

	Note	2015-2016	2014-2015
		Ksh.	Ksh.
<b>Cash Flow From Operating Activities:</b>			
<b>Receipts</b>			
Tuition fees		393,063,861	356,834,669
Exchequer Grants		575,084,500	506,078,500
Rendering of Services		24,863,882	28,117,322
Finance Income- Interest on Deposits		1,123,344	3,067,531
Rental Income from Facilities and Equipment		1,214,863	1,774,651
Other Income		111,203,985	96,073,575
		<b>1,106,554,435</b>	<b>991,946,248</b>
<b>Payments</b>			
Administrative Expenses		997,979,615	885,244,713
Marketing Expenses		14,120,925	28,164,885
Loan repayment		15,000,000	
Finance Costs		39,514,558	39,101,693
		<b>1,066,615,098</b>	<b>952,511,291</b>
<b>Net Cash flows from Operating Activities</b>		<b>39,939,337</b>	<b>39,434,957</b>
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant & Equipment		(111,387,604)	(186,847,879)
Decrease/increase in investments		6,786,930	23,741,088
<b>Net cash flows used in investing activities</b>		<b>(104,600,674)</b>	<b>(163,106,791)</b>
<b>Cash flows from financing activities</b>			
Government Grants – Capital		140,879,967	147,966,667
<b>Net Increase / (Decrease ) In Cash &amp; Cash Equivalents</b>		<b>76,218,630</b>	<b>24,294,833</b>
Cash & Cash Equivalents at 1 July 2015		43,924,079	19,629,246
Cash & Cash Equivalents at 30 June 2016		<b>120,142,709</b>	<b>43,924,079</b>



**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE**

*University of Kabianga*  
*Statement of Comparison of Budget and Actual Performance*  
*for the Year Ended June 30, 2016*

ITEM NO.		NOTE	Original Budget '2015/2016	Virement/ Adjustment 2015/2016	Final Budget 2015/2016	Actual 2015/2016	Variance
	<b>INCOME</b>						
001	Exchequer Grants		545,084,500	30,000,000	575,084,500	575,084,500	-
002	Exchequer Grants (Car Loan & Mortgage)						-
	<b>Sub-Total</b>		<b>545,084,500</b>	<b>30,000,000</b>	<b>575,084,500</b>	<b>575,084,500</b>	-
	<b>Appropriation in Aid (A-in-A)</b>						-
003	Tuition Fees & Related Charges		474,912,725	33,652,811	508,565,536	488,168,654	(20,396,882)
401	Students Accommodation Fees		13,002,000	-	13,002,000	9,519,490	(3,482,510)
410	UKES Enterprise		4,818,290	4,986,874	9,805,164	9,757,837	(47,327)
411	Students Kitchen Income		9,716,345	(3,554,964)	6,161,381	5,769,885	(391,496)
413	Other Incomes		9,641,150	5,657,236	15,298,386	15,003,569	(294,817)
	<b>Sub-Total (A-in-A)</b>		<b>512,090,510</b>	<b>40,741,957</b>	<b>552,832,467</b>	<b>528,219,435</b>	<b>(24,613,032)</b>
	<b>Gross Income</b>		<b>1,057,175,010</b>	<b>70,741,957</b>	<b>1,127,916,967</b>	<b>1,103,303,935</b>	<b>(24,613,032)</b>
	<b>EXPENDITURE</b>						
	<b>Personnel Cost</b>						
000	Personal Emoluments		711,368,743	6,374,150	717,742,893	708,966,404	8,776,489
	<b>Operations &amp; Maintenance Cost</b>						
036	Medical Drugs		5,736,004		5,736,004	5,080,960	655,044
080	Passage and Baggage		596,554		596,554	290,567	305,987
090	Medical Expenses		8,704,331	10,785,004	19,489,335	20,129,587	(640,252)
110	Travelling & Accommodation Expenses		18,980,043	4,000,000	22,980,043	23,354,289	(374,246)
112	External Travelling & Accommodation Exp.		3,585,651		3,585,651	2,232,642	1,353,009
115	External Examiners		1,954,604	2,521,903	4,476,507	4,606,871	(130,364)
120	Communication Expenses		804,325		804,325	447,378	356,947
121	Telephone Expenses		4,520,000		4,520,000	5,259,998	(739,998)
122	Internet Services		5,950,819	5,000,000	10,950,819	11,205,400	(254,581)
130	Official Entertainment		438,000		438,000	92,000	346,000
131	Council, Board and Committee Expenses		15,094,450	2,084,214	17,178,664	17,085,477	93,187
137	Open & Cultural Day Expenses		784,000	280,167	1,064,167	1,049,185	14,982

