

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper laid*  
*By the Hon*  
*Jambek Kaman*  
*on Tuesday 24/11/15*  
*[Signature]*



**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**KARATINA UNIVERSITY**  
  
**FOR THE YEAR ENDED**  
**30 JUNE 2014**







*Inspiring Innovation and Leadership*

**KARATINA UNIVERSITY**

**ANNUAL REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDING 30<sup>TH</sup> JUNE 2014**

*- Amended Copy -*

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## **I. KEY UNIVERSITY INFORMATION AND MANAGEMENT**

### **a) Background**

Karatina University was established on 1<sup>st</sup> of March 2013 under Karatina University Charter of 2013, through the Universities Act of 2012. The University operates under the Ministry of Education, Science and Technology.

### **b) Principal Activities**

The principal activity the University is found in its mission and vision statements below:

#### **Mission**

To conserve, create and disseminate knowledge through, training, research, innovation and community outreach.

#### **Vision**

To be a University of global excellence, meeting the dynamic needs and development of society

### **c) Key Management**

The University's day-to-day management is under the following key organs:

- i) Vice Chancellor's Office
- ii) Deputy Vice Chancellor ( Planning, Finance and Administration) Division
- iii) Deputy Vice Chancellor ( Academic, Research and Student Affairs) Division

### **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
i) Vice Chancellor	Prof. Mucai Muchiri
ii) Deputy Vice Chancellor (P,F&A)	Prof. Linus Gitonga
iii) Deputy Vice Chancellor (ARSA)	Prof. Penina A. Obudho

### **e) Fiduciary Oversight Arrangements**

The Council has the overall mandate of ensuring the sound management of the University. This includes: employing staff, approving statutes and policies, approve the budget and recommend for appointment of Instruments of Governance. For effective operation of the Council, the following committees have been charged with fiduciary oversight arrangement of the University activities.

- Finance, Planning, Resource Mobilization Committee

- Audit and Risk Management Committee
- Sealing, Statutes & Recognitions Committee
- Research, Innovation and Enterprise Development Committee

**f) Registered Place of Business**

Karatina University  
P.O BOX 1957 - 10101,  
KARATINA

**g) Contacts**

Telephone nos: +254-729-721-200 / 020-2176713  
Web: [www.karatinauniversity.ac.ke](http://www.karatinauniversity.ac.ke)  
Email: [vc@karatinauniversity.ac.ke](mailto:vc@karatinauniversity.ac.ke)

**h) University Bankers**

1. Kenya Commercial Bank  
P. O. BOX, 192-10101  
KARATINA
2. Co-operative Bank of Kenya  
P.O .BOX. 931-10101  
KARATINA
3. Equity Bank of Kenya  
P.O. Box 855 – 10101  
KARATINA





**i) Independent Auditors**






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

**j) Principal Legal Adviser**





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




## II. MEMBERS OF THE UNIVERSITY COUNCIL

Title	Names	Qualification
Council Chairman	Prof. Charles O. Okidi 	B.A. (Magna Cum Laude) Alaska Methodist University, M.A, M.A.L.D., Ph.D (The Fletcher School of Law and Diplomacy) – Tufts University
Vice Chancellor / Secretary	Prof. Mucai Muchiri 	B.Sc. (Hons) (Nairobi), Ph.D. (University of Leicester)
Member	Ms. Jane Mumbi Weru 	LLB. (Nairobi), Dip. Law(KSL), M.Sc. (London School of Economics)
Member	Mr. Tejpal S. Bedi 	B.Sc. (Hons) (University of Wales), MBA (University of Leicester )

Member	<p>Ms. Grace Jemutai Kemei</p> 	LLB (University of Nairobi), Master in Law (Nairobi)
Member	<p>Mr. Musau Antony Kiilu</p> 	B.Com (University of Nairobi), MBA (Birmingham University)
Rep. MoEST	<p>Mr. Charles Obiero</p> 	B.ed (Arts) (Kenyatta), Dip. Personnel Mgt (ICS, London) Honours Dip. Mgt (Cambridge- London), PGD (Guidance and Counseling) (IMTRI, India), M.Ed (Admin.) (MVNU, India)
Rep. National Treasury	<p>Mr. Samuel Macharia</p> 	CPA(K), Bcom (UoN), EMBA (JKUAT)
Member	<p>Mr. Silas Laimaru</p> 	B.Com (Nairobi), MBA (USIU), CoP (Insurance College of Kenya), CPA(K)

