

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper Laid*  
*By the Leader of*  
*Majority Party*  
*on Wednesday*  
*26/8/15*



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REPORT

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THE AUDITOR-GENERAL

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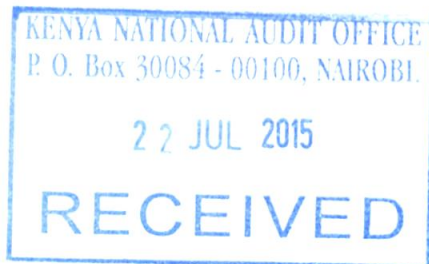
THE FINANCIAL STATEMENTS OF  
EMBU UNIVERSITY COLLEGE

FOR THE YEAR ENDED  
30 JUNE 2014

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# EMBU UNIVERSITY COLLEGE

(A CONSTITUENT COLLEGE OF UNIVERSITY OF NAIROBI)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
ON JUNE 30<sup>TH</sup>, 2014

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



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## KEY UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

### (a) Background information

Embu University College was established through by legal notice No. 65 Of 17<sup>th</sup> June 2011 as a constituent College of University of Nairobi. The Mandate of the College is to increase access for higher education, training, research and support for innovation.

The College admitted the first group of students in May 2013 through the Kenya Universities and Colleges Placement Service. During the year, the total student population had grown to 450 comprising 400 government- sponsored students and 50 self-sponsored students.

Initially, only Science based programmes were on offer but additional market-driven programmes have been introduced, including Business and Economics, Nursing and Education Programmes.

Being young, the College faces many challenges. Inadequate funding to develop the requisite infrastructure and, attracting and retaining qualified staff are the major challenge. Also with a projected population capacity of 2500 by the year 2015/2016, and accommodation capacity of 740, attracting students beyond the County appears to be an uphill task.

To address these challenges, the University College Council is working closely with development partners and the Government of Kenya to improve the existing infrastructure through renovation, and building new facilities through the Public Private Partnership (PPP) model recently introduced by the Government.

### (b) Principle Activities

The College's mandate is to generate, advance and disseminate knowledge through training, research and innovation and offer extension services.

### (c) Key Management

The College is run by the Management Board headed by the Principal. The Management Board comprises the Principal, Deputy Principals, the Registrar, Human Resource Manager, Director Academic Affairs, the Estates Manager and the Head of Finance.

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014, and who had direct fiduciary responsibility were:

| Designation                                    | Name                    |
|--|-------------------------|
| 1) Principal                                   | Prof. Daniel M. Njiru   |
| 2) Deputy Principal (Planning Adm. & Finance)  | Prof. Eucharua U. Kenya |
| 3) Deputy Principal (Academic Research & Extn) | Prof. Kotut Kiplagat    |
| 4) Registrar (Principal's office)              | Mrs. Margaret Otolo     |
| 5) Head, Finance Department                    | Mr. Joseph Ogeto        |
| 6) Human Resource Manager                      | Mr. Isaac Ominde        |

**(e) Fiduciary oversight Arrangements**

The University College Council has Audit and Risk Management and Finance Committees that play oversight role in the College operations. The Audit and Risk Management Committee independently reviews the operations of the College and regularly report to Council.

**(f) Registered Office**

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

**(g) College Address**

P.O. Box 6-60100 Embu, Kenya  
Email: [info@embuni.ac.ke](mailto:info@embuni.ac.ke); Website: [www.embuni.ac.ke](http://www.embuni.ac.ke)  
Tel: +254 20 244 4136/ +254 727 933 950/ +254 788 199 505

**(h) Bankers**

- i. i )Barclays Bank of Kenya; Embu Branch
- ii. Kenya Commercial Bank of Kenya; Embu Branch
- iii. Equity Bank; Embu Branch
- iv. Cooperative Bank of Kenya; Embu Branch
- v. National Bank of Kenya; Embu Branch

**(i) Auditors**

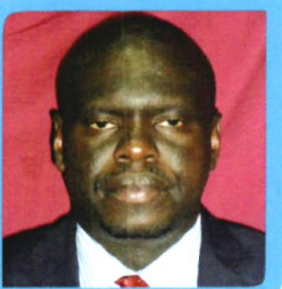
Auditor General  
Kenya National Audit Office, Anniversary Towers, University Way  
P.O. Box 30084, GPO 00100  
Nairobi, Kenya

## THE UNIVERSITY COLLEGE COUNCIL



**Dr. Margaret Gikuhi Council  
Chairperson**

Date of Birth: 23<sup>rd</sup> February 1954  
 Holds a Doctorate degree in Philosophy of Education.  
 Has a wide experience in academics and administration.  
 Has held various leadership positions with the Teachers  
 Service Commission. She is currently serving as a director in  
 a consultancy firm.



**Mr. Evans Atambo  
Principal Secretary Representative,  
Ministry of Education Science  
and Tecnology.**

Holder of a master degree in curriculum Development.  
 Currently pursuing PhD in curriculum studies.  
 Has wide experience in the education sector, both in  
 teaching and administration.



**Mr. Samuel Kiiru  
Principal Secretary Representative,  
National Treasury**

Date of Birth: October 20, 1969  
 He holds a Master degree in Economics. He is currently  
 working at the National Treasury as the Principal  
 Economist. 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.







**Mr. Kiema Mwendia Council  
Member**



Date of Birth: 23<sup>rd</sup> April 1973  
 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><b>Prof. Margaret Hutchinson</b><br/>Council Member</p> | <p>Date of Birth: 9<sup>th</sup> May 1958<br/> 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><b>Dr. John Onsati</b><br/>Council Member</p>           | <p>Date of Birth: 31<sup>st</sup> March 1953<br/> Holds a Doctorate in Organization Development and Transformation.<br/> 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><b>Mrs. Agnes Ndwiga</b> Council Member</p>           | <p>Date of Birth: 4<sup>th</sup> September 1962<br/> Holds a Masters in Development Finance.<br/> She has a wide experience in the finance industry and held other responsibilities such as Board Director.<br/> She is currently serving as the head of Government and Public Sector Relationship Management with a local Bank.</p>  |
|  <p><b>Prof Daniel Mugendi</b> Council Secretary</p>      | <p>Date of Birth: 6<sup>th</sup> September 1961<br/> Holds a PhD in Agroforestry from University of Florida, Gainesville, FL,USA;<br/> 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.<br/> Has vast experience spanning over 30 years in Administration, Academic &amp; Research in Universities, Colleges and Research Institutions.</p> |

