

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 MAR 2019	DAY: Thursday
TABLED BY: Hon. Aden Duale	
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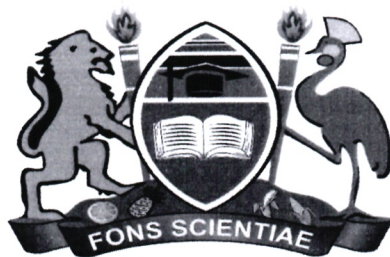
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KISII UNIVERSITY

FOR THE YEAR
ENDED 30 JUNE 2018





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

28 FEB 2019

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KISII UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2018.**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT.

(a) Back ground Information

Kisii University is a body corporate established through the Kisii University Charter of 2013 and the University's Act No 42 of 2012.

(b) Principal Activity

(i) The University's core activity is to provide University Education and conduct research.

(ii) Vision

To be a World Class University in advancement of Academic Excellence, Research and Social Welfare.

(iii) Mission

To train high level human resource that meets the development needs of the country and International Labour Market, sustain production of quality and relevant research and consultancy; disseminate knowledge, skills, values and competencies for the advancement of humanity.

(iv) Community Service

To provide community service to the public.

(c) Registered Office and Principal Place Of Business

Kisii University
Along Kisii - Kilgoris Road
P.O. Box 408 - 40200
KISII, Kenya.

(d) **University Contacts**

Kisii University
P.O. Box 408- 40200
KISII, Kenya.
Tel.058-30826
Website: www.kisiiuniversity.ac.ke
Email: info@kisiiuniversity.ac.ke

(e) **University Bankers**

- (i) National Bank of Kenya
P.O. Box 4566-40200
KISII.
- (ii) Kenya Commercial Bank
P.O. Box 3684-40200
KISII.
- (iii) Co-operative Bank of Kenya
P.O. Box 3689-40200
KISII.

(f) **Independent Auditors**

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

II. CORE BUSINESS OF THE UNIVERSITY.

The Core business of the University as provided by Kisii University Charter and the University's Act No 42 of 2012 include:

- Provision directly or in collaboration with other institutions of higher learning, facilities for University Education (including technological, scientific and professional education), the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya and beyond.
- Participation in technological innovation as well as in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellectual life in economic, social, cultural, scientific and technological development in Kenya;
- Provision and advancement of University education and training of appropriately qualified candidates leading to conferment of degrees and award of diplomas, certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing contribute to human resource needs;
- Conducting the examinations for such academic awards as may be provided in the statutes pertaining to the University, examining and making proposals for new Faculties, Schools, Institutes, Departments, Resources and Research centres, degree courses and subjects of study;
- Contributing to Industrial and Technological Development of society in collaboration with industry and other organisations;
- Inculcating a culture of innovation in science, technology and engineering amongst staff, students and society.

III. UNIVERSITY COUNCIL MEMBERS.



Name: Dr. Ephraim A. Mukisira, PhD.

County: Vihiga

Position: Chairperson

Date of Birth: 05/03/1956

Academic Qualifications: PhD, Animal Science, McGill University Canada.



Name: Prof. John S. Akama, PhD.

County: Nyamira

Position: Secretary to the Council (Vice Chancellor)

Date of Birth; 08/09/1959

Academic Qualification: Doctor of Philosophy (Geography)



Name: Ms. Florence W. Kimani

County: Nakuru

Position: Member

Date of Birth: 18/12/1974

Academic Qualification: MBA, Strategic Management, Daystar University



Name: Mr. Harrison O. Okeche
County: Homabay
Position: Member
Date of Birth: 27/07/1966
Academic Qualification: LLM
University of South Africa



Name: Ms. Annerose N. Ngemu
County: Makueni
Position: Member
Date of Birth: 10/09/1973
Academic Qualification: MBA Information Systems
Management, University of Nairobi



Name: Mr. Robin Achoki
County: Nyamira
Position: Member
Date of birth: 15/08/1960
Academic Qualification: Post graduate Diploma in
Development Studies.



Name: Mr.M' Limbine Joseph Gitonga

County: Meru

Position: Member

Date of Birth: 15/11/1971

Academic Qualification: MBA, Strategic Management,
University of Nairobi



Name: Mr. Samuel K. Gitau

County: Nyandarua

Position: Rep. C.S. National Treasury

Date of Birth: 10/11/1965

Academic Qualification: Masters in Economic Policy
Management



Name: Mr. Richard C. Limo

County: Elgeyo Marakwet

Position: Rep. P.S. University Education and Research

Academic Qualification: Masters in Educational
Planning

IV. UNIVERSITY MANAGEMENT TEAM.



Name: Prof. John S. Akama, PhD.
Position: Vice chancellor
Date of Birth: Sept. 1959
Academic Qualification: Doctor of Philosophy (Geography)



Name: Prof. Joseph T. Mailutha, PhD.
Position: D.V.C (Administration, Planning and Finance)
Date of birth:1954
Academic Qualification: Doctor of Philosophy Agricultural Engineering 1998



Name: Prof. Fredrick O. Wanyama, PhD.
Position: DVC (Academics and Student Affairs)
Date of Birth:16/03/1967
Academic Qualification: PhD in Political Science



Name : Prof. Anakalo Shitandi, PhD.
Position: Registrar Research and Extension
Date of Birth:1963
Academic Qualification: Doctor of Philosophy in Food Science (Microbiology)



Name: Prof. Philip O. Owino, PhD.
Position: Registrar Academic Affairs
Date of Birth: Sept 1960
Academic Qualification: Doctor of Philosophy,
Master of Science.



Name: Ms. Rose Bitonga Ogata
Position: Ag. Registrar Administration
Date of Birth: 16/04/1986
Academic Qualification: Master of Project Planning and
Management



Name: Charles M. Mwangi
Position: Finance Officer
Date of Birth: 1984
Academic Qualification: MBA (Finance), C.P.A.(K),
B.B.M(Accounting),C.S.(Finalist).

V. STATEMENT FROM THE CHAIRMAN OF THE COUNCIL.



Dr. Ephraim A. Mukisira (PhD)

The University Council was constituted by the Cabinet Secretary Ministry of Education through Gazette Notice No. 2341 dated 10th March 2017. The mandate of the Council amongst other responsibilities is to give policy guidelines in order to ensure the smooth operations of University activities.

It is my pleasure to note that the staff members of this University, under the able leadership of the Vice Chancellor, worked hard during the last financial year towards attaining this objective.

During the period under review, the University faced quite a number of challenges especially decrease in number of students under module two intake which has led to reduction in tuition fee collection. Due to reduction of module two students intake over the last two financial years, the University has been forced to close down three of its campuses (Kitale, Kisumu and Kabarnet). The remaining campuses are still being observed by the Council to determine their long term survival and self – sustainability.