### III. MANAGEMENT TEAM

S No.	Names	Key Professional/ Academic Qualification	Area of responsibility
1.	<p>Prof. Mucai Muchiri</p> 	<p>BSc. ( Nairobi)</p> <p>PhD ( Leicester)</p>	Vice Chancellor
2.	<p>Prof. Linus M. Gitonga</p> 	<p>B. Ed (Sc.), M. Sc (Kenyatta), PhD (JKUAT)</p>	Deputy Vice Chancellor (Planning, Finance and Administration)
3.	<p>Prof. Penina Aloo- Obudho</p> 	<p>Cert. Higher Ed. Mgt (Kassel), B.Ed. (Sc.) M.Sc (Nairobi), PhD (Kenyatta)</p>	Deputy Vice Chancellor (Academics, Research and Student affairs)
4.	<p>Dr. Wangari Gathuthi</p> 	<p>B. Ed-Arts (Moi), M. Ed (Nairobi), MBA (Moi), D.Phil. (Moi), MKIM</p>	Registrar (Academics, Research and Student affairs)

S No.	Name	Key Professional/ Academic Qualification	Area of responsibility
5.	Dr. Humphrey R. Omondi 	B. Ed-Arts, M. Phil, D.Phil. (Moi)	Acting Registrar (Planning, Finance and Administration)
6.	Ms. Grace G. Kakiya 	BBM (MOI), MBA (Egerton) CPA (K)	Senior Accountant
7.	Ms. Ann Mumbi 	LLB (Nairobi) Dip. Law (KSL)	Legal Officer

#### IV. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year ended 30<sup>th</sup> June 2014. This was a great year, being the second year in operation as a fully fledged University.

The Council of Karatina University was appointed in March 2013 and subsequently took up the challenge bestowed upon it of managing resources of the University.

During the financial year 2013/14, financial commitments were geared towards implementation of the key milestones in University's strategic plan. This included provision of teaching facilities, development of new curricula and recruitment of staff. The number of academic and administrative staff has grown tremendously since the inception of the institution. The University Council initiated the process of recruiting additional Senior Management staff as well as academic staff and reasonable staff numbers are in place. This will enable the University to implement new programmes and offer quality services to its stakeholders.

In addition, several infrastructural developments have been completed such as; 256 bed capacity student hostels, tuition and office block in order to accommodate the increased student and staff population. The university has two ongoing projects under construction, that is, 750 bed capacity hostel and a modern resource centre.

The Council appreciates the significant growth of the University assets and capital base that has promoted a good learning and teaching environment for both students and staff. Council is also pleased with the efforts of University management to ensure prudent management of resources.

I thank the Government for its financial support so far. However, I would like to appeal for more funding for capital development. This will enable the institution build new infrastructure that will support the growing student population

I also wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.



Prof. Charles O. Okidi, PhD

**Chairman, Karatina University Council**

## V. VICE CHANCELLOR'S REPORT

We hereby present the Annual Report and Financial Statements of Karatina University for the year ended 30<sup>th</sup> June 2014 as required by the Universities Act 2012, Karatina University Charter and Public Financial Management Act 2012.

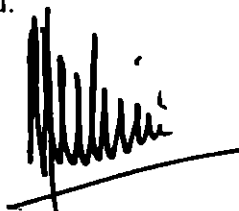
During the year under review, the University generated Kshs. 271M from students' fees which was used to finance purchase of equipment, recruit more academic members of staff and support operations of the institution. The Government contributed a total of Kshs. 201M to support capital development and Kshs. 511M for recurrent expenditure.

The University has continued with its core business of disseminating knowledge through training, research, innovation and community outreach. The current student population is 5,000 and is expected to increase to 6500 by the end of financial year 2014/2015 distributed in the various campuses namely; Karatina Town, River Bank, Itiati and Nanyuki campuses. Staff population stood at 354 at the close of financial year 2013/2014 and is expected to rise to 440 for both academic and administrative staff in the next financial year.

On behalf of Karatina University management and staff, I wish to take this opportunity to thank the government, our development partners and all the stakeholders for their continued support.

Finally, I would like to express my sincere gratitude to the University Council for providing policy and strategic guidelines; the entire University staff and students who worked conscientiously to ensure smooth and successful operations of the University.

Thank you.