138	Games and Sports Equipment	650,000	209,927	859,927	740,235	119,692
140	Electricity, Water & Conservancy	7,590,747	10,296,421	17,887,168	17,967,772	(80,604)
150	Teaching Materials	4,802,440		4,802,440	4,400,474	401,966
171	Publishing & Printing Expenses	2,690,333	1,120,599	3,810,932	294,600	3,516,332
172	Purchase of Uniforms & Clothing	1,591,000		1,591,000	763,230	827,770
173	Library Books	10,003,550		10,003,550	7,226,043	2,777,507
174	Stationery Expenses	7,803,900	4,860,501	12,664,401	13,429,105	(764,704)
175	Advertising & Publicity	10,268,790	1,830,550	12,099,340	11,188,435	910,905
176	Show Expenses and Exhibitions	2,340,000	390,800	2,730,800	2,637,890	92,910
179	Audit Fees	750,000	178,000	928,000	696,000	232,000
182	Payment of Rent & Rates	11,602,224	3,977,261	15,579,485	13,421,753	2,157,732
187	Insurance Expenses	9,576,749		9,576,749	7,705,034	1,871,715
190	Legal /Other Expenses	400,926		400,926	-	400,926
191	Cleaning Materials & Detergents	1,804,780		1,804,780	977,395	827,385
194	Recruitment/Training Expenses	660,510	233,610	894,120	212,310	681,810
197	University Research Programme	5,450,845		5,450,845	3,296,771	2,154,074
210	Purchase of Motor Vehicle	9,000,000		9,000,000	6,200,000	2,800,000
220	Purchase of Plant & Equipment	9,585,400	698,097	10,283,497	6,224,475	4,059,022
221	Inter-University Games	440,000		440,000	442,280	(2,280)
250	Maintenance of Plant & Equipment	1,124,960	372,005	1,496,965	4,100,468	(2,603,503)
260	Maintenance of Building & Stations	1,627,901	634,422	2,262,323	4,246,509	(1,984,186)
261	Maintenance of Catering & Hostel facilities	1,062,751	402,301	1,465,052	2,173,625	(708,573)
270	Maint. of Water Supplies & Sewerage	2,149,339		2,149,339	1,354,715	794,624
280	Maintenance of Grounds & Parks	1,290,160	421,093	1,711,253	580,237	1,131,016
285	Minor Works on Water & Sewerage	1,120,000	294,593	1,414,593	1,626,962	(212,369)
290	Purchase of Computer Software and Servers(ERP)	13,626,102		13,626,102	-	13,626,102
406	Students TP/Field Trips/Courses/Attachment	11,338,000	4,964,459	16,302,459	37,191,106	(20,888,647)
408	Students Activities	4,081,050	382,846	4,463,896	5,393,660	(929,764)
412	Lab Equipment & Chemicals	9,047,494	589,617	9,637,111	4,287,539	5,349,572
420	UoKSO Welfare	2,038,000		2,038,000	1,782,490	255,510
426	Academic Programs Development	4,046,720		4,046,720	1,717,725	2,328,995
430	Senate & Deans Committee meetings	900,268		900,268	1,080,030	(179,762)
435	Motor Vehicle Running Expenses	6,029,157	624,709	6,653,866	7,079,878	(426,012)
440	Library Journals	2,007,800	669,648	2,677,448	3,245,225	(567,777)
450	Strategic Plan Devt. & Implementation	958,000	206,000	1,164,000	887,500	276,500
460	Consultancy Services	3,560,000		3,560,000	2,844,203	715,797
465	Meetings & Workshops	1,000,267	695,440	1,695,707	4,732,038	(3,036,331)

University of Kabianga : Annual Report and Financial Statements for Year ended 30<sup>th</sup> June 2016