In the period under review the University through the Government is still undertaking the construction of phase 2 of the hostels project. The other key projects which are still being implemented include the ICT centre and the Lecture Theatres. The ICT centre is one of the landmark projects which is anchored in vision 2030 blue print. I would therefore like to request the National Government to consider allocating more development funds to the University.

In conclusion therefore, the University's future is dependent on Government support and other key stakeholders. In this regard, I would like to register my special gratitude to National Government through the Ministry of Education for the support and look forward to more of it during this financial year.

A handwritten signature in black ink, appearing to read 'Ephraim A. Mukisira', written over a horizontal line.

Dr. Ephraim A. Mukisira, PhD.
Chairman of the Council

VI. STATEMENT FROM THE VICE CHANCELLOR.



It is my pleasure to present the Annual Report and Financial Statements of Kisii University for the year ended 30th June, 2018. During the year under review the University reported a positive working capital.

It is also important to note that over the last two financial years the number of module two students joining the University has been decreasing tremendously.

The tuition fee collected decreased from Kshs.1,946,211,000 collected during the year 2016/2017 to Kshs.1,576,034,000 in the year 2017/2018. The decrease in tuition fee is attributed to the declining number of students especially the module two students. Since the University relies on this stream of revenue to finance its operations most of the programs have been greatly affected.

The University continued with its core business of teaching, training and research. On behalf of Kisii University I wish to take this opportunity to thank the National Government for financial support accorded to the University.

Finally, I would like to express my thanks to the University Council for providing policy guidelines and the entire University community for working tirelessly to ensure successful and smooth operations of the University.

A handwritten signature in black ink, appearing to read 'John S. Akama'. The signature is fluid and cursive, written over a white background.

Prof. John S. Akama, PhD.

Vice Chancellor

VII. CORPORATE GOVERNANCE STATEMENT.

Kisii University is a body corporate established through the Kisii University Charter of 2013 and the University's Act No 42 of 2012. The University's core activity is to provide University education and conduct research. The University vision is to be a World Class University in Advancement of Academic Excellence, Research and Social Welfare.

1. Current constitution and appointment of the University council.

The current membership of the University Council is as follows:

- a) Chairman- The Chairman is appointed by the Cabinet Secretary Ministry for Education,
- b) Two Members- one person representing the P.S National Treasury and the other one representing the P.S Ministry of Education,
- c) Four other members appointed by the Cabinet Secretary, Ministry of Education,
- d) Vice Chancellor, who is the Secretary to the Council.

2. Responsibility of the University Council.

The University Council is ultimately responsible for:

- a) The Mission and the Vision of the University;
- b) Promoting the aims and objectives of the University;
- c) Setting strategic directions for the University;
- d) Oversight of Management;
- e) Make and approve statutes for gazettelement in accordance with the provisions of the Act;
- f) The appointment and performance management review of the Vice Chancellor;

- g) Setting and monitoring broad budget and planning framework, ensuring that the University finances are sound, and taking major financial decisions;
- h) Monitoring University performance against strategic objectives;
- i) Setting and clearly examining Council policy and risk management;
- j) Extending links and communication between the University and the wider community;
- k) Legislative roles, including ensuring that the University is acting without ethnic bias and is in conformity with all legal requirements;
- l) Fundraising and resource mobilisation;
- m) Approve budgets of the University;
- n) Council performance and succession planning.

The current University Council was constituted by the Cabinet Secretary Ministry Of Education on 10th March 2017. The profile of the current University Council members is provided on page (vi)

3. Remuneration of the Council Members.

The University Council members other than the Vice Chancellor do not receive a salary. They are however paid a sitting allowance for every meeting attended. The allowances paid to Council members are disclosed in note 7 of the Financial Statements.

4. University Council Meetings.

The meetings of the University Council are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the University Council establishes such committees with membership and with such terms of references as it may deem fit. A calendar of University Council and its committees is prepared before the beginning of each financial year.

5. Committees of the University Council.

The University Council has established the following committees:

a) Planning, Finance, Building, Development and General purpose committee.

The committee is responsible for the following:

- Making recommendations to the Council on Annual Budgets in the light of overall plan, the annual operating budgets from the academic division , other cost centres and other relevant information;
- Reviewing the University's financial strategy for approval by the Council;
- Reviewing the University's Annual Financial Statements and reporting to the Council;
- Reviewing the University's financial regulations from time to time and recommending any necessary changes in those regulations to the Council;
- Reviewing the University's Investment Policy from time to time and reporting to Council;
- Overseeing the University's Financial Management and Financial Control Systems and making quarterly reports to the Council;
- Such other action on behalf of the University Council in relation to the University's financial business as may be required from time to time.

b) Human Resource and Appointment Committee.

The committee oversees the formulation and subsequent monitoring and review of policies and strategies on employment of all University staff, including policies on recruitment and selection, staff development and training, performance management schemes, salaries and other conditions of service.

The committee is responsible for the following matters:

- Reviewing and monitoring the implementation and effectiveness of the University's employment policies through regular reports provided by the Management Board;

- Overseeing the relations between the University and its employees;
- Reviewing and making recommendations to the University Council, on the salaries, allowances and other terms and conditions of service of the Vice Chancellor, the Deputy Vice Chancellors and such other senior officers of the University as the Council may determine from time to time;
- Monitoring key performance indicators as agreed by Council;
- Receiving and considering proposals on strategy and policy in all matters relating to the recruitment, reward, retention, motivation, and development of the University's staff and make recommendations to the Council;
- Receiving reports from Management Board relating to promotion.

c) Audit Governance, Risk Management and Sealing Committee.

The committee is responsible for the following:

- Providing leadership and advising Council on strategic issues related to risk management, quality management, and compliance with bench mark standards and Statutory Regulations;
- Reviewing and monitoring the effectiveness of the University's risk Management Policies and strategies in mitigating against identified potential risks and in improving management and control;
- Receiving and considering proposals from the internal audit section on the internal audit and compliance work plans, and making recommendations to Council for approval;
- Receiving and considering quarterly internal audit and compliance reports and making recommendations to the Council;
- Receiving and considering Annual External Audit Report submitted by external auditors and making recommendations to the Council;

- Receiving and considering proposals on quality review cycle and internal quality assessment plans from the management board and making recommendations to Council for approval.

d) Academic, Research, Extension Collaboration and Sealing Committee

The committee is responsible for the following

- Receive and consider reports from Senate and make recommendations to Council on academic matters including:
 - ✓ Curriculum and academic standards of any course of study;
 - ✓ Establishment, harmonization or abolition of Campuses, Schools, Units, Departments, and Centres;
 - ✓ Promotion of research and innovation work in the University and dissemination of the findings;
 - ✓ Quality standards and assurance of education, training, research and innovation; and Students' welfare.
- To receive and recommend to the Council approval of University Statutes.
- To receive and recommend to the Council approval of the Students Handbook.
- To receive and recommend to the Council approval of the Constitution for the Students Association.
- Oversee the constitution of Alumni Association and receive reports on their proposals and recommendations;
- To advise Council on students' access and admissions, curriculum design, course and fees structure, academic and mentoring support, provision and use of learning resources and students welfare.
- To establish and review structures and mechanisms for assuring the implementation of academic policies, the maintenance of standards and enhancement of good practice;
- To oversee and co-ordinate activities associated with national and external agencies involved in quality assurance;
- To develop, amend, repeal and approve regulations concerning academic programmes;
- To receive and consider proposals and nominations for the award of honorary degrees and recommend to the full Council award of honorary degrees;
- To consider and advice Council on all matters related to research and innovation in the University.
- To receive, consider and recommend for approval regulations governing students conduct and discipline;
- To authorize on behalf of the Council the application of the University Seal on documents;

- To determine the types and amount of fees to be paid by students
- In consultation with the Human Resource and Appointments Committee, recommend to the Council on recruitment and promotion of academic staff of the University; and
- To undertake any other responsibility assigned by the Council from time to time.