## EMBU UNIVERSITY COLLEGE MANAGEMENT TEAM

|   |   |
|---|---|
|  <p><b>Prof. Daniel Mugendi</b></p>                          | <p><b>Principal</b></p> <p>Holds a PhD in Agroforestry from University of Florida, Gainesville, FL, USA;<br/>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><b>Prof. Eucharika U. Kenya</b><br/>Deputy Principal</p> | <p><b>Deputy Principal, Planning Administration &amp; Finance</b></p> <p>Holds a PhD in Applied Entomology from River's State University of Science &amp; 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><b>Prof. Kiplagat Kotut</b><br/>Deputy Principal</p>   | <p><b>Deputy Principal, Academic Research &amp; Extension</b></p> <p>Holds a PhD in Phytoplankton Ecology, a Master of Science Degree in Plant Ecology, and a Bachelor of Education (Science)</p>   |
|  <p><b>Mrs. Margaret Otolu</b></p>                         | <p><b>Registrar, Office of the Principal</b></p> <p>Holds a Master of Business Administration Degree and B.Ed (Arts) Degree from Kenyatta University. Presently pursuing Doctorate studies in Entrepreneurship.</p>   |

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|--|---|
|  <p>Mr. Isaac B. D. Ominde</p> | <p><b>Human Resource Manager</b></p> <p>Holds a Master Degree in Strategic Management from Kenyatta University in addition to a Bachelors' Degree from University of New Brunswick, Canada.</p> |
|  <p>Mr. Joseph Ogeto</p>       | <p><b>Head of Finance</b></p> <p>Holds a Bachelor of Commerce Degree from University of Nairobi. In addition, he is a holder of full CPA.</p>   |

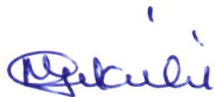
**EMBU UNIVERSITY COLLEGE  
CHAIRMAN OF COUNCIL'S REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

The financial year 2013/2014 was the second year of operation of Embu University College since its inception in 2011. The University College during the year, reported an increase in student population from 150 to 450.

In order to efficiently discharge its mandate, the University College completed the construction of one office block. Currently a number of projects are being undertaken to accommodate increased number of students and staff. The projects include a Multi-purpose classroom block, a 200 capacity Students' hostel and an Administration block.

Financial constraint has continued to be one of the major challenges adversely affecting the realization of the University's strategic objectives. With guidance from Public Private Partnership Secretariat at the National Treasury, the University College is identifying Financiers to develop hostel through Public Private Partnership Model.

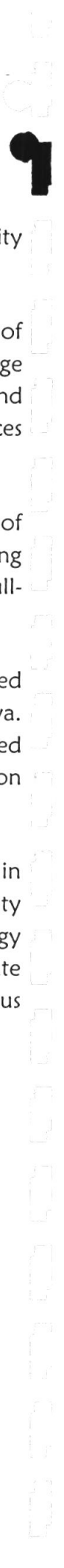
I wish to appeal to the Ministry of Higher Education, Science and Technology, to consider enhancing funding to the College to enable us achieve its objective to be a fully-fledged university by 2015. In the meantime, I wish to express the Council's appreciation for the support from the Government through the National Treasury and the Ministry of Education Science and Technology, the tireless efforts of the University College Management and the dedicated service the University College staff.



.....

Dr. Margaret M. Gikuhi

**CHAIRPERSON – Embu University College Council**



## THE PRINCIPAL'S REPORT FOR THE YEAR ENDING 30<sup>TH</sup>JUNE 2014

It is my pleasure to present the Annual Report and financial statements of Embu University College for the year ended 30<sup>th</sup> June, 2014.

The University College mainly relies on funding from the government through the Ministry of Education, Science and Technology. During the year under review, the University College received from the government a total of Ksh 411,290,850, comprising of both the recurrent and development grants. Internally, the Ksh 32,287,616 was generated from fees, Catering services and Farm activities.

During the year, the Management introduced more academic programmes as a way of attracting more students to the University College. The University Management is collaborating and cooperating with the Commission for University Education to ensure attainment of full-fledged university status by 2015.

The University College Management is committed to ensuring that operations are conducted within the stipulated legal frameworks, developed and released by the Government of Kenya. To this end, Performance Contracting activities have been undertaken in line with the issued guidelines. I am pleased to mention that the University College has fulfilled all ISO certification requirements, and is now ISO certified.

I wish to thank members of the Embu University College staff, who worked tirelessly in achieving the set targets, within strategic objectives. My gratitude also goes to the University College Council, the National Treasury and the Ministry of Education Science and Technology for their support and guidance through the entire financial year. Further, I wish to appreciate our development partners for their continued support and invaluable ideas that have enables us to actualise our plans and achieve objectives.

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

## EMBU UNIVERSITY COLLEGE CORPORATE GOVERNANCE STATEMENT

### Introduction

The 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 enhances effective and efficient decision making, and gives a structural aid for the Council to discharge their duty and 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, attitudes and culture.

### Mandate

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

1. 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,
2. 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,
3. 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,
4. To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University College, and
5. To examine and make proposals for new faculties, schools, institutes, departments, resource and research centres, study courses and subjects of study.

### Vision

To be 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

- a) Integrity
- b) Innovativeness
- c) Professionalism
- d) Teamwork and
- e) Customer focus

## Corporate social responsibility statement

The University College integrates social and environmental concerns in its operations and interactions with its stakeholders. This encourages a positive impact on the environment and stakeholders who include customers, employees, investors and the neighboring communities.

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

- 1) Trained over fifty farmers on the modern farming methods including greenhouse technology.
- 2) Participated in prize-giving activities for schools within Embu County.
- 3) Organised and hosted a careers day for all secondary schools within Embu County.
- 4) Mobilised neighbouring community in tree planting exercise.
- 5) Participated in the Agricultural Society of Kenya- Eastern Kenya Show.

The University College Management is committed to ensuring that good working relationship with all its stakeholders prevails always.

**EMBU UNIVERSITY COLLEGE  
REPORT OF COUNCIL MEMBERS**

Embu University Council submits their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2014 which show the state of the University College affairs.

**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 surrounding Embu County, other parts of Kenya, the East Africa Community and across the world.

**Results**

The results of Emu University College for the Financial Year 2013/2014 are set out on page 15

**Council Members**

The members of the University Council who served during the year are shown on page 3 and 4.

**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  
SECRETARY

## EMBU UNIVERSITY COLLEGE 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 2013/2014 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 Directors are also responsible for safeguarding the assets of the University College

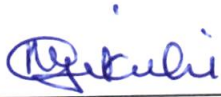
The Council members are responsible for the preparation and presentation of the University College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining 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 University College's 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 30<sup>th</sup>, 2014, 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 Council on 25<sup>th</sup> September, 2014 and signed on its behalf by:



Chairman



Secretary

REPORT OF THE INDEPENDENT AUDITORS ON EMBU UNIVERSITY COLLEGE



# 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 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Embu University College set out on pages 15 to 34, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows and 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

Management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with the provision of Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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 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**

#### **Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,570,546,526 as at 30 June 2014 includes a parcel of land under reference L.R No.1112/20 revalued at Kshs.1,087,695,000. However, the parcel of land measuring approximately 50 acres lacks ownership documents.