470	Conferences & Seminars	1,635,930	326,883	1,962,813	2,781,415	(818,602)
475	Purchase of Furniture	6,525,762	270,171	6,795,933	5,612,595	1,183,338
480	Purchase of Computers	5,060,000	818,225	5,878,225	9,801,385	(3,923,160)
485	Staff Development	3,000,000		3,000,000	3,693,500	(693,500)
490	UKES Enterprise Expenses	10,259,301		10,259,301	6,017,807	4,241,494
491	Students Kitchen Expenses	13,620,000	2,000,732	15,620,732	26,264,051	(10,643,319)
492	Work Study Programme	950,802	57,331	1,008,133	1,001,675	6,458
493	Graduation Expenses	6,318,904		6,318,904	5,849,707	469,197
494	Loan Repayment (Kapkatet Loan)	56,400,000		56,400,000	54,514,558	1,885,442
495	Marketing Expenses	1,415,124	390,467	1,805,591	798,790	1,006,801
497	Contract/Outsourced Services	2,200,000	209,251	2,409,251	2,986,500	(577,249)
496	ISO & ISO Related Expenses	2,200,000		2,200,000	661,856	1,538,144
498	Community Based Education Service (COBES)	2,281,500		2,281,500	450,000	1,831,500
499	Performance Contract Expenses	520,000	317,227	837,227	1,128,000	(290,773)
500	KUCCPS Charges	2,250,000	1,253,333	3,503,333	1,590,000	1,913,333
503	Provision for Car Loan & Mortgage Scheme	-		-		-
	<b>Sub-total</b>	<b>345,806,267</b>	<b>64,367,807</b>	<b>410,174,074</b>	<b>396,133,904</b>	<b>14,040,170</b>
	<b>Gross Expenditure</b>	<b>1,057,175,010</b>	<b>70,741,957</b>	<b>1,127,916,967</b>	<b>1,105,100,308</b>	<b>22,816,659</b>
	<b>Budget Surplus / (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,796,373)</b>	<b>(1,796,373)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

University of Kabianga financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) pronounced by the Public Sector Accounting Standards Board as a requirement of the Public Finance Management Act, 2012. The University Adopted International Public Sector Accounting Standards (IPSAS) for the first time with effect from 30<sup>th</sup> June, 2014.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest whole number. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions - IPSAS 23

##### **Transfers from the Exchequer**

The exchequer grants are measured at fair value and recognized in to income when it is probable that the economic benefits or service potential related to the grant will flow to the University and can be measured reliably.

##### ii) Revenue from exchange transactions– IPSAS 9

##### ***Rendering of services***

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

*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 accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

*Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes**

*Current income tax*

The University is exempted from taxation under the first schedule of the income tax Act Cap 470.

**d) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment – IPSAS 17**

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

Fixed Assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

The annual depreciation rates in use are:

Building	2%
Furniture, plant and equipment	12.5%
Motor Vehicles	25%
Library books	10%
Computers	33.3%

Freehold land is not depreciated as it is deemed to have an infinite life

**f) Leases – IPSAS 13**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**h) Research and development costs**

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

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

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

#### **i) Financial instruments– IPSAS 29**

Financial assets and financial liabilities are recognised in the University's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

#### ***Financial Assets***

##### ***Receivables***

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

##### ***Impairment of financial assets***

When a receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the receivable is written off against the related provision for receivable impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are included in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an



improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

### ***Financial liabilities***

#### ***Trade payables***

Trade payables are current and are stated at their nominal value.

### **i) Inventories – IPSAS 12**

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

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

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

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

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

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

### **j) Provisions – IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic bene-

fits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision of 1% of the total receivables has been provided to take care of receivables which may not be recovered in full.

***Contingent liabilities***

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

***Contingent assets***

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

**k) Nature and purpose of reserves**

The university creates and maintains reserves in terms of specific requirements as follows: (i) capital reserve - used to record contribution made by government in form of grants / transfers (ii) revaluation reserve - used to indicate the revalued amount on the plant property and equipment.

**l) Changes in accounting policies and estimates – IPSAS 3**

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

**m) Employee benefits**

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

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

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

**n) Foreign currency transactions – IPSAS 4**

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.

**o) Borrowing costs – IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**p) Related parties – IPSAS 20**

University of Kabianga regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University or vice versa. Members of key management are regarded as related parties and comprise the University Council and Management.