The University Council nominates the Chairperson of each committee of the Council. In absence of a substantive chairperson the members present and constituting a quorum may elect a person from among them to chair the meeting. The chairperson of the University Council and the Vice Chancellor are ex-official members of every committee of the Council except the audit committee.

6. The Management Board

Section 24 (1) of Kisii University Charter provides for the formation of the Management Board which shall function as the Executive Board as provided for in the provisions of the act and the statutes. The Management Board members are appointed by the University Council.

The current membership consists of the following:

- a) The Vice Chancellor - who is the chairperson;
- b) Deputy Vice Chancellors;
- c) Registrars; and
- d) The Finance Officer.

The Management Board is responsible for the following:

- a) Overseeing the day to day running of the University;
- b) Efficient management of the human, physical and financial resources of the University;
- c) Coordinating and controlling the development, planning, management, and administration of the University and its resources in accordance with approved policies, rules and regulations;

- d) Submitting proposals to the University Council concerning Annual Financial Statements, development priorities, staff development plans, terms and conditions of service, fund raising strategies, student welfare, public relations policies, academic partnerships and linkages with other institutions, collaboration with industry, as well as any policies and any matters related to the development, management and administration of the University;
- e) Authorising the initiation of legal proceedings on behalf of the University;
- f) Proposing to the University Council rules and regulations for the administration of the University and for the execution of its programmes and plans;
- g) Establishing any University charges and fees ; and
- h) Performing any other duties relating to the management of the University.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.

Kisii University was founded for public benefit, to promote education and knowledge, and to provide an institution open to all, irrespective of race, creed or political belief. It is a pioneering institution in making higher education available to women and the less fortunate in society and those unable to pursue traditional forms of study.

The University seeks to replicate this commitment to the academic enterprise and to wider society, through all of its operations and activities. The University endeavours to conduct its business in accordance with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Kisii University Corporate Social Responsibility is centred on three pillars:

- People and Community
- Finance and Economic Activity
- Environmental Sustainability

(1) People and Community

The University as an employer

Kisii University is committed to being a good employer, and to contribute positively to the local community, the education sector in Kenya and the global community. As an employer the University is committed in ensuring that all staff members are fully supported in their work, have a decent working environment, and are fairly rewarded. The University engages with recognised Trade Unions which represent and protect the interests of its staff. The University offers competitive terms and conditions of service to its directly employed staff. The University also encourages and supports staff to engage in activities which benefit the wider community and society.

In order to achieve this, the University commits to:

- Embedding equality and diversity into all operations
- Allowing staff time for civic and public duties.
- Encouraging payroll donation, fundraising and other charitable activities.
- Ensuring staff can achieve their full potential through training, mentoring, and other staff development activities.
- Achieving the highest practical standards of health and safety for our staff, students, and visitors.

Local Community

Kisii University is a major tenant and employer in the local community with considerable operations in Kisii town. It opens up events and facilities to the public and participates in specific community engagement projects.

In support of the local community Kisii University through the research and extension department is undertaking free training to the farmers on the following projects.

- Training farmers at Nyosia farm on new farming methods through the use of modern technology;
- Offering of artificial insemination to animals of selected farmers;
- Enhancing farmers knowledge and skills on how to generate more farm produce from their farms.
- Currently a training project targeting rabbit farmers is on-going.

Kisii University as an agent of peace and conflict resolution

Currently the University is offering a course to train key members of the local community on how to manage and maintain peace between various communities living in Kisii.

In addition to this local pastors are also continuously being trained on various leadership skills.

Freedom of Expression

As an academic institution, the University encourages debate and discussion and supports the right of peaceful protest where this does not threaten the health and safety of staff, students or visitors, and does not infringe upon others rights to freedom of expression and association.

(2) Finance and Economic activity

The University recognises the way in which it conducts its activities financially, has a bearing on those with an interest in its work. The University financial regulations follow the laid down Accounting Standards.

(3) Environmental Sustainability

Kisii University recognises environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. In this respect Kisii University is;

- a) Partnering with County Government of Kisii in keeping the Kisii town clean. This is done by sponsoring students and staff to freely participate in the cleaning programmes.
- b) In order to maintain a healthy environment, Kisii University recently removed asbestos roofing materials and replaced them with eco-friendly iron sheets

IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES.

The Public Financial Management Act of 2012, Kisii University Charter of 2013 and the Universities' Act of 2012 Cap 42 require the University Council to prepare Financial Statements of Kisii University which give a True and Fair view of the state of affairs of the University as at the end of the financial year and the operating results of the University for the year. 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 accept responsibility for the Annual 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 provided by the Public Financial Management Act of 2012 and the Universities' Act of 2012 Cap 42.

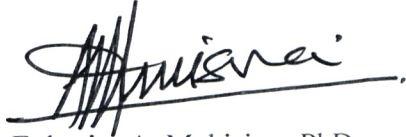
The Council members are of the opinion that the Financial Statements give a true and fair view of the state of University's transactions during the financial year ended on 30th June 2018, and the University's financial position as at that date.

The Council members further confirm the completeness of the accounting records maintained in the University, which have been relied upon in the preparation of the Financial Statements, as well as adequate operation systems of Internal Financial Controls.

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 and signed on its behalf by:



Dr. Ephraim A. Mukisira, PhD.
Chairman of the Council



Prof. John S. Akama, PhD.
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 KISII UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisii University set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts - recurrent budget and development capital budget 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.

In my opinion, except for the effects discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisii University as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Trade and Other Payables from Exchange Transactions

1.1. Part Time Lecturers

The trade and other payables from exchange transactions balance of Kshs.430,786,000 as disclosed in Note 18 to the financial statements includes accrued part time expenses of Kshs.151,526,000 due to part time lecturers. According to information available the amount accrued in the year 2014. However, it was not possible to ascertain the validity of the pending claims because there was no documentary evidence showing that the services for which the payments were claimed had been rendered. Consequently, the validity and accuracy of the accrued part time expenses of Kshs.151,526,000 could not be confirmed.