Consequently, the accuracy, ownership and existence of the property, plant and equipment balance of Kshs.1,570,546,526 as at 30 June 2014 could not be confirmed.

#### **Qualified Opinion**

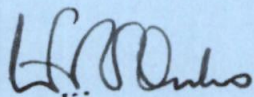
In my opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University College as at 30 June 2014 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards and comply with the Embu University College order, 2011.

#### **Other Matter**

##### **Going concern**

The statement of financial performance shows that the College made a deficit of Kshs.45,391,403 during the financial year ending 30 June 2014 as compared to a surplus of Kshs.40,757,742 during the 2012/2013 financial year. This has resulted to a decrease of revenue reserve from Kshs.40,757,742 as at 30 June 2013 to negative Kshs.69,529,661 as at 30 June 2014. Further, the statement of financial position shows current assets of Kshs.43,443,244 which is less than the current liabilities of Kshs.198,579,060 by Kshs.155,135,816, hence the college's capability in paying its obligations is in doubt.

The College's financial position and performance is therefore precarious and its continued existence as a going concern is dependent upon continued support from the Government and creditors. My opinion is not qualified in respect to the above matter.



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

**Nairobi**

**3 August 2015**

| EMBU UNIVERSITY COLLEGE   |      |  |              |             |
|---|------|--|--------------|-------------|
| STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED ON 30TH |      |  |              |             |
| JUNE, 2014  |      |  |              |             |
|   |      |  | 2013/2014    | 2012/2013   |
|   |      |  | (Ksh)        | (Ksh)       |
| Revenue from non-exchange transactions                          | Note |  |              |             |
| Government Capitation   | 3    |  | 283,242,550  | 135,000,000 |
| Revenue from exchange transactions                              |      |  |              |             |
| Rendering of services   | 4    |  | 28,382,844   | 5,717,235   |
| Rental revenue from facilities and equipment                    | 5    |  | 3,755,203    | 852,630     |
| Farm activities   | 6    |  | 3,770,717    | 2,186,542   |
| Other incomes   | 7    |  | 4,963,465    | 4,337,170   |
|   |      |  | 40,872,229   | 13,093,577  |
| Expenses  |      |  |              |             |
| Employee costs  | 8    |  | 260,291,826  | 65,324,979  |
| Remuneration of University Council                              |      |  | 4,983,693    | 4,067,891   |
| Depreciation and amortization expense                           | 9    |  | 30,692,903   | 12,760,482  |
| Repairs and maintenance   | 10   |  | 11,971,148   | 2,914,756   |
| Research grants   | 11   |  | 1,985,847    | -           |
| General expenses  | 12   |  | 62,784,414   | 22,267,726  |
| Total expenses  |      |  | 372,709,831  | 107,335,835 |
| Surplus for the period from operation                           |      |  | (48,595,053) | 40,757,742  |
| Other gains/(losses)  |      |  |              |             |
| Gain on revaluation of Biological of assets                     | 13   |  | 3,203,650    | -           |
| Surplus/(Deficit) for the period                                |      |  | (45,391,403) | 40,757,742  |

## EMBU UNIVERSITY COLLEGE

## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

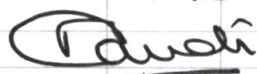
| ASSETS  | NOTE | 2013/2014<br>(Ksh)   | 2012/2013<br>(Ksh) |
|---|------|----------------------|--------------------|
| <b>Current assets</b>                               |      |                      |                    |
| Cash and cash equivalents                           | 14   | 17,122,306           | 24,109,904         |
| Receivables from exchange transactions              | 15   | -                    | 845,234            |
| Receivables from non-exchange transactions          | 16   | 2,136,779            | 12,546,624         |
| Inventories   | 17   | 7,184,159            | 1,704,565          |
| Investments   | 18   | 17,000,000           | 60,000,000         |
|   |      | <u>43,443,244</u>    | <u>99,206,327</u>  |
| <b>Non-current assets</b>                           |      |                      |                    |
| Property, plant and equipment                       | 9    | 1,570,546,526        | 272,473,355        |
| Biological assets                                   | 19   | 5,369,800            | 2,166,150          |
|   |      | <u>1,575,916,326</u> | <u>274,639,505</u> |
| <b>Total assets</b>                                 |      | <u>1,619,359,570</u> | <u>373,845,832</u> |
| <b>Liabilities</b>                                  |      |                      |                    |
| <b>Current liabilities</b>                          |      |                      |                    |
| Trade and other payables from exchange transactions | 20   | 196,884,086          | 59,755,421         |
| Refundable deposits from customers                  | 21   | 302,974              | 115,000            |
| Audit fee payable                                   | 22   | 1,392,000            | 50,000             |
| Payments received in advance                        | 23   | -                    | 972,299            |
| <b>Total liabilities</b>                            |      | <u>198,579,060</u>   | <u>60,892,720</u>  |
| <b>Net assets</b>                                   |      |                      |                    |
| Development grants                                  | 24   | 200,961,511          | 72,913,210         |
| Revaluation Reserve                                 | 25   | 1,289,348,660        | 199,282,160        |
| Accumulated surplus                                 | 26   | (69,529,661)         | 40,757,742         |
|   |      | <u>1,420,780,510</u> | <u>312,953,112</u> |
| <b>Total net assets and liabilities</b>             |      | <u>1,619,359,570</u> | <u>373,845,832</u> |

The Financial statements set out on pages 15 to 33 were signed on behalf of the University College Council by:

Prof. Daniel M. Njiru (PhD)