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Significant judgments and sources of estimation uncertainty– IPSAS 1**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

***Estimates and assumptions***

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

***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:

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

**u) Subsequent events – IPSAS 14**

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>Note 3: Exchequer Grants- Recurrent</b>	<b>2016</b>	<b>2015</b>
<b>Unconditional grants</b>	<b>Ksh.</b>	<b>Ksh.</b>
Ministry of Educ. Sc.& T		
July	45,423,708	42,173,208
August	45,423,708	42,173,208
September	45,423,708	42,173,208
October	45,423,708	42,173,208
November	45,423,708	42,173,209
December	45,423,708	42,173,209
January	45,423,708	42,173,208
February	45,423,708	42,173,208
March	45,423,708	42,173,209
April	45,423,708	42,173,208
May	60,423,709	42,173,208
June	60,423,708	42,173,209
	<b>575,084,500</b>	<b>506,078,500</b>
<b>Note 4 : Tuition and Related Income</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Revenue from Tuition Fees	393,063,861	356,834,669
	<b>393,063,861</b>	<b>356,834,669</b>
<b>Note 5: Rendering of Services</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Accommodation Services	9,519,490	12,807,760
Farm income	5,163,302	3,057,537
Catering Services	5,769,885	9,095,263
Guest House income	4,411,205	3,156,762
	<b>24,863,882</b>	<b>28,117,322</b>
<b>Note 6: Finance Income</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Interest on Fixed Deposits	1,123,344	3,067,531
	<b>1,123,344</b>	<b>3,067,531</b>
<b>Note 7 Rental Income From Facilities</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Rent from Facilities	1,214,863	1,774,651
	<b>1,214,863</b>	<b>1,774,651</b>

Note 8: Other Incomes	2016	2015
	Ksh.	Ksh.
Registration fees	295,900	309,350
Students' ID charges	1,007,400	664,250
Examination fees	9,841,400	7,633,000
Insurance fees	1,330,000	1,610,044
Graduation Fees	3,006,250	2,201,500
Activity fees	8,125,500	6,111,500
Computer fees	8,203,300	6,410,100
Field trips/Teaching Practice	31,742,831	28,378,850
MBA Thesis	1,695,000	1,134,000
Book Shop Sales	194,320	401,318
Supervision	1,773,400	2,526,000
Medical fees	12,147,900	9,224,000
Amenity fees	8,124,000	6,155,700
Cobes	1,501,400	702,000
Research Fees	633,645	415,415
Log Books	153,000	144,000
Transport Fees	963,200	122,550
Utilities	2,000	73,920
UoKSO	2,647,000	2,115,300
Sale of tender documents	45,700	96,065
Application fees	1,430,795	1,137,100
Fines and penalties	122,311	11,964,091
Seedlings	70,725	27,950
Hospitality Restaurant Unit	8,900	-
Misc. Income	3,996,041	420,556
Clinical assessment	1,558,350	-
Quality Assurance fee	2,415,300	-
Practical Subjects	-	35,000
Guest Lectures	-	1,500
Library Fees	8,168,417	6,058,516
	<b>111,203,985</b>	<b>96,073,575</b>

Note 9: Administrative Expenses	2016	2015
	Ksh.	Ksh.
Personnel Costs	705,291,514	687,098,937
Council Expenses	17,085,477	13,887,556
Recruitment/Training Expenses	212,310	362,840
Senate Committee meetings	1,080,030	14,780
Bsc Nursing Training Files and Indexing Exp.	450,000	1,020,875
Cleaning materials	977,395	739,350
Conferences and seminars	2,781,415	823,216
Electricity, water and conservancy	17,967,772	6,241,657