Further, during the year under review the University spent a total of Kshs.230,217,000 on part time expenses against a budget of Kshs.99,000,000 as approved in the University's budget for the financial year 2017/2018, leading to an over expenditure of

Report of the Auditor-General on the Financial Statements of Kisii University for the Year Ended 30 June 2018

Kshs.131,217,000. No satisfactory explanation was given by the management for the over expenditure.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kisii University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Procurement of Internet Services

During the year under review, the University awarded a contract to Kenya Education Network Trust for supply of internet services and the organization was paid Kshs.1,610,200 for the services rendered in January, February and March 2018 and Kshs.1,335,600 for the months of October to December 2018. However, the organization was not in the list of prequalified suppliers for the year 2017/2018. The management, therefore, in awarding the contract to the organization breached Section 93(2) of the Public Procurement and Disposal Act, 2015 which, states that, "an accounting officer of a procuring entity where applicable, may conduct a pre-qualification procedure as a basic procedure prior to adopting an alternative procurement method other than open tender for the purpose of identifying the best few qualified firms for the subject procurement."

2. Over Expenditure on Marketing and Exhibitions

The University's budget estimates for 2017/2018 included an amount of Kshs.12,000,000 for marketing and exhibitions. The University, however, incurred a

total expenditure of Kshs.28,216,807.17 on marketing and exhibitions leading to unexplained over expenditure of Kshs.16,216, 807.17 in the year under review.

3. External Painting Works of Kapsoya Building - Eldoret Campus

The University awarded a contract for provision of external painting works of the Kapsoya Building at Eldoret Campus to a contractor at a sum of Kshs.6,488,500. The contract was signed on 22 December 2017 and one of the clauses in the contract document stated that a fifty percent payment of the contract sum was to be made upon signing of the contract for mobilization of equipment and materials. This clause contravened Section 147(1) of the Public Procurement and Disposal Act, 2015 which states that, "under exceptional circumstances advance payment may be granted and shall not exceed twenty percent of the price of the tender".

4. Staff Costs

The total expenditure on employees` costs amounted to Kshs.1,957,781,000 as disclosed under Note 6 to the financial statements compared to the total revenue of Kshs.2,922,969,000 in the year under review. Therefore, the expenditure on compensation of employees (salaries, benefits and allowances) during the year constituted 67% of the total revenue. This is contrary to the spirit of regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 that recommends a maximum of 35%. The management did not provide satisfactory explanation for this irregularity.

5. Ethnic Composition

An examination of personnel records indicated that the University had hired fifty-two new employees in the year under review. It is apparent from the analysis that one dominant community comprises the staff hired during the year. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which state that, "all public establishment shall seek to represent the diversity of the people of Kenya in employment of staff and, that no public institution shall have more than one third of its staff establishment from the same ethnic community".

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public

Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Kisii University to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

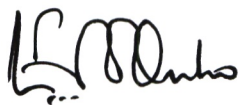
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kisii University to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Kisii University to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Kisii University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

27 February 2019

X. STATEMENT OF FINANCIAL PERFORMANCE.
For the year ended 30th June 2018

	Note	2017-2018	2016-2017
		Kshs '000	Kshs '000
Revenue From Non-Exchange Transactions			
Exchequer Allocations	3	1,289,139	924,497
Accrued Income	3	-	136,781
		1,289,139	1,061,278
Revenue From Exchange Transactions			
Tuition Fees	4	1,570,834	1,946,211
Income Generating Units	5	62,996	41,116
		1,633,830	1,987,327
Total Revenue		2,922,969	<u>3,048,605</u>
Expenses			
Employee Costs	6	1,957,781	1,688,496
Council Expenses	7	27,999	26,438
Depreciation Expense	8	42,046	41,297
Contracted Services-Part Time Lecturers	9	230,217	461,625
General Expenses	10	660,237	813,818
Provision For Audit Fees	11	580	580
Provision For Service Gratuity	11	53	12,000
Total Expenses		2,918,913	<u>3,044,254</u>
Surplus For the Period		<u>4,056</u>	<u>4,351</u>

XI. STATEMENT OF FINANCIAL POSITIONAs at 30th June 2018

	Note	2017-2018 Ksh '000	2016-2017 Ksh '000
Assets			
Non-current Assets			
Property, Plant and Equipment	15	2,543,189	2,367,811
Biological assets	17	1,119	1,404
		2,544,308	2,369,215
Current Assets			
Cash and cash Equivalents	12	164,499	230,320
Receivables from Exchange and non-Exchange Transactions	13	404,113	569,185
Inventories	14	10,354	10,989
		578,966	810,494
Total Assets		3,123,274	3,179,709
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	18	430,786	548,348
Provisions	11	5,543	12,580
Total Liabilities		436,329	560,928
Total Net Assets		2,686,945	2,618,781
Financed By			
Capital Development funds	19	2,336,024	2,271,916
Accumulated Surplus	19	350,921	346,865
Total Net Assets and Liabilities		2,686,945	2,618,781

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Council by:

Vice Chancellor

Date 13/12/2018Sign 

Chairman of the Council

Date 13/12/2018Sign 

XII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2018

	Note	Capital Development Funds Kshs '000	Accumulated Surplus Kshs '000	Total Kshs '000
Balance as at 30th June 2012		1,187,266	242,083	1,429,349
Capital Development funds from the Government		273,189		273,189
Surplus		-	28,895	28,895
Balance as at 30th June 2013		<u>1,460,455</u>	<u>270,978</u>	<u>1,731,433</u>
Capital Development funds from the Government		110,728		110,728
Surplus			22,806	22,806
Balance as at 30th June 2014		<u>1,571,183</u>	<u>293,784</u>	<u>1,864,967</u>
Capital Development funds from the Government		246,527		246,527
Surplus			26,489	26,489
Balance as at 30th June 2015		<u>1,817,710</u>	<u>320,273</u>	<u>2,137,983</u>
Capital Development funds from the Government		174,360		174,360
Surplus			22,241	22,241
Balance as at 30th June 2016		<u>1,992,070</u>	<u>342,514</u>	<u>2,334,584</u>
Capital Development funds from the Government		279,846		279,846
Surplus			4,351	4,351
Balance as at 30th June 2017	19	<u>2,271,916</u>	<u>346,865</u>	<u>2,618,781</u>
Capital Development funds from the Government		64,108		64,108
Surplus			4,056	4,056
Balance as at 30th June 2018	19	<u>2,336,024</u>	<u>350,921</u>	<u>2,686,945</u>