Principal

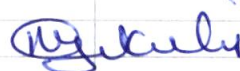
Date 07/07/2015



Dr. Margaret Gikuhi

Chairperson - University College Council

Date 07/07/2015



**EMBU UNIVERSITY COLLEGE**  
**STATEMENT OF CHANGE IN NET ASSETS**  
**FOR THE PERIOD ENDED ON 30TH JUNE, 2014**

|                                     |      | Revaluation<br>reserve<br>(Ksh) | Development<br>grants<br>(Ksh) | Accumulated<br>surplus/<br>(Deficit)<br>(Ksh) | Total<br>(Ksh)       |
|-------------------------------------|------|---------------------------------|--------------------------------|---|----------------------|
| Balance as at 1st July 2012         | Note | 199,282,160                     | -                              | -   | 199,282,160          |
| Surplus/(deficit) for the period    |      | -                               | -                              | 40,757,742                                    | 40,757,742           |
| Transfers to development grants     |      | -                               | 72,913,210                     | -   | 72,913,210           |
| <b>Balance as at 30th June 2013</b> |      | <b>199,282,160</b>              | <b>72,913,210</b>              | <b>40,757,742</b>                             | <b>312,953,113</b>   |
| Balance as at 1st July 2013         |      | 199,282,160                     | 72,913,210                     | 40,757,742                                    | 312,953,113          |
| Prior year adjustment               | 30   | -                               | -                              | (64,896,000)                                  | (64,896,000)         |
| Surplus for the period              |      | -                               | -                              | (45,391,403)                                  | (45,391,403)         |
| Revaluation reserve                 |      | 1,090,066,500                   | 128,048,301                    | -   | 1,218,114,801        |
| <b>Balance as at 30th June 2014</b> |      | <b>1,289,348,660</b>            | <b>200,961,511</b>             | <b>(69,529,661)</b>                           | <b>1,420,780,510</b> |

**Total prior year adjustment:**

|                       |                           |
|-----------------------|---------------------------|
| i) CBA Refund         | - Ksh 53,000,000/=        |
| ii) Audit fee         | - Ksh 646,000/=           |
| iii) Recurrent grants | - <u>Ksh 11,250,000/=</u> |
| <b>TOTAL</b>          | <b>Ksh 64, 896,000/=</b>  |

EMBU UNIVERSITY COLLEGE  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2014

|  | Notes    | 2013/2014<br>(Ksh)   | 2012/2013<br>(Ksh)  |
|--|----------|----------------------|---------------------|
| <b>Cash flows from operating activities</b>                    |          |                      |                     |
| <b>Receipts</b>  |          |                      |                     |
| Government grants and subsidies                                | 3, 30(i) | 283,242,550          | 123,750,000         |
| Rendering of services  | 4, a     | 25,023,185           | 5,568,885           |
| Rental income  | 5        | 3,755,203            | 852,630             |
| University farm  | 6, b     | 2,493,295            | 2,186,542           |
| Other income   | 7, c     | 4,963,465            | 3,640,286           |
|  |          | <u>319,477,698</u>   | <u>135,998,343</u>  |
| <b>Payments</b>  |          |                      |                     |
| Employees expenses   | 8, d     | 224,745,391          | 65,324,979          |
| Council expenses   |          | 4,983,693            | 4,067,891           |
| Repairs and maintenance  | 10       | 11,971,148           | 2,914,756           |
| Grants and subsidies paid                                      | 11       | 1,985,847            | -                   |
| General expenses   | 12, e    | 62,088,414           | 22,217,726          |
| Trade and other payables                                       | 20       | 59,511,421           | -                   |
|  |          | <u>365,285,914</u>   | <u>94,525,353</u>   |
| <b>Net cash flows from operating activities</b>                |          | <b>(45,808,217)</b>  | <b>41,472,990</b>   |
| <b>Cash flows from investing activities</b>                    |          |                      |                     |
| Purchase of property, plant, equipment                         | 9        | (132,227,682)        | (30,276,297)        |
| <b>Net cash flows used in investing activities</b>             |          | <b>(132,227,682)</b> | <b>(30,276,297)</b> |
| <b>Cash flows from financing activities</b>                    |          |                      |                     |
| Government capital grant                                       | 24       | 128,048,301          | 72,913,210          |
| <b>Net cash flows used in financing activities</b>             |          | <b>128,048,301</b>   | <b>72,913,210</b>   |
| <b>Net change in cash &amp; cash equivalents</b>               |          | <b>(49,987,598)</b>  | <b>84,109,904</b>   |
| Cash and cash equivalents at 1 July                            |          | 84,109,904           | -                   |
| <b>Cash and cash equivalents at 30 June</b>                    |          | <b>34,122,306</b>    | <b>84,109,904</b>   |
| <b>NOTES:</b>  |          |                      |                     |
| a) Rendering services  |          | 28,382,844           | 5,717,235.00        |
| Less: Internal bookings for meals during University activities |          | (3,359,659)          | -                   |
| Less: Fees receivable  |          | -                    | (148,350.00)        |
|  |          | <u>25,023,185</u>    | <u>5,568,885.00</u> |
| b) Farm income   |          | 3,770,717            | -                   |
| Internal transfers to University Kitchen                       |          | (1,277,422)          | -                   |
| Paid during the year   |          | <u>2,493,295</u>     | <u>-</u>            |
| c) Other Income  |          | -                    | 4,337,169.95        |
| Less: Interest receivable                                      |          | -                    | (696,884.00)        |
| Paid during the year   |          | -                    | <u>3,640,285.95</u> |
| d) Employees' expenses   |          | 260,291,826          | 65,324,979          |
| Less: Provision for salary arrears                             |          | (6,986,435)          | -                   |
| Less: CBA refund provision balance                             |          | (28,560,000)         | -                   |
| Paid during the year   |          | <u>224,745,391</u>   | <u>65,324,979</u>   |
| e) General expenses  |          | 62,784,414           | 22,267,726          |
| Less: provision for audit fee                                  |          | (696,000)            | (50,000)            |
| Paid during the year   |          | <u>62,088,414</u>    | <u>22,217,726</u>   |

| EMBU UNIVERSITY COLLEGE                          |                    |                    |                    |                      |                        |
|--|--------------------|--------------------|--------------------|----------------------|------------------------|
| STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNT |                    |                    |                    |                      |                        |
|  | Original budget    | Adjustments        | Final budget       | Actual on comparable | Performance difference |
|  | 2013-2014          | 2013-2014          | 2013-2014          | 2013-2014            | 2013-2014              |
| Revenue  | (Ksh)              | (Ksh)              | (Ksh)              | (Ksh)                | (Ksh)                  |
| Government recurrent grants                      | 278,802,550        | 104,440,000        | 383,242,550        | 283,242,550          | (100,000,000)          |
| Government development grants                    | 157,200,000        | 68,000,000         | 225,200,000        | 128,048,301          | (97,151,699)           |
| Revenue from exchange transaction                | 48,812,000         | (12,396,000)       | 36,416,000         | 40,872,229           | 4,456,229              |
| <b>Total income</b>                              | <b>484,814,550</b> | <b>160,044,000</b> | <b>644,858,550</b> | <b>452,163,080</b>   | <b>(192,695,470)</b>   |
| <b>Expenses</b>                                  |                    |                    |                    |                      |                        |
| Compensation of employees                        | 190,984,698        | 107,529,122        | 298,513,820        | 260,291,826          | (38,221,994)           |
| Operational expenses                             | 90,629,852         | 19,034,461         | 109,664,313        | 81,725,102           | (27,939,211)           |
| Payments on projects                             | 203,200,000        | 33,480,417         | 236,680,417        | 132,227,682          | (104,452,735)          |
| <b>Total expenditure</b>                         | <b>484,814,550</b> | <b>160,044,000</b> | <b>644,858,550</b> | <b>474,244,610</b>   | <b>(170,613,940)</b>   |
| Surplus /(Deficit) for the period                | -                  | -                  | -                  | (22,081,531)         | (22,081,531)           |