**Prof. Mucai Muchiri, PhD**  
**Vice Chancellor**

## **VI. CORPORATE GOVERNANCE STATEMENT**

Karatina University's Corporate Objective is to create long-term value in the Academic and research sub-sector through the creation, conservation and dissemination of knowledge. This will be done by using innovation, training and community outreach as prescribed by the mission statement and through the discovery, development and conversion of talent and natural resources, and the provision of innovative customer and market- focused academic programmes.

In pursuit of the Corporate Objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. Our approach to governance is predicated upon the belief that there is a clear link between high-quality university governance and the creation of long-term confidence and hence enhanced employability of our graduates and the overall Karatina brand and stakeholder's value. The University council's governance role, basis and conduct of business are guided by the Universities Act no. 42 of 2012, the Karatina University Charter, The Commission for University Education regulations and standards, and Karatina University Statutes.

Our expectations of the University staff, students and those to whom we contract business are set out in our Code of Conduct and service charter. This statement outlines our system of governance. In formulating our governance framework, the regulatory requirements of the Commission for University Education, Public Finance Management Act, the Public Offers Ethics Acts, The Constitution of Kenya, Education, Employment, Labour Relations and Universities Acts have been taken into account, together with prevailing standards of best practice.

It is our view that governance is not just a matter for the Council; a good governance culture must be percolated through the University system. The current Social-economic, business and political environment in which the University operates underscores the need for continued high standards of corporate governance and accountability. The emerging realities unmasked with the promulgation and implementation of the new constitution, an enlarged space for expression and a more enlightened clientele, calls for diligence in governance. The council consists of nine (9) council members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the university. The Council is confident that it has the right balance of skills and experience appropriate for the requirements of the university, all members participated in the decision making and that the council operated effectively throughout the year and continues to do so.

While the council provides the direction and guidance and general policy matters and remains responsible for establishing and maintaining internal controls, it has delegated authority to the Vice Chancellor who, assisted by the University Management Board, conducts the day to day business of the university.

The council governs through clearly mandated council committees, accompanied by monitoring and reporting systems. Each standing council committee has specific terms of reference issued by the council and adopted in the full council. All committee chairmen report the proceedings of their committees at the next meeting of the council, and the briefs of the meetings of all council committees are distributed to council members in the next council meeting. The council acknowledges the need for strategic partnerships and encourages the participation of the private sector in our financial matrix. The pressing needs for more financing and the clear need for transparency makes engagement with and reporting to the government and other stakeholders more important than ever. The increasing requirement for prudent financial management has heightened the level of interest in the university's approach to risk management and assurance. The Council has a standing and active Audit and Risk Management Committee (ARMC), to fulfill this requirement. The Finance, Planning and Resource Mobilization committee critically scrutinizes the budgets and other financial requirements before they are presented to the full council. The executive committee of council sets the agenda for the full council and attends to all urgent and emergency issues.

The council governs the university consistent with the stated business strategy indicated in the university's values of equity, team work, meritocracy, Academic freedom accountability, excellence, and probity all contributing to the governors commitment to a transparent and high-quality governance system.

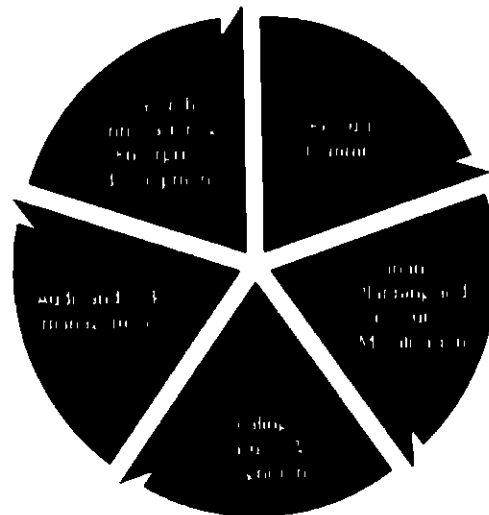


Fig. 1 Committees of Karatina University Council

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The University is committed to improving the lives of the underprivileged by making contributions of both time and resources to their courses. During the financial year, a team of Karatina University Staff and students participated in the cleanup exercise of Karatina Town as part of the institution's CSR. Donations of clothes and food were also made to several Children's homes during the year. Central to our Vision and mission is meeting the needs of society. The University took part in the First ladies marathon in Nairobi in support of maternal health. The group that participated in the run demonstrated the selfless spirit embodied in the institution.