XIII. STATEMENT OF CASH FLOWSFor the year ended 30th June 2018

	Note	2017-2018	2016-2017
		Ksh '000	Kshs '000
Cash Flows From Operating Activities			
Surplus for the year		4,056	4,351
Adjusted for:			
Depreciation	8	42,046	41,297
Decrease in Provisions	11	(7,037)	0
		39,065	45,648
Changes in Working Capital			
Increase in Biological assets		285	(569)
Decrease in Inventories		635	248
Increase in Receivables		165,072	(163,817)
Decrease in Payables		(57,292)	(100,542)
Net Cash flows from operating Activities		147,765	(219,032)
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	15	(217,424)	(169,803)
Capitalized work in progress	15		
Cash flows from Financing activities			
Capital Development Grant	3	64,108	279,846
Bank Overdraft	18	(60,270)	(52,708)
Net cash flows used in investing activities		(213,586)	57,335
Net increase in cash and cash equivalents		(65,821)	-161,697
Cash and cash equivalent as at 30 th June 2017	12	230,230	392,017
Cash and cash equivalent as at 30th June 2018	12	164,499	230,320

**XIV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR RECURRENT BUDGET.**

	Original Budget 2017-2018	Adjustment 2017-2018	Final Budget 2017-2018	Actual on comparable basis 2017-2018	Performance difference 2017-2018
	Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000
Revenue					
Government Grants & Subsidies	986,164	153,303	1,139,467	1,139,467	-
CBA Grants			149,672	149,672	-
Tuition	1,683,717	-	1,683,717	1,570,834	(112,883)
Other Incomes				62,996	62,996
Total Income	2,669,881		2,972,856	2,922,969	(49,887)
Expenses					
Employee Expenses	1,775,317	302,975	2,058,292	1,957,781	100,511
Council Expenses	18,000	8,000	26,000	27,999	(1,999)
Advertising	18,000	-	18,000	6,555	11,445
Conferences and Delegations	7,500	-	7,500	6,956	544
Electricity	15,000	-	15,000	9,760	5,240
Fuel and Oil	10,800	-	10,800	11,413	(613)
Insurance	12,000	5,000	17,000	23,637	(6,637)
Postage	6,800	-	6,800	2,433	4,367
Printing and Stationery	18,000	11,000	29,000	16,903	12,097
Rental	214,962	-	214,962	175,388	39,574
Travelling and Subsistence	77,000	90,000	167,000	163,026	3,974
Repairs Maintenance	15,600	15,500	31,100	33,078	(1,978)
Part Time Lecturer Expenses	94,000	18,000	112,000	230,217	(118,217)
Other Expenses	386,902	-	259,402	211,088	48,313
Provisions	-	-		42,679	(42,679)
Total Expenditure	2,669,881		2,972,856	2,918,913	
Surplus for the period				4,056	4,056

**XV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR CAPITAL DEVELOPMENT BUDGET.**

	Original Budget 2017-2018	Adjustment 2017-2018	Final Budget 2017-2018	Actual on comparable basis 2017-2018	Performance difference 2017-2018
Revenue	Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000
Government Grants & Subsidies	64,108		64,108	64,108	-
Total Income	64,108		64,108	64,108	

XVI. NOTES TO THE FINANCIAL STATEMENTS.

1. Statement of Compliance and Basis of Preparation;

The University's Financial Statements for the year ended 30th June 2018 have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) accrual. This is the third year of adoption and the previous years have been restated accordingly. The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest thousand (Kshs.'000'). 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 is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

2. Summary of Significant Accounting Policies;

a) Revenue Recognition

i) Revenue from non-exchange transactions

Exchequer Allocations

The University receives Government Capitation for Recurrent Expenditure and is recognised in the statement of financial performance. The University recognises the grants when the budget estimates are approved hence there are no accrued grants at the end of the year. The Capital Development grants are recognised and credited to the Capital Development Funds.

ii) **Revenue from exchange transactions;**

Tuition

The University recognizes tuition revenue in the period in which it is earned.

Income Generating Units

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.

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. Land is not depreciated as it is deemed to have an infinite life. Depreciation on the other property is charged so as to write off the assets during their estimated useful life, using reducing balance method.

Assets acquired during the first six months of the year attract full depreciation while those acquired in the last six months of the year are not depreciated.

The annual rates are: (Reducing Balance Method.)

Buildings	-	2.5%
Machinery & Equipment	-	20%
Infrastructural Assets	-	2.5%
Furniture & Fittings	-	12.5%
Motor Vehicles	-	25%
Library Books	-	20%
Cutlery	-	33.3%

d) 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.

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

e) Biological Assets;

The University recognises and measures its Biological Assets on initial recognition and at each reporting date at its fair value less costs to sell. The fair value reflects the current market value. The University currently owns cows, goats and rears fish as part of its Biological Assets.

f) Provisions;

Provisions are measured at the Management's best estimate of the expenditure required to settle the obligation at the reporting date.

g) Employee Benefits;

Retirement Benefit Plans,

The University operates a Defined Contribution Scheme for its employees. The assets of this scheme are held in a separate Trustee Administered Fund. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 10% and 20% respectively. Benefits are paid to retiring employees in accordance with the scheme rules.

The University also contributes to the statutory National Social Security Fund (NSSF). This is a Defined Contribution Scheme registered under the NSSF Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 200/= per employee per month. The University's obligation to Staff Retirement Benefit Schemes are charged to the statement of financial performance in the year to which they relate.

h) Related parties:

The Entity 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 Entity, or vice versa. The University's parent Ministry is the Ministry of Education Science and Technology. The University gets its grants through this Ministry. Other related parties include the Council members and the Senior Management. Key transactions and balances with the related parties are clearly shown in the following notes;

- Council remuneration is shown in note number 7.
- Funds received from the Ministry are shown in note number 3 (i) and (ii).

i) Cash and Cash Equivalents;

Cash and Cash Equivalents comprise cash on hand and cash at bank, as the University does not have any short-term deposits or liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash.

Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purpose of these Financial Statements cash and cash equivalents does not include imprests and advances which were not surrendered at the end of the financial year.

j) Comparative figures;

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

k) Receivables;

Receivables are recognised when commitments are effected. A provision of 5% of total receivables has been provided to take care of the receivables, which may not be recovered in full.

l) Significant judgements and sources of estimation uncertainty;

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 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.

Key sources of estimation Uncertainty;

Equipments;

Critical estimates are made by the Council in determining the depreciation rates of the equipments.

Impairment;

At each statement of financial position date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Provisions and contingent Liabilities;

The University reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

Useful Lives and Residual Values;

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

- The condition of the asset based on the assessment of experts employed by the entity.
- The nature of the asset and its, susceptibility and adaptability to changes in technology and processes.
- The nature of the process in which the asset is deployed.

m) Description and nature and purpose of each reserve in statement of net asset;

Capital Development fund - These are funds which are received by the University from the Government for purposes of Capital Development. Currently the projects being funded by these funds are still on-going.

Accumulated Surplus - This is accumulated surplus realised by the University over the years.

n) Intangible assets

The ERP system that qualifies for classification under intangible assets is still under implementation and therefore no amortization provision has been made in this financial year.

o) Leases

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset are passed to the lessee. All other leases are classified as operating leases to the surplus or deficit on a reducing balance basis over the period of the lease.

p) Risk Management

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

Credit risk

The University has exposure to credit risk which is the risk that a counter party to financial instrument will be unable to pay amounts in full when due thus

causing a financial loss. Credit risk arises from cash and cash equivalents and trade receivables. Credit risk on trade receivables is managed by ensuring that credit is extended to customers and students with established credit history.