**Notes:**

- 1) **Government recurrent grant:** Ksh 100,000,000 that was expected in the supplementary budget to cater for CBA amount was not remitted by the Ministry of Education Science and Technology (MOEST) as was expected.
- 2) **Rendering services:** the projected student population was not realised resulting to realization of less fees than budgeted for.
- 3) **Government development grants:** Project certificates were forwarded to MOEST as was the practice then, but had not been honoured by the close of the financial year.
- 4) **Payment on projects:**  
Payment on projects was limited to funds that we received from the Ministry of Education.

## NOTES TO THE FINANCIAL STATEMENTS

### Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below.

#### Note 1: Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Government Financial Management Act, 2004, Public Audit Act, 2003 and the Universities Act, 2012.

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 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.

#### Note 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:

|                           |       |
|---------------------------|-------|
| (i) Land                  | 0%    |
| (ii) Buildings            | 2.5%  |
| (iii) Motor Vehicles      | 25%   |
| (iv) Furniture & Fittings | 12.5% |
| (v) Computer & Printers   | 30%   |
| (vi) Office Equipment     | 12.5% |
| (vii) Library books       | 20%   |

## d) Financial instruments

### Financial assets

Financial assets and financial liabilities are recognized when the University becomes a party to the contractual provisions of the instrument.

## e) Trade payables

Trade payables are measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the University College.

## f) 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.

## g) Biological assets

These related to agricultural activity. They are measured at fair value less estimated point-of-sale costs.

#### **h) 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.

#### **i) 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.

#### **j) 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.

#### **k) 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.

#### **l) Employee benefits**

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

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

#### **m) 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.

#### **n) 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 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 which were not surrendered or accounted for at the end of the financial year.

**o) Receivables**

Receivables mainly arise from exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable. Receivables are recognized at the fair value (transaction price). A provision for impairment of receivables is made when there is objective evidence that management will not be able to collect all amounts due according to the original terms of the receivable. The carrying value less any impairment provision is assumed to be their approximate fair values.

All receivables are classified as current assets.

**p) Comparative figures**

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

**q) 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.

**r) 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

**s) 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:

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

**t) Provisions**

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

**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, 2014.

**v) 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 costs of property and equipment acquired through development grants from the government.

**(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.

**w) Donor research grants**

This represents the amounts of money granted to the teaching staff, by donors in support their research projects. The University College keeps the grants monies until a request for it is made by the concerned researchers. The grant is recognized in the books of accounts as income for the year during which it was received. All payments from this vote are expensed against the income recognized. EUC gets a percentage of the grant money to cater for administrative costs.

|   | 2013/2014<br>(Ksh) | 2012/2013<br>(Ksh) |
|---|--------------------|--------------------|
| <b>Note 3: Government Capitation</b>                  |                    |                    |
| These are recurrent grants from the government.       | 283,242,550        | 135,000,000        |
| <b>Note 4: Rendering of services</b>                  |                    |                    |
| Tuition and accomodation                              | 20,109,692         | 2,592,251          |
| Catering  | 8,273,153          | 3,124,984          |
|   | <u>28,382,844</u>  | <u>5,717,235</u>   |
| <b>Note 5: Rental income</b>                          | 3,755,203          | 852,630            |
| These comprises income form University rental houses. |                    |                    |
| <b>Note 6: Farm income</b>                            | 3,770,717          | 2,186,542          |
| These are sales from the University farm.             |                    |                    |
| <b>Note 7: Other incomes</b>                          |                    |                    |
| Tender application forms                              | 153,106            | 974,050            |
| Donations   | -                  | 550,000            |
| Research Income                                       | 1,755,577          | -                  |
| Bank Interest   | 2,149,481          | 2,457,280          |
| Hire of Ground  | 184,800            | 17,900             |
| Hire of Hall  | -                  | 74,860             |
| Disposal of obsolete items                            | 720,501            | 263,080            |
|   | <u>4,963,465</u>   | <u>4,337,170</u>   |
| <b>Note 8: Employee costs</b>                         |                    |                    |
| Basic Salary  | 73,151,819         | 45,010,810         |
| Responsibility allowance                              | 8,921,108          | -                  |
| Commuter allowance                                    | 18,674,401         | -                  |
| Entertainment   | 2,638,689          | -                  |
| Annual leave allowance                                | 56,944             | -                  |
| House allowance                                       | 48,405,986         | -                  |
| Domestic worker                                       | 1,716,040          | -                  |
| Part time teaching                                    | 1,269,000          | -                  |
| Furniture   | 296,000            | -                  |
| Uniform allowance                                     | 547,108            | -                  |
| Book allowance  | 104,000            | -                  |
| Telephone allowance                                   | 1,620,171          | -                  |
| Security allowance                                    | 974,400            | -                  |
| Water & electricity                                   | 970,047            | -                  |

|                                  |  |                    |                   |
|----------------------------------|--|--------------------|-------------------|
| Passage & Baggage                |  | 354,150            | -                 |
| Casual wages                     |  | 10,063,752         | 1,946,473         |
| Medical expenses                 |  | 4,339,222          | 8,771,847         |
| Pension & gratuity               |  | 16,044,154         | 3,739,976         |
| Salary arrears                   |  | 6,986,435          | -                 |
| CBA Refund                       |  | 53,000,000         | -                 |
| External examiners               |  | 400,200            | -                 |
| Staff Training                   |  | 2,866,580          | 254,600           |
| Travel and Subsistence allowance |  | 5,572,174          | 5,601,274         |
| External travel                  |  | 1,319,447          | -                 |
|                                  |  | <u>260,291,826</u> | <u>65,324,979</u> |

**NB: CBA Refund (Ksh 53,000,000)**

During this financial year, Embu University College received Ksh 53 million for implementing Common Bargaining Agreement (CBA). At that time, the University was new and did not have arrears to pay. The amount was re-allocated to other votes through a review of budget. Later, a directive was issued by the Ministry of Education Science & Technology that the money be refunded so that it could be used to settle the arrears in other Universities. Since the amount had already been re-allocated, a provision has been done to recognize the expense on CBA refunds.