External examiners expenses	4,606,871	1,338,055
External Travelling Expenses	2,232,642	458,357
Graduation Expenses	5,849,707	4,090,123
Strategic Plan Implementation	887,500	-
ISO related Expenses	661,856	-
Morgue Expenses	214,233	1,048,943
Insurance Expenses	7,705,034	9,185,018
Internet connectivity expenses	11,205,400	2,228,615
Legal & Other Expenses	-	206,000
Library books	-	5,295,916
Library Journals	3,245,225	1,013,631
Maint of Buildings	4,246,509	9,446,965
Maintenance of Catering and Hostels	2,173,625	3,431,327
Maintenance of plant and equipment	4,100,468	2,827,280
Maintenance of Play Grounds	580,237	707,083
Maintenance of Water supply & Sewerage	1,354,715	3,264,389
Medical Drugs	5,080,960	2,261,075
Meetings & Workshops	4,732,038	4,220,340
Minor works on water & sewerage	1,626,962	182,500
Office Expenses	4,138,221	3,576,639
Official entertainment	92,000	-
Open & Cultural Day Expenses	1,049,185	673,700
Passage and baggage	290,567	419,381
Payment of Rent & Rates	13,421,753	8,223,628
Purchase of uniforms	763,230	595,670
Teaching materials	4,400,474	2,326,269
Telephones	5,259,998	2,746,549
Travelling and accommodation	23,354,289	11,290,942
University medical scheme	20,129,587	11,180,307
University Research Programme	3,296,771	2,533,090
Valuation/Consultancy	2,844,203	4,777,906
Vehicle running expenses	7,079,878	7,878,896
Works Study programme	1,001,675	540,300
Provision for bad & doubtful debts	518,105	3,246,848
Depreciation	74,416,036	57,928,510
Farm Expenses	3,007,461	1,814,510
Games and sports expenses	740,235	927,640
Guest house expenses	2,796,113	1,572,295
Kitchen Expenses	26,264,051	20,728,471
UoKSO Welfare	1,782,490	447,600
Lab Chemicals	4,287,539	1,505,396
Postal and telegram	447,378	57,180
Student Activities	5,393,660	6,115,495
Student Field Trips/Courses Expenses	19,469,033	9,990,187



Academic Programmes Development	1,717,725	1,671,690
Students Penalty Expense	254,177	-
Marketing Expenses	798,790	-
Inter-University Games	442,280	-
KUCCPS Charges	1,590,000	-
Contract/Outsourced Services	2,986,500	-
Teaching Practice & Attachment	17,722,073	6,591,828
Performance contract Expenses	1,128,000	-
Stationery	9,290,884	-
Audit fee	696,000	696,000
Staff Development	3,693,500	3,108,145
	<b>1,072,913,756</b>	<b>934,559,900</b>

<b>Note 10: Marketing Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Publishing and Printing	294,600	3,608,929
Advertising & Publicity	11,188,435	22,726,741
Show expenses	2,637,890	1,829,215
	<b>14,120,925</b>	<b>28,164,885</b>

<b>Note 11 Finance Costs</b>	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Interest on Loan	38,436,070	37,381,482
Bank Charges	1,078,488	1,720,211
	<b>39,514,558</b>	<b>39,101,693</b>

<b>Note 12: Cash and Cash Equivalents</b>	<b>2016</b>	<b>2015</b>
<b>Name of the Bank</b>	<b>Ksh..</b>	<b>Ksh..</b>
Kenya Commercial Bank (Pssp)	9,249,358	15,062,167
Kenya Commercial Bank( Gssp)	7,131,820	888,198
Kenya Commercial Bank ( Accom.)	493,258	992,503
Co-operative Bank of Kenya( Pssp)	1,613,660	782,854
Co-operative Bank of Kenya( Gssp)	883,333	1,352,427
Co-operative Bank of Kenya Operations A/C	77,812,740	1,401,129
Co-operative Bank of Kenya Capital Dev. A/C	11,664,867	23,444,801
Stanchart (Gssp)	2,464,450	-
Stanchart (Pssp)	6,475,250	-
Stanchart Research Account	2,353,973	-
	<b>120,142,709</b>	<b>43,924,079</b>

	2016	2015
<b>Note 13: Receivables from Exchange Transactions</b>	<b>Ksh.</b>	<b>Ksh.</b>
Student fees debtors	75,299,068	64,936,967
Provision for doubtful Debts	(3,764,953)	(3,246,848)
Guest House Debtors	-	240,769
Farm Debtors	69,578	1,523,026
<b>Receivables from Non-exchange transaction</b>		
Receivable Capitation Grants (GoK)	-	42,173,208
	<b>71,603,693</b>	<b>105,627,122</b>

	2016	2015
<b>Note 14: Inventories</b>	<b>Ksh.</b>	<b>Ksh.</b>
Inventories	6,286,521	4,872,132
	<b>6,286,521</b>	<b>4,872,132</b>

	2016	2015
<b>Note 15: Short-Term Investments</b>	<b>Ksh.</b>	<b>Ksh.</b>
90 days treasury bills		
Fixed Deposit Account Cooperative Bank	23,623,344	30,410,274
	<b>23,623,344</b>	<b>30,410,274</b>