Market risk

The University has put in place an internal function to assist it in assessing the risk faced by the University on an on-going basis, evaluate and test the design and effectiveness of its Internal Accounting and Operational Controls.

q) Capital Commitments

The University has on-going projects which are funded purely by the exchequer. The projects include Hostels, ICT Centre and Lecture Theatres.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the Financial Statements for the year ended on 30th June 2018.

3. (i) Exchequer Allocations (Recurrent Grants)

Date	Rec No	2017/2018	Date	Rec No	2016/2017
		Kshs.000			Kshs.000
Jul-17	42743	82,180	Jul-16	31410	77,041
	145531	63,876			
	43567	149,672			
Aug-17	115453	82,180	Aug-16	31409	77,042
Sep-17	126450	82,180	Sep-16	31406	77,042
Oct-17	126831	82,180	Oct-16	48,060	77,042
Nov-17	145530	82,180	Nov-16	64178	77,041
Dec-17	140349	82,180	Dec-16	60880	77,042
	140350	12,775			
Jan-18	148471	82,180	Jan-17	67956	77,041
	148472	12,775			
Feb-18	152100	82,180	Feb-17	69322	77,041
	152103	12,775			
Mar-18	157070	82,180	Mar-17	71417	77,042
	157069	12,775			
Apr-18	162833	82,181	Apr-17	77986	77,041
	162829	12,775			
May-18	168832	82,181	May-17	86573	77,041
	168833	12,776			
Jun-18	170849	82,181	Jun-17	106662	77,041
Jun-18	170848	12,776	Jun-17	145665	136,781
		1,289,138			1,061,278

(ii) Exchequer Allocations (Development Grants)

Date	Rec No	2017/2018 Kshs.000	Date	Rec No	2016/2017 Kshs.000
17/04/2018		37,490	24-10-16		33,536
17/04/2018		18,745	12-07-16		106,498
22/06/2018		7,873	24-01-17		24,401
			05-04-17		115,411
Total		64,108	Total		279,846

4. Tuition Fees

Details	2017/2018 Kshs.000	2016/2017 Kshs.000
Tuition fees	890,326	1,135,458
Registration fees	25,284	32,246
Student ID	13,892	17,718
Library use	78,214	99,750
Examination	117,392	149,715
Material Development	156,569	199,679
Activity fees	39,177	49,964
HELB funds	176,965	200,195
Medical	78,215	99,751
Prepaid Tuition Income	(5,200)	(38,265)
Total	1,570,834	1,946,211

5. Income Generating Units

Details	2017/2018 Kshs.000	2016/2017 Kshs.000
Application Forms	6,277	7,367
Accommodation	1,276	2,193
Student mess Sales	4,503	2,310
Staff Mess Sales	2,368	3,749
Student Id Replacement	382	451
Rent	203	241
Medical Charges	651	547
Farm Sales	429	649
Disposal Income	207	16
Graduation Fee And Gowns Hire	22,364	441
Exam Retake	1,766	200
Transcripts	403	892
Hire Of Playing Ground	448	40
Key Replacement	0.5	1
Certificates Reprinting	367	261
Tailoring Fees	19	19

Library Charges	1	17
Conference Charges / Workshop	3	
Interest From Bank	0	
Gift Shop	0	65
Gain in bad debts provision reduction	8,688	
Fines and penalties	67	17,990
Miscellaneous Income	665	1,543
Exam card replacement	97	33
Research Grants	11,764	2,061
Manual Bridging		30
Hire of Bus	35	
Hire of Hall	10	
Tender forms sale	2	
Total	62,996	41,116

6. Employee Costs

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Salaries And Wages	1,909,777	1,600,692
Casual Labour Expenses	31,097	58,572
Salary Locum Appointees	1,105	10,131
Gratuity Services	-	5,227
Staff Training and Development	4,956	8,391
Student Medical Refunds and Hospitalisation	10,846	5,483
Total	1,957,781	1,688,496

7. Council Expenses

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Sitting Allowances	10,500	9,914
Subsistence Allowances	7,625	7,200
Mileage Allowances	9,874	9,324
Total	27,999	26,438

8. Depreciation and Amortization Expense

Details	Accumulated C/F 30/06/2018	Depreciation for the year 30/06/2018	Balance B/F 1/07/2017
Buildings	40,763	6,046	34,717
Infrastructure	1,540	951	589
Motor Vehicles	51,703	9,604	42,099
Furniture & Fittings	29,548	5,895	23,653

Office Equipment	50,725	12,938	37,787
Plant and Machinery	16,387	2,771	13,616
Library Books	24,821	3,776	21,045
Cutlery	1,601	65	1,536
Total	217,088	42,046	175,042

9. Contracted Services (Part Time Lecturers)

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Faculty Of Commerce	40,304	91,693
BLINS	17,088	38,876
Education	42,287	96,204
Agriculture	16,487	37,510
Health Science	2,974	6,766
SPASS	12,954	29,471
FASS	18,656	42,443
Engineering	417	950
Gender	245	558
Accrued part time expenses	78,805	117,154
Total	230,217	461,625

10. General Expenses

The following are included in general expenses.

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Advertising	6,555	15,109
Conferences and Delegations	6,955	687
Electricity	9,760	12,412
Fuel and oil	11,413	11,733
Insurance	23,637	1,632
Postage	2,434	3,578
Printing and stationery	16,903	21,567
Rental	175,388	250,967
Travelling and Accommodation	163,026	104,148
Repairs and Maintenance	33,078	36,316
Other Expenses	211,088	355,669
Total	660,237	813,818

11. Provisions

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Provision For Audit Fees	580	580
Provision For Gratuity	4,963	12,000
Total	<u>5,543</u>	<u>12,580</u>

12. Cash and Cash Equivalents

Details	ACCOUNT NO	2017/2018	2016/2017
		Kshs.000	Kshs.000
Cash At Hand		400	743
Cash At Bank (NBK Current A/C)	01001035009000	97,798	37,993
Cash At Bank (NBK Savings A/C)	01230035009000	2,298	8,470
Cash At Bank (KCB Development)	1113771143	36,490	161,526
Cash At Bank (Cooperative Bank)	01129297079400	4,471	13,098
Cash At Bank (KCB Eldoret)	1148599398	11,740	1,715
Cash At Bank (KCB Kabarnet)	1156371716	73	254
Cash At Bank (KCB Keroka)	1156371597	Closed	61
Cash At Bank (KCB Kisumu)	1151778532	1,334	209
Cash At Bank (KCB Kitale)	1151778869	101	571
Cash At Bank (KCB Nairobi)	1151779040	927	357
Cash At Bank (KCB Nyamira)	1156371171	Closed	87
Cash At Bank (KCB Ogembo)	1162177942	Closed	224
Cash At Bank (KCB Kapenguria)	1162178515	2,250	74
Cash At Bank (KCB Kericho)	1162177527	5,503	642
Cash At Bank (KCB Gift Shop)	1162178191	70	50
Cash At Bank (KCB Research Grant)	1151310557	172	2,981
Cash At Bank (KCB Migori)	1172444196	872	1,265
Cash At Bank (KCB Fee Collection)	1135404291		-
Total		<u>164,499</u>	<u>230,320</u>