| <b>Note 9: Property, Plant and Equipment</b>  |                      |                    |                   |                   |                   |                   |                    |                  |                      |
|---|----------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|----------------------|
|   | Land                 | Buildings          | Motor             | Plant &           | Furniture &       | Computer          | Work in            | Library          |                      |
|   | (Ksh)                | (Ksh)              | Vehicle           | Equipment         | Fittings          | Hardware          | progress           | books            | TOTAL                |
| COST  | (Ksh)                | (Ksh)              | (Ksh)             | (Ksh)             | (Ksh)             | (Ksh)             | (Ksh)              | (Ksh)            | (Ksh)                |
| At 1 July 2012  | -                    | 186,219,000        | 1,800,000         | 2,267,070         | 3,626,350         | 1,123,000         | -                  | -                | 195,035,420          |
| Additions   | -                    | 43,968,690         | 6,493,512         | 11,045,142        | 11,957,699        | 2,007,514         | 13,455,110         | 1,270,750        | 90,198,417           |
| <b>As at 30 June 2013</b>   | -                    | <b>230,187,690</b> | <b>8,293,512</b>  | <b>13,312,212</b> | <b>15,584,049</b> | <b>3,130,514</b>  | <b>13,455,110</b>  | <b>1,270,750</b> | <b>285,233,837</b>   |
| Additions   | -                    | 24,400,570         | 40,263,393        | 957,694           | 7,756,097         | 21,322,515        | 139,523,994        | 4,475,311        | 238,699,574          |
| Revaluation   | 1,087,695,000        | -                  | -                 | -                 | -                 | -                 | -                  | 2,371,500        | 1,090,066,500        |
| <b>As at 30 June 2014</b>   | <b>1,087,695,000</b> | <b>254,588,260</b> | <b>48,556,905</b> | <b>14,269,906</b> | <b>23,340,146</b> | <b>24,453,029</b> | <b>152,979,103</b> | <b>8,117,561</b> | <b>1,613,999,911</b> |
| <b>DEPRECIATION AND IMPAIRMENT</b>  |                      |                    |                   |                   |                   |                   |                    |                  |                      |
| Depreciation rate   | 0%                   | 2.5%               | 25%               | 12.5%             | 12.5%             | 30%               | 0%                 | 20%              |                      |
| At 1 July 2012  | -                    | -                  | -                 | -                 | -                 | -                 | -                  | -                | -                    |
| Depreciation  | -                    | 5,754,692          | 2,073,378         | 1,664,027         | 1,948,006         | 939,154           | -                  | 381,225          | 12,760,482           |
| <b>As at 30 June 2013</b>   | -                    | <b>5,754,692</b>   | <b>2,073,378</b>  | <b>1,664,027</b>  | <b>1,948,006</b>  | <b>939,154</b>    | -                  | <b>381,225</b>   | <b>12,760,482</b>    |
| Depreciation  | -                    | 6,220,839          | 11,620,882        | 1,575,735         | 2,674,017         | 7,054,163         | -                  | 1,547,267        | 30,692,903           |
| <b>As at 30 June 2014</b>   | -                    | <b>11,975,531</b>  | <b>13,694,260</b> | <b>3,239,762</b>  | <b>4,622,023</b>  | <b>7,993,317</b>  | -                  | <b>1,928,492</b> | <b>43,453,385</b>    |
| <b>NET BOOK VALUES</b>  |                      |                    |                   |                   |                   |                   |                    |                  |                      |
| <b>As at 30th June 2014</b>   | <b>1,087,695,000</b> | <b>242,612,729</b> | <b>34,862,645</b> | <b>11,030,144</b> | <b>18,718,122</b> | <b>16,459,713</b> | <b>152,979,103</b> | <b>6,189,069</b> | <b>1,570,546,526</b> |
| <b>As at 30th June 2013</b>   | -                    | <b>224,432,998</b> | <b>6,220,134</b>  | <b>11,648,185</b> | <b>13,636,043</b> | <b>2,191,360</b>  | <b>13,455,110</b>  | <b>889,525</b>   | <b>272,473,355</b>   |
| <b>a) Work in progress</b>  |                      |                    |                   |                   |                   |                   |                    |                  |                      |
| These are amount paid for on-going projects and provisions for unpaid certificates. |                      |                    |                   |                   |                   |                   |                    |                  |                      |
| <b>b) Additions during the year (Ksh.238,699,574)</b>                               |                      |                    |                   |                   |                   |                   |                    |                  |                      |
| The amount covers the additions during the year, both paid and unpaid for.          |                      |                    |                   |                   |                   |                   |                    |                  |                      |

|   |  |                   |                   |  |
|---|--|-------------------|-------------------|--|
| <b>Note 10: Repairs and Maintenance</b> |  |                   |                   |  |
| Maintenance of buildings                |  | 11,760,802        | 2,722,906         |  |
| Grounds Maintenance                     |  | <u>210,346</u>    | <u>191,850</u>    |  |
|   |  | <b>11,971,148</b> | <b>2,914,756</b>  |  |
| <b>Note 11: Research grants</b>         |  |                   |                   |  |
| Research expense - University           |  | 438,232           | -                 |  |
| Research expense - Donor grants         |  | <u>1,547,615</u>  | <u>-</u>          |  |
|   |  | <b>1,985,847</b>  | <b>-</b>          |  |
| <b>Note 12: General expenses</b>        |  |                   |                   |  |
| Water & Conservancy                     |  | 3,582,962         | 900,462           |  |
| Electricity & Fuel                      |  | 3,320,000         | 1,181,717         |  |
| Telephone expenses                      |  | 495,783           | 480,990           |  |
| Postage                                 |  | 16,575            | 56,000            |  |
| Stationery & office expenses            |  | 7,441,279         | 2,393,180         |  |
| Kitchenware                             |  | -                 | 570               |  |
| Printing & Publishing                   |  | 45,600            | 68,560            |  |
| Transport operating expenses            |  | 3,762,579         | 551,557           |  |
| Advertisement & publicity               |  | 6,523,857         | 4,614,275         |  |
| I.C.T & Internet                        |  | 594,538           | 107,178           |  |
| Conference & Seminars                   |  | 1,798,232         | 476,362           |  |
| Security                                |  | 2,939,177         | 1,879,939         |  |
| Sanitary Services                       |  | 291,200           | 72,000            |  |
| Membership & Subscription               |  | 265,191           | 30,944            |  |
| Consultancy                             |  | 2,641,737         | 846,265           |  |
| Student Welfare                         |  | 2,880,752         | 1,609,331         |  |
| Games & Sport                           |  | 942,773           | 91,600            |  |
| Foodstuff                               |  | 11,569,262        | 723,512           |  |
| Cleaning materials                      |  | 360,903           | 5,610             |  |
| Teaching Materials                      |  | 4,023,222         | 3,773,616         |  |
| Staff uniform                           |  | 547,108           | -                 |  |
| Farm expenses                           |  | 2,914,049         | 1,552,479         |  |
| Newspaper & Magazines                   |  | 201,250           | 44,150            |  |
| Performance contracting                 |  | -                 | 282,344           |  |
| ISO                                     |  | 1,126,550         | 47,000            |  |
| Fencing expense                         |  | 1,165,586         | 379,140           |  |
| Bank charges                            |  | 144,200           | 42,024            |  |
| Rent & Rates                            |  | -                 | 6,922             |  |
| Audit Fee                               |  | 696,000           | 50,000            |  |
| Insurance                               |  | 2,444,050         | -                 |  |
| Funeral                                 |  | <u>50,000</u>     | <u>-</u>          |  |
|   |  | <b>62,784,414</b> | <b>22,267,726</b> |  |