In addition, the University participated in the planting of over 1800 tree seedlings in the neighborhood and encouraged the local community to nurture the trees.

The School of Agriculture and Biotechnology also undertook the training of local farmers on the growing and storage of indigenous vegetables.

As part of Karatina University's outreach, fish farmers were trained on fish farming in the institution. This was followed up with demonstrations in the fish farms operating in the county. Fingerlings were also supplied to the farmers by the University.

### **VIII. REPORT OF THE COUNCIL MEMBERS**

Karatina University Charter provides for the objects and functions of the Council under paragraph 22 as follows:-

(1) Subject to this Charter, the Council shall be the governing body of the University through which the University as a body corporate shall act and—

(a) shall administer the property and funds of the University in a manner and for the purposes which shall promote the best interest of the University ; but the Council shall not charge or dispose of immovable property of the University except in accordance with procedures laid down by the Government of Kenya.

(b) shall receive, on behalf of the University , donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons.

(c) shall approve the appointment criteria and the terms and conditions of service of staff;

(d) shall provide for the welfare of the staff and students of the University .

(e) may enter into association with other universities, university s or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and

(f) shall, after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University .

(2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Principal or any other members of the Council generally or specifically authorized by the Council in that behalf.

(3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

(4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.

(5) The Council shall constantly review the viability and financial sustainability of the University and shall do so once every year

(6) The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices accounting and auditing standards

## **Principal activities**

The principal activities of the University as stated in its mandate which are stipulated in the Karatina University Charter 2013, under paragraph 7 include:

- a) Provide and advance university education and training to appropriately qualified graduates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and Senate shall from time to time determine and in so doing contribute to national development and humanity;
- b) Assemble and provide resources for university level education, training and research, scholarship, and for the establishment of facilities, institutes, divisions, departments, centres and such other units as the University Council may deem necessary;
- c) Determine who may teach, what may be taught, to whom it may be taught and how it may be taught in the University;
- d) Establish colleges, schools, institutes, centres, departments and such other institutions as may be deemed necessary by the University Council;
- e) Conduct both applied and basic research geared towards local, national, regional and global development;
- f) Establish and maintain an Information Resource Centre including the collection of literature, films, information data bases and other materials relating to natural resources, agriculture, engineering, entrepreneurship, management, law, medicine, social and applied science theories and practices;
- g) Enter into collaborations, linkages, and consultancy network in promoting excellence meeting the dynamic needs and development of society;
- h) Provide balanced programmes and experiences including participation in natural and cultural conservation, commercial ventures and other activities to the benefit of the University, the community and stakeholders;
- i) Facilitate student mobility between programmes of study at different technical training institutions, polytechnics and universities;
- j) Foster the general welfare of all staff and students; and
- k) Carry out any other information as may be permitted and approved by the University Council to further the vision, mission and philosophy of the University.

## **Results**

The results of the University for the Year ended June 30, 2014 are set out on page 17

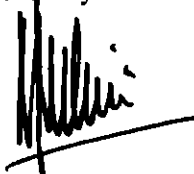
## **Council Members**

The members of Council who served during the year are shown on pages 4 & 5 in accordance with Karatina University Statutes and University Act 2012.

## **Auditors**

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 38 and 39 of the Public Audit Act (2003), which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staffs were nominated by the Auditor General to carry out the audit of the University for the period ended June 30, 2014.



Prof. Mucai Muchiri  
**Council Secretary/ Vice Chancellor**

Date:.....

### **IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

Section 81(1) of the Public Finance Management Act, 2012 and sections 14 &15(1) of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial period and the operating results of the University for that period. The Act also requires the Council Members to ensure that the University keeps proper accounting records that disclose with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the University's assets.

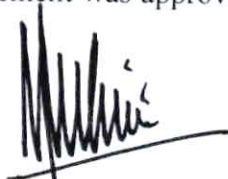
Council is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial period ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act and State Corporations Act. The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30<sup>th</sup> June 2014 and the University's financial position. Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the internal financial control systems.

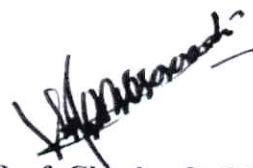
University Council is optimistic that the University will remain a going concern for at least the next twelve months from the date of this statement.