13. Receivables from Exchange Transactions

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
General Debtors	21,182	243
Imprest Outstanding	3,732	29,560
Fees Balances	400,468	432,558
Receivables from Non exchange transactions	-	-
Accrued CBA funds	-	136,781
Provision	(21,269)	(29,957)
Total	<u>404,113</u>	<u>569,185</u>

14. Inventories

Details	2017/2018	2016/2017
	Kshs.000	Kshs.000
Nyakongo Towers	-	24
Nyosia Farm	143	163
Twin Towers	10	20
Kisumu Campus	-	42
Keroka Campus	-	1
Kitale Campus	-	1
Kericho Campus	223	67
Kabarnet	-	165
Eldoret	818	853
Faculty of Agriculture	-	7
Engineering	10	2
Post Graduate studies	3	
Elimu centre	167	
Migori campus	61	
Vice Chancellor	-	117
Catering Department	7	92
Estates Department	2,566	2,507
Examination & Timetabling Dept.	82	16
Printing press	1,139	1,124
Central Stores	2,503	2,015
Central Registry	274	12
Academic Affairs	45	
Nairobi Campus	57	
Finance Main and cash office	165	553
Public Relations		1
Medical	1,685	1,605
Salaries	280	304
Halls	116	1,298
DVC Academic Affairs		
Total	<u>10,354</u>	<u>10,989</u>

15. Property, Plant and Equipment Movement Schedule.

	Land	Buildings	Infrast. Assets	W.I.P	Motor Vehicle	Furniture & fittings	Office Equipment	Plant & Machinery	Library	Cutlery	Total
Cost	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
As at July2017	140,901	227,217	23,541	1,833,076	80,515	68,512	99,964	27,470	39,926	1,731	2,542,853
Additions			12,330	186,203	3,956	4,832	8,101		2,002		217,424
Transfer to Building				(49,320)							
Transfer to infrastructure				(2,773)							
Capitalised WIP		49,320	2,773								
Cost as at 30/06/2018	140,901	276,537	38,644	1,967,186	84,471	73,344	108,065	27,470	41,928	1,731	2,760,277
Accrued depreciation b/f		34,717	589		42,099	23,653	37,787	13,616	21,045	1,536	175,042
Net cost for depreciation	140,901	241,820	38,055	1,967,186	38,416	47,160	64,691	13,854	18,880	195	2,571,158
Depreciation for the year		6,046	951		9,604	5,895	12,938	2,771	3,776	65	42,046
Total Depreciation		40,763	1,540		51,703	29,548	50,725	16,387	24,821	1,601	217,088
Net Book Value as at 30/06/18	140,901	235,775	37,104	1,967,186	32,768	43,796	57,340	11,083	17,107	130	2,543,189
Net Book Value as at 30/06/17	140,901	192,500	22,952	1,833,076	38,416	44,859	62,177	13,854	18,881	195	2,367,811
As at 1 July 2016	140,901	223,679	-	1,780,889	51,015	56,763	61,938	21,575	34,559	1,731	2,373,050
Additions	-	3,538	23,541	52,187	29,500	11,749	38,026	5,895	5,367	-	169,803
As at 30 th June 2017	140,901	227,217	23,541	1,833,076	80,515	68,512	99,964	27,470	39,926	1,731	2,542,853
Acquisition after 31/12/17					4,798	7,868	12,812		5,367		30,845
Qualifying asset for depreciation	140,901	227,217	23,541	1,833,076	75,717	60,644	87,152	27,470	34,559	1,731	2,512,008
Accrued depreciation b/f	-	29,781	-	-	30,893	18,368	25,446	10,153	17,666	1,438	133,745
Net cost for depreciation	140,901	197,436	23,541	1,833,076	44,824	42,276	61,706	17,317	16,893	293	2,378,263
Depreciation for the year	-	4,936	589	-	11,206	5,285	12,341	3,463	3,379	98	41,297
Total Depreciation	-	34,717	589	-	42,099	23,653	37,787	13,616	21,045	1,536	175,042
Net Book Value as at 30/06/17	140,901	192,500	22,952	1,833,076	38,416	44,859	62,177	13,854	18,881	195	2,367,811
Net Book Value as at 30/06/16	140,901	193,898	-	1,780,889	20,123	38,395	36,492	11,422	16,893	293	2,239,306

16. Explanation of Material differences on the Statement of Comparison of Budget and Actual Amounts.

Tuition

Tuition fee collected decreased from Kshs. 1,946,211,000 collected in the year 2016/2017 to Kshs. 1,576,034,000 in the year 2017/2018. The reduction was attributed to the decline in the number of students especially module two.

17. Biological Assets

Details	2017/2018	2016/2017
Cows	Kshs.000	Kshs.000
Anne 2 Lactating heifer	60	75
Anne 4 lactating heifer	-	80
Anne 5 lactating heifer	-	70
Anne 6 Lactating heifer	75	70
Anne 7 Bulling heifer	50	40
Anne 8 Heifer Calf	30	20
Anne 9 Heifer Calf	25	20
Dan Bull Calf	19	17
Escoper (bull calf)	7	
Monarch (Bull Calf)	7	
Delta fidelity (Heifer calf)	15	
Ann 3 (Heifer calf)	13	
Sir George	160	160
Kilimanjaro	160	160
Thomas	160	160
Karendi 3 lactating cow	-	50
Susan 4 Lactating cow	65	60
Susan 5 Heifer	52	50
Susan 6 Heifer	-	60
Ochieng steer bull	90	85
Alphine kid	1	
Doopar Ram	10	
Pope Francis bull calf	30	25
Nyakundi bull calf	30	25
Poultry (30*500)	15	20
Benadatte 1 Heifer	-	30
Rabbits (34)	17	68
Pond B	8	25
Pond A	-	20
She goat	10	8
She goat (grey hair)	5	
Sannen	1	6
Brown she Goat	4	
Total	<u>1,119</u>	<u>1,404</u>

18. Trade and Other Payables from Exchange Transactions.

Details	2017-2018	2016/2017
	Ksh '000	Kshs.000
Prepaid Tuition Income	5,200	38,265
Bank Overdraft	60,270	52,708
Caution Money	35,330	42,484
Part Time Expenses	151,526	185,178
Prepaid Rents And Rates	-	2
Sundry Creditors	16,096	61,922
Student Union	12,293	14,065
Retention	3,464	3,117
Contractors And Consultants	119,607	123,607
Lease hold	27,000	27,000
Total	<u>430,786</u>	<u>548,348</u>