	2016	2015
<b>Note 16: Biological Assets</b>	<b>Ksh.</b>	<b>Ksh.</b>
Tea	3,910,088	3,569,000
Livestock	3,477,200	3,255,350
Cypress Trees	3,730,350	3,690,000
Pine Trees	397,500	375,000
Eucalyptus Trees	27,000,000	26,250,000
Grevillea Trees	4,680,000	4,410,000
Macademia Nut Trees	46,550	39,200
Bananas	78,000	44,720
	<b>43,319,688</b>	<b>41,633,270</b>

	2016	2015
<b>Note 17: Payables from Exchange Transactions</b>	<b>Ksh.</b>	<b>Ksh.</b>
Recurrent Creditors	39,939,553	33,722,708
Capital Creditors	16,721,483	21,364,528
Students' Holding Accounts	4,339,500	1,550,000
Provision for audit fees	696,000	696,000
Provision for Valuation	1,500,000	1,500,000
Provision for Part time lecturers	56,965,653	43,279,273
KUCCPS fees	2,047,500	1,610,850
Room Deposit	1,190,150	-
CDF	-	4,040,795

HELB	-	28,961,300
Other Sponsors	-	942,738
Prepaid fees	38,799,997	46,060,155
	<b>162,199,837</b>	<b>183,728,347</b>

<b>Note 18: Retention</b>	<b>2016</b>	<b>2015</b>
Retention- WIP	<b>Ksh.</b>	<b>Ksh.</b>
Lecture Phase III	550,933	9,751,742
Lecture Phase II	2,305,846	15,453,175
Hostel Phase II	7,152,892	7,152,892
Dining Hall	647,094	-
Council Chambers	386,705	-
Sewerage Treatment plant	5,653,481	-
Pineapple juice extraction plant	390,813	-
Fibre optic infrastructure	4,282,458	4,733,709
	<b>21,370,222</b>	<b>37,091,518</b>

	<b>2016</b>	<b>2015</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Note 19: Long term Loan</b>		
Co-operative Bank Loan (20yrs)	253,750,000	268,750,000
	<b>253,750,000</b>	<b>268,750,000</b>

**Note 20: PPE Schedule**

Capital projects remain as work in progress until they are certified complete then they are recognised as assets.

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Library books	Total
<b>Depreciation Rate</b>		<b>2.00%</b>		<b>12.50%</b>	<b>33.33%</b>	<b>12.50%</b>	<b>25%</b>	<b>10%</b>	
<b>COST/VALUATION</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>As at 1<sup>st</sup> July 2014</b>	110,000,000	769,354,880	594,729,306	31,669,844	23,620,820	25,416,424	43,597,583	-	<b>1,598,388,857</b>
Additions	-	-	143,379,703	2,225,615	34,567,808	6,674,753	-	-	<b>186,847,879</b>
Disposals	-	-	-	-	-	-	-	-	<b>-</b>
Transfers	-	200,843,709	(200,843,709)	-	-	-	-	-	<b>-</b>
Revaluation	-	-	-	-	-	-	-	-	<b>-</b>
<b>As at 1st July, 2015</b>	<b>110,000,000</b>	<b>970,198,589</b>	<b>537,265,300</b>	<b>33,895,459</b>	<b>58,188,628</b>	<b>32,091,177</b>	<b>43,597,583</b>	<b>13,445,652</b>	<b>1,798,682,388</b>
Additions	-	-	76,323,107	6,224,475	9,801,385	5,612,595	6,200,000	7,226,043	<b>111,387,604</b>
Disposals	-	-	-	-	-	-	-	-	<b>-</b>
Revaluation	-	-	-	-	-	-	-	-	<b>-</b>
Transfer to Buildings	-	405,323,219	(405,323,219)	-	-	-	-	-	<b>-</b>
<b>As at 30 June, 2016</b>	<b>110,000,000</b>	<b>1,375,521,808</b>	<b>208,265,187</b>	<b>40,119,934</b>	<b>67,990,013</b>	<b>37,703,772</b>	<b>49,797,583</b>	<b>20,671,695</b>	<b>1,910,069,992</b>
<b>DEPRECIATION</b>									<b>-</b>
At 1 July, 2014	-	(29,876,196)	-	(8,238,219)	(13,393,414)	(5,848,328)	(24,578,107)	-	<b>(81,934,264)</b>
Depreciation	-	(19,403,971)	-	(4,236,932)	(19,376,813)	(4,011,397)	(10,899,395)	-	<b>(57,928,508)</b>
<b>At 30 June, 2015</b>	<b>-</b>	<b>(49,280,167)</b>	<b>-</b>	<b>(12,475,151)</b>	<b>(32,770,227)</b>	<b>(9,859,725)</b>	<b>(35,477,502)</b>	<b>-</b>	<b>(139,862,772)</b>
Depreciation	-	(27,510,436)	-	(5,014,992)	(22,661,071)	(4,712,972)	(12,449,396)	(2,067,169)	<b>(74,416,036)</b>
<b>At 30 June, 2016</b>	<b>-</b>	<b>(76,790,603)</b>	<b>-</b>	<b>(17,490,143)</b>	<b>(55,431,298)</b>	<b>(14,572,697)</b>	<b>(47,926,898)</b>	<b>(2,067,169)</b>	<b>(214,278,808)</b>
<b>NET BOOK VALUE</b>									
<b>As at 30 June, 2016</b>	<b>110,000,000</b>	<b>1,298,731,205</b>	<b>208,265,187</b>	<b>22,629,791</b>	<b>12,558,715</b>	<b>23,131,076</b>	<b>1,870,685</b>	<b>18,604,525</b>	<b>1,695,791,184</b>
<b>As at 30 June, 2015</b>	<b>110,000,000</b>	<b>920,918,422</b>	<b>537,265,300</b>	<b>21,420,307</b>	<b>25,418,401</b>	<b>22,231,452</b>	<b>8,120,080</b>	<b>-</b>	<b>1,645,373,962</b>