|  |                   |                   |  |
|--|-------------------|-------------------|--|
| <b>Note 13: Gain on Biological Assets</b>                  | <b>3,203,650</b>  | <b>-</b>          |  |
| This is gain on revaluation.                               |                   |                   |  |
| <b>Note 14: Cash and Cash Equivalent</b>                   |                   |                   |  |
| Cash in hand   | 12,700            | 49,293            |  |
| Petty cash   | 200,000           | -                 |  |
| Barclays Bank - operation (2025841958)                     | 773,473           | 1,764,520         |  |
| Barclays Bank Fees Collection (2027527410)                 | 100,993           | 340,195           |  |
| National Bank ( a/c 01001081259300)                        | 301,658           | -                 |  |
| KCB - Fees Collection (1140846019)                         | 667,572           | 1,003,250         |  |
| KCB - Salary (1141890933)                                  | 13,038,187        | 3,281,199         |  |
| kcb -Dolar( A/c 1146975716)                                | 2,038,569         | -                 |  |
| Co-operative   | (161,603)         | -                 |  |
| Equity Fees Collection                                     | <u>150,757</u>    | <u>17,671,447</u> |  |
|  | <b>17,122,306</b> | <b>24,109,904</b> |  |
| <b>Note 15: Receivables from Exchange Transactions</b>     |                   |                   |  |
| Interest Receivable  | -                 | 696,884           |  |
| Fees receivable  | <u>-</u>          | <u>148,350</u>    |  |
|  | -                 | <b>845,234</b>    |  |
| <b>Note 16: Receivables from Non-exchange Transactions</b> |                   |                   |  |
| Government grants  | 11,250,000        | 11,250,000        |  |
| Prior year adjustment (see Note 30)                        | (11,250,000)      | -                 |  |
| Staff debtors  | <u>2,136,779</u>  | <u>1,296,624</u>  |  |
|  | <b>2,136,779</b>  | <b>12,546,624</b> |  |
| <b>Note 17: Inventories</b>                                |                   |                   |  |
| Stationery stores  | 808,915           | 310,658           |  |
| Hardware Store   | 1,399,104         | 442,565           |  |
| Farm store   | 304,480           | 155,900           |  |
| Kitchen store  | -                 | 437,639           |  |
| Kitchenware  | 676,698           | -                 |  |
| Health Unit  | 309,093           | -                 |  |
| Accomodation   | 135,822           | -                 |  |
| Laboratory store   | <u>3,550,047</u>  | <u>357,804</u>    |  |
|  | <b>7,184,159</b>  | <b>1,704,565</b>  |  |
| <b>Note 18: Investment (Call deposits)</b>                 |                   |                   |  |
| Fixed Deposit -Equity                                      | -                 | 25,000,000        |  |
| Fixed Deposit - KCB  | <u>17,000,000</u> | <u>35,000,000</u> |  |
|  | <b>17,000,000</b> | <b>60,000,000</b> |  |

|   |  |                      |                    |  |
|---|--|----------------------|--------------------|--|
| <b>Note 19: Biological Assets</b>   |  |                      |                    |  |
| Mature cows   |  | 1,830,000            | 2,166,150          |  |
| Heifers   |  | 500,000              | -                  |  |
| Bull calf   |  | 32,000               | -                  |  |
| Chicken   |  | 211,000              | -                  |  |
| Pigs  |  | 508,000              | -                  |  |
| Goats   |  | 96,000               | -                  |  |
| Bucks (Male goats)  |  | 24,000               | -                  |  |
| Male kids   |  | 6,000                | -                  |  |
| Female rabbits  |  | 2,400                | -                  |  |
| Coffee & Bananas  |  | <u>2,160,400</u>     | <u>-</u>           |  |
|   |  | <b>5,369,800</b>     | <b>2,166,150</b>   |  |
| <b>Note 20: Trade and Other Payables from exchange transactions</b>             |  |                      |                    |  |
| Trade payables  |  | 106,471,892          | 53,565,245         |  |
| Sundry Creditors  |  | -                    | 257,562            |  |
| Salary Arrears  |  | 6,986,435            | -                  |  |
| Payroll Deductions  |  | -                    | 5,688,614          |  |
| CBA Refund (MOEST)  |  | 81,560,000           | -                  |  |
| Student Caution Money   |  | 988,000              | 244,000            |  |
| Deferred Donor Research grants  |  | <u>877,759</u>       | <u>-</u>           |  |
|   |  | <b>196,884,086</b>   | <b>59,755,421</b>  |  |
| <b>Note 21: Refundable Deposits from Customers</b>                              |  |                      |                    |  |
| Rent Deposit  |  | 302,974              | 115,000            |  |
| <b>Note 22: Provisions</b>  |  |                      |                    |  |
| Audit Fees payable  |  | <u>1,392,000</u>     | <u>50,000</u>      |  |
|   |  | <b>1,392,000</b>     | <b>50,000</b>      |  |
| The provision for this FY is based on the invoiced amount for the FY 2012/2013. |  |                      |                    |  |
| <b>Note 23: Payments Received in Advance</b>                                    |  |                      |                    |  |
| Prepaid Fees  |  | -                    | 972,299            |  |
| <b>Note 24: Development Grant</b>   |  |                      |                    |  |
| Balance as at 1st July  |  | 72,913,210           | -                  |  |
| Current year additions  |  | <u>128,048,301</u>   | <u>72,913,210</u>  |  |
| Balance as at 30th June   |  | <b>200,961,511</b>   | <b>72,913,210</b>  |  |
| <b>Note 25: Revaluation Reserve</b>   |  |                      |                    |  |
| Balance as at 1st July  |  | 199,282,160          | -                  |  |
| Current year additions  |  | <u>1,090,066,500</u> | <u>199,282,160</u> |  |
| Balance as at 30th June   |  | <b>1,289,348,660</b> | <b>199,282,160</b> |  |

| <b>Note 26: Accumulated Surplus</b>                                  |  |                     |                   |
|--|--|---------------------|-------------------|
| Balance as at 1st July   |  | 40,757,742          | -                 |
| Prior year adjustment (see note 30)                                  |  | (11,250,000)        | -                 |
| Prior year adjustment (see note 30)                                  |  | (646,000)           | -                 |
| Prior year adjustment (see note 30)                                  |  | (53,000,000)        |                   |
| Current year surplus/deficit   |  | <u>(45,391,403)</u> | <u>40,757,742</u> |
| Balance as at 30th June  |  | <u>(69,529,661)</u> | <u>40,757,742</u> |
| <b>Note 27: Segment information</b>                                  |  |                     |                   |
| The University college does not have autonomous reportable segments. |  |                     |                   |