19. Capital Development Funds and Accumulated Surplus.

Capital Development Funds		Accumulated Surplus	
Financial Year	Kshs 000	Financial Year	Kshs 000
Bal. B/f 01/07/2008	278,054	Bal. B/f 01/07/2008	
2008-2009	-	2008-2009	46,322
2009-2010	274,938	2009-2010	110,622
2010-2011	283,581	2010-2011	52,808
2011-2012	350,693	2011-2012	32,331
2012-2013	273,189	2012-2013	28,895
2013-2014	110,728	2013-2014	22,806
2014-2015	246,527	2014-2015	26,489
2015-2016	174,360	2015-2016	22,241
2016-2017	279,846	2016-2017	4,351
2017-2018	64,108	2016-2017	4,056
Balance as at 30/06/18	<u>2,336,024</u>	Balance as at 30/06/18	<u>350,921</u>

20. Follow up on Audit issues and recommendations

The following issues as raised by the Auditor General in the Annual report for the year ended 30th June 2017 have been addressed as follows.

1.0 Unsupported other Expenses

Contrary to what was captured in the final regarding the expenditure of Kshs.59,301,009. The supporting schedules and information was provided while responding to the draft report. The amount of Kshs.59,301,009 included in other expenses related to accrued expenses as at 30th June 2017. The supporting schedule is attached for reference. **Kindly refer to annex i.**

2.0 Retention fees

As noted in the report the amount provided for retention as at 30th June 2017 was Kshs.3,117,000. The schedule for this retention has been provided for review. With regard to the ongoing projects the value of work in progress as at 30th June 2017 was Kshs.1,833,076 contrary to what is quoted in the report.

The retention fees for the ongoing projects is clearly indicated and with held at the point of issuing the certificate's to the contractor's. This information was also provided at the point of responding to the draft report. **Kindly refer to annex (ii) for sampled copies of the project certificates.**

3.0 Property, Plant and Equipment

The adjustments relating to Property, plant and equipment were as a result of reclassification of some capital expenses which had been expensed instead of capitalizing.

Contrary to what is captured in the report the schedule supporting the figure of Kshs.169,803,000 had been provided to your office. The same was also provided while responding to the draft report. The same schedule and supporting documentation is also provided for reference. **Kindly refer to annex (iii) for the schedule.**

4.0 Receivables from Exchange Transactions

The variance of Kshs.8,045,968 was as a result of direct deposits that were adjusted in the accounts. As previously mentioned in the management letter response the direct deposits related to fee payments which the students had deposited in the accounts but were yet to be updated in the cash books and the student debtors ledger.

In addition the payments from the students were used to reduce the debts owed and did not affect the prepaid fees.

5.0 Bank Overdraft

Contrary to what is captured in the report the variance was a result of the adjustments that were made in the accounts during the audit. **Kindly refer to annex (iv)** for bank reconciliation, cash book and the bank confirmation certificate to support the figure as reported in the amended financial statements. This information was provided while responding to the draft report.

Other Matters.

1.0 Budget performance Analysis

The university has prepared the statement of comparison of budget and actual amounts as part of the financial statements. The approved development budget as per the printed estimates was Kshs.329,846,149 however the only amount that was released to the university during the year under review was only Kshs.279,846,000. This brings a variance of Kshs.50,000,000. This is clearly shown in the adjusted financial statements.

On the other hand the approved budget for recurrent budget which is on the printed estimates is Kshs.924,496,500 however an amount of kshs136,781,000 has been accrued.

The funds were meant to cater for payment of CBA arrears phase one implementation. The same has also been clearly indicated in the adjusted financial statement.

With regard to under expenditure in some items this is due to the measures that the university is putting in place to reduce noncore expenses and concentrate on key functions like provision of teaching materials and payment of part time lecturers.

2.0 Budget performance Analysis

With regard to utilization of development funds it is important to note that the funds were disbursed by the government were received towards the end of the financial year. This made it impossible to absorb all the budgeted capital funds within the year.

3.0 Issuance of Multiple imprests

As previously mentioned in our management letter response the university has always observed the laws regarding disbursements of imprests . With regard to the above imprests they had been surrendered at the point the other one was being raised. However there was delay in posting of the same in the imprest ledger. Going forward the University has put in measures to ensure all imprest surrenders are posted once they are examined without any delay. The University has also invested in an ERP system which does not allow any imprest to go through if the previous one is not cleared from the ledger. The Management would also like to clarify that there was no any loss of funds since all imprests were fully accounted for.

4.0 Capital Development Funds

The University received the funds as indicated in your report. However contrary to your report the funds were used for Capital Development projects. As previously communicated to your office the projects have been ongoing for quite some time. At the start of the financial year the outstanding balances for contractors and consultants engaged in the projects was Kshs.257,708,000. A good percentage of the funds received during the year was used to settle most of these outstanding certificates. At the end of the year 30th June 2017 the outstanding balance for the work done in the projects was Kshs.123,607,000.

The payment vouchers listed below were paid during the year under review for the ongoing projects. The payment vouchers are attached for your reference. Therefore this explains the variance as noted in your report.

CONTRACTOR	AMOUNT PAID (KSHS.)
Roshni Builders	55,000,000.00
Slok Construction	80,000,000.00
Songa Ogoda & Ass	4,000,000.00
Multiscope Consulting Eng	1,999,615.00
Edon consultants (fee notes)	4,000,000.00
Songa Ogoda & Ass Reimbursables	4,848,800.00

5.0 Non-compliance with regulation on wage bill

We agree with your findings; however it is important to note that Kisii University is a young institution which was only chartered in 2013. The funding that we receive from the National Government in comparison with our annual request is still inadequate. As a result of this under funding the amount spent on employee costs seems to be on the higher side in comparison with the whole budget. On the other hand the University is still being compelled to recruit, especially more teaching staff by Commission for University Education to meet some key requirements. This will only have an effect of increasing the employee costs. It is also important to note that included in Note 6 are other amounts like staff training which are related to the general welfare of employees and not necessary wage bill.

However the University is coming up with other measures to reduce the wage bill in this financial year. The measures include reducing the number of casual employees and locum appointees.

The University has always ensured that it adheres to the requirements of National Cohesion and integration Act. However in this case most of the staff recruited were meant to work in low cadre jobs. This makes it difficult to attract people from outside the region who would be willing to come and work for the said jobs. Moving forward the University will continue adhering to the requirements of the relevant provisions of the law.

6.0 Non-compliance with the law on ethnicity

The University has always ensured that it adheres to the requirements of National Cohesion and integration Act. However in this case most of the staff recruited were meant to work in low cadre jobs. This makes it difficult to attract people from outside the region who would be willing to come and work for the said jobs. Moving forward the university will continue adhering to the requirements of the relevant provisions of the law.