**21. Related Party Disclosures**

The following transactions were carried out with related parties

	2016	2015
<b>(i) Key management compensation</b>		
Salaries		
<b>(ii) Council remuneration</b>		
Allowances paid to Council members	17,085,477	13,887,556
<b>(iii) Grants from related parties</b>		
Grant from GOK	575,084,500	506,078,500

**22. Risk management policies**

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University has financial liabilities comprising trade and other payables.

The University has exposure to the following risks:

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks

The Council has overall responsibility for the establishment and oversight of the University's risk management framework.

The University's risk management policies will be established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in economic conditions and the University's activities.

**Market risk management****Interest rate risk**

The University has interest bearing borrowings and is financed by cash generated from its operations. The University will always strive to increase its market share to match the interest of the day.

**Liquidity risk**

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both

normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Typically the University ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government.

### **Credit risk**

Credit risk is the risk of financial loss to the University if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University receives fees from students which minimizes the credit risk exposure. The University has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

### **Classification of credit risk bearing assets**

The table below represents University's maximum exposure to credit risk as at 30 June 2016 and 2015.

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	143,766,053	74,334,353
Receivables from Exchange Transactions	71,603,693	105,627,122
	<u>215,369,746</u>	<u>179,961,475</u>

All the University's receivables are fully performing and are expected to be received. Bank balance includes cash in hand and deposits held with banks.

### **23. Provisions**

Provisions are recognized when the University 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 is made of the amount of the obligation.

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is an analysis of issue raised by the external auditors, and management comments that were provided to the auditors. The University has nominated focal person to resolve the issue as shown below with the associated time frame within which it is expected that the issue will be resolved.

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Under Property, Plant & Equipment. The assets include land of value of Ksh. 110,000,000. The land ownership documents for the 110 acres of land was said to be in process. Therefore ,until the process is completed, it is not possible to confirm the ownership status of the parcel of land	The University is in the process of acquiring title deed of the University land.	VC	Resolved	2015/16 FY
2.	Pineapple plant project Delay in installation of and implementation of the pineapple juice extraction plant. The delay could escalate the cost of the project	The University has fast tracked the process of finishing up the project and hence the payments to the contractor has been made in September 2016	VC	The project is awaiting handing over and commissioning in the current FY	2016/2017

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
3	Retention Money The University does not maintain retention funds account for the contractors retention money separate from other finances	The University Management has initiated the process of opening a retention account in order to manage the retention monies for the projects. The account will be operational in FY 2016/2017	VC	Pending approval by University Council	2016/2017