**Note 28: Related party disclosure**

(i) The key management personnel are the members of Council and the University College 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 individuals | Amount            |
|-------|---|-----------------------|-------------------|
| 1.    | University College Council allowances                       | 7                     | 4,983,693         |
| 2.    | Council member on full time equivalent                      | 1                     | 1,044,000         |
| 3.    | University College Management Board - Salaries & Allowances | 6                     | 29,639,576        |
|       | <b>TOTAL</b>  |                       | <b>35,667,269</b> |

**(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, the University College received Ksh 283,242,550 and 128,048,301 for recurrent and development grants respectively

**Note 29: Financial Risk Management**

The University College's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University has in place policies to ensure that registration of students is closed within the first three weeks of a semester and that only registered students attend classes. Those with financial difficulties are required to defer their studies until they are able to raise required fees.

The university's financial risk management is detailed below:

**(i) Credit risk**

The University's credit risk is primarily attributable to its fee receivable. The amount presented in the Statement of Financial Position is gross amount expected from our students. As a new institution Embu University College has not 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 by giving them loans, with part of the loans being remitted directly to the University College. The credit risk on liquid funds with financial institutions is low, because we bank our monies with banks of high credit-ratings.

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

|                                      | Fully<br>performing<br>Ksh |
|--------------------------------------|----------------------------|
| At 30 <sup>th</sup> June 2013        |                            |
| Student receivables                  | 148,350                    |
| Deposits with financial institutions | 60,000,000                 |
| Bank balances                        | 24,109,904                 |
|                                      | <b>84,258,254</b>          |
| At 30 <sup>th</sup> June 2014        |                            |
| Student receivables                  | -                          |
| Deposits with financial institutions | 17,000,000                 |
| Bank balances                        | 17,122,306                 |
|                                      | <b>34,583,615</b>          |

**(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. However, the University College Management faces the risk of inadequate and delayed funding by the National Treasury.

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 amounts disclosed in the table that follows are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

|                                   | Less than<br>1 month<br>Ksh | Between<br>1-3 months<br>Ksh | Over<br>5 months<br>Ksh | Total<br>Ksh |
|-----------------------------------|-----------------------------|------------------------------|-------------------------|--------------|
| <b>30<sup>th</sup> June, 2013</b> |                             |                              |                         |              |
| Trade and other payables          | -                           | -                            | 59,755,421              | 59,755,421   |
| Fees paid in advance              | -                           | 972,299                      | -                       | 972,299      |
| Rental Deposit                    | -                           | -                            | 115,000                 | 115,000      |
| Audit fee payable                 | -                           | -                            | 50,000                  | 50,000       |
|                                   | -                           | 972,299                      | 59,920,421              | 60,892,720   |
| <b>At 30 June 2014</b>            |                             |                              |                         |              |
| Trade and other payables          | -                           | -                            | 196,884,086             | 199,034,859  |
| Fees paid in advance              | -                           | -                            | -                       | -            |
| Rental Deposit                    | -                           | -                            | 302,974                 | 302,974      |
| Audit fee payable                 | -                           | -                            | 1,392,000               | 750,000      |
|                                   | -                           | -                            | 200,087,833             | 200,087,833  |

**(iii) Cash flow and interest rate risk**

The University holds interest bearing assets in form of call deposits subject to availability of funds. Management closely monitors the interest rate trends to minimize the adverse potential impact of interest rate changes.

**Note 30: Prior year adjustments**

**(i) Prior year adjustment – Ksh 11,250,000/=**

During the year 2012/2013 the allocated amount in the recurrent 135,000,000 out of which Ksh 123,750,000 leaving a balance of Ksh 11,250,000/=. Full amount expected was recognized as income in the Statement of Financial Performance, with Ksh 11,250,000/= recognized as money receivable from the Ministry of Education Science & Technology. This therefore implies that that income on recurrent grant was overstated and also the current assets (Receivables from non-exchange transactions). This necessitated the reversal.

**(ii) Prior year adjustment - Provision for audit fee (Ksh 646,000/=)**

This adjustment has been done to correct audit fee under provision as indicated below:

|                              |                      |
|------------------------------|----------------------|
| Provision for the FY 2012/13 | Ksh 50,000/=         |
| Invoiced amount              | <u>Ksh 696,000/=</u> |
| Under provision              | Ksh 646,000/=        |

**(iii) CBA Money (Ksh 53 million)**

During the Financial year 2012/2013, Embu University College received Ksh 53 million for implementing Common Bargaining Agreement (CBA). At that time, the University was new and did not have arrears to pay. The amount was re-allocated to other votes through a review of budget. Later, a directive was issued by the Ministry of Education Science & Technology that the money be refunded so that it could be used to settle the arrears in other Universities. Since the amount had already been re-allocated to other votes, a prior year adjustment was done after the directive, to recognize the expense on CBA refunds equal to the refundable amount.

## PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments                                   | Focal Point person to resolve the issue | Status  | Timeframe                      |
|--|--|---|---|---|--------------------------------|
| 1.0  | The statement of financial position as at 30 <sup>th</sup> June, 2013 reflects property, plant and equipment balance of Ksh 272,473,355 which excludes Ksh. 2,371,500= being the value of 4,507 Library books taken from East College. | Adjustment will be done in the current financial year | Mr. Joseph Ogeto                        | Adjustment was done   | By 30 <sup>th</sup> June 2014. |
| 2.0  | Statement of Cash flows for the year under review reflects an adjustment for current assets of Ksh 2,080,590= not properly explained.  | The figure will be supported appropriately.           | Mr. Joseph Ogeto                        | Cash flow Statement has been prepared properly using direct method in line with IPSASs. This has taken care of the reported omission. | By 30 <sup>th</sup> June 2014. |



Principal

Date..... 6/7/15 .....



Chairman of the University College Council

Date..... 07/07/2015 .....