#### **Approval of the financial statements**

This statement was approved by Council on --- September, 2014 and it is signed on their behalf by:



**Prof. Mucai Muchiri, PhD**  
**Vice Chancellor**



**Prof. Charles O. Okidi, PhD**  
**Chairman of Council**

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Karatina University set out on pages 17 to 38, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of cash flows and statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

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

My responsibility is to express an opinion on the 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 Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 Karatina University internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Granted Assets from Moi University**

As previously reported, the Property, Plant and Equipment balance of Kshs.275,057,646 as at 30 June, 2014, includes land on which the University is situated valued at Kshs.10,796,000 granted by Moi University. However, the title deed for this land is in the name of Moi University.

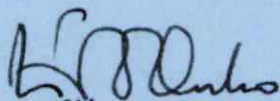
Further, the financial statements include assets brought forward with a net book value of Kshs.251,174,885 as at 1 July 2011. The explanation obtained from the University management is that the opening balance relates to assets granted by Moi University when Karatina University was established. However, no signed handing over report or memorandum of understanding was availed for audit verification.

#### **2. Receivables from exchange transactions**

Included in the receivables from exchange transactions balance of Kshs.51,360,695 as at 30 June 2014, is an amount receivable from Moi University of Kshs.19,116,170 in respect to students' fees that was erroneously sent to Moi University bank account over a period of time. This amount has been outstanding for long, some bankings date as far back as 2007/2008 but has not been recovered to date. In the circumstances, it has not been possible to confirm recoverability of this amount.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Karatina University as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Universities Act, 2012.



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

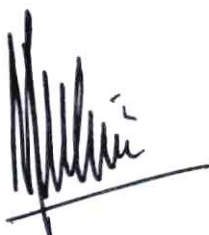
**Nairobi**

**15 September 2015**

X. STATEMENT OF FINANCIAL PERFORMANCE

**KARATINA UNIVERSITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

INCOME	Notes	2014 Kshs	2013 Kshs
<b>Revenue from Non Exchange Transaction</b>			
Government Grants	3	511,596,099	423,900,000
Amortization of Granted Assets	4	9,547,289	9,768,809
Donations	5	166,600	1,333,880
		<b>521,309,988</b>	<b>435,002,689</b>
<b>Revenue from Exchange Transaction</b>			
Tuition and Related Charges	6	271,326,004	177,893,310
I.G.A and Other Incomes	7	19,797,580	20,593,340
		<b>291,123,584</b>	<b>198,486,650</b>
<b>Total Income</b>		<b>812,433,572</b>	<b>633,489,339</b>
<b>EXPENDITURE</b>			
Administrative costs	8	159,801,600	147,527,218
Employment Expenses	9	462,234,700	304,484,684
Academic Expenses	10	112,345,088	103,587,750
Repairs and maintenance	11	15,723,252	14,346,138
Board Expenses	12	8,788,430	9,816,035
Finance Expenses	13	563,578	553,432
Depreciation and amortization expenses	14	38,904,432	24,924,112
<b>Total Expenditure</b>		<b>798,361,080</b>	<b>605,239,369</b>
<b>Surplus</b>		<b>14,072,492</b>	<b>28,249,970</b>



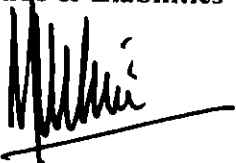
**Prof. Mucai Muchiri, PhD**  
Vice Chancellor


**Prof. Charles O. Okidi, PhD**  
Chairman of Council

XI. STATEMENT OF FINANCIAL POSITION

**KARATINA UNIVERSITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2014**

	Notes	2014 Kshs	2013 Kshs
<b>Current Assets</b>			
Cash & Bank Balances	15	26,644,919	21,830,922
Prepayments	16	3,350,535	3,095,565
Receivable from exchange transaction	17	51,360,695	56,247,294
Receivable from non-exchange transaction	18	38,350,721	30,833,333
Inventories	19	6,295,427	5,381,591
<b>Total Current Assets</b>		<b>126,002,298</b>	<b>117,388,705</b>
<b>Non-Current Asset</b>			
Biological Assets	20	6,247,552	6,275,896
Intangible Asset- Computer Software	21	6,794,764	6,305,996
Property, Plant & Equipment	22	275,057,646	204,287,793
Capital Work in Progress	23	622,680,000	543,717,975
<b>Total Non Current Assets</b>		<b>910,779,962</b>	<b>760,587,660</b>
<b>Total Assets</b>		<b>1,036,782,260</b>	<b>877,976,365</b>
<b>Current Liabilities</b>			
Trade & Other Payables	24	153,852,507	201,155,813
<b>Total Current Liabilities</b>		<b>153,852,507</b>	<b>201,155,813</b>
<b>Non-Current Liabilities</b>			
Deferred Income – Grant	4	136,291,623	145,838,911
<b>Total Non-Current Liabilities</b>		<b>136,291,623</b>	<b>145,838,911</b>
<b>Capital Funds</b>			
Accumulated Capital Fund	25	686,784,882	485,200,884
Revenue Reserve	26	59,853,249	45,780,757
<b>Total Capital Fund</b>		<b>746,638,131</b>	<b>530,981,641</b>
<b>Total Funds &amp; Liabilities</b>		<b>1,036,782,260</b>	<b>877,976,365</b>

  
Prof. Mucal Muchiri, PhD  
Vice Chancellor

  
Prof. Charles O. Okidi, PhD  
Chairman of Council

XII. STATEMENT OF CHANGES IN NET ASSETS

***Karatina University***  
**Statement of Changes in Net Asset**  
**for the Year Ended 30th June 2014**

	Capital Fund	Revenue Reserves	Total
	Kshs	Kshs	Kshs
Surplus/Deficit for the year	-	19,052,577	19,052,577
Capital Grants	157,120,452	-	157,120,452
Granted Assets from Moi University	86,322,861	-	86,322,861
<b>Balance as at 30/06/12</b>	<b>243,443,313</b>	<b>19,052,577</b>	<b>262,495,890</b>
Surplus/Deficit for the year	-	28,249,970	28,249,970
Capital Grants	239,703,675	-	239,703,675
Prior year Adjustment on P, P & E	-	(1,521,790)	-
Prior year Adjustment- tea bushes	2,053,896	-	2,053,896
<b>Balance as at 30/06/13</b>	<b>485,200,884</b>	<b>45,780,757</b>	<b>532,503,431</b>
Surplus/Deficit for the year	-	14,072,492	14,072,492
Capital Grants	201,583,998	-	201,583,998
<b>Balance as at 30/6/14</b>	<b>686,784,882</b>	<b>59,853,249</b>	<b>748,159,921</b>

NB/

Prior year Adjustment on tea bushes relates to adjustments in under cast of the value of tea bushes for the financial year 2012/2013. In addition, the prior year adjustment on Property, Plant and Equipment (P,P&E) relates to correction on the depreciation charged on computers and accessories for the financial year 2012/2013.

XIII. STATEMENT OF CASH FLOWS

**KARATINA UNIVERSITY  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013
	Kshs.	Kshs.
<b>Cash flow from Operating expenses</b>		
Surplus	14,072,492	29,085,327
<b>Adjustment For</b>		
Depreciation & Amortization	38,904,432	23,564,250
Increase in Provision for Audit Fees	-	96,000
Biological Asset	28,344	-
Amortization of Granted Assets	(9,547,289)	(9,244,304)
	<b>43,457,979</b>	<b>43,501,273</b>
<b>Operating Activities</b>		
<b>Change in:-</b>		
Inventories	(913,836)	(3,606,163)
Receivable from exchange transaction	4,886,599	-
Receivable from non-exchange transaction	(7,517,388)	(10,365,007)
Prepayments	(254,970)	5,827,309
Accounts Payable	(47,303,306)	84,892,335
<b>Cash From Operating Activities</b>	<b>(51,102,902)</b>	<b>76,748,473</b>
<b>Net Cash from Operating Activities</b>	<b>(7,644,923)</b>	<b>120,249,746</b>
<b>Investing Activities</b>		
Property, Plant & Equipment	106,762,243	35,431,416
Capital Work-in-Progress	78,962,025	311,027,404
Intangible Assets- Computer Software	3,400,810	-
Biological Asset	-	2,053,896
<b>Net cash from investing activities</b>	<b>189,125,078</b>	<b>348,512,716</b>
<b>Financing Activities</b>		
Capital Reserve	201,583,998	241,757,571
<b>Net cash flow from financing activities</b>	<b>201,583,998</b>	<b>241,757,571</b>
Net increase/(Decrease) In Cash & Cash Equivalents	4,813,997	13,494,602
Cash & Cash Equivalent at Start of Year	21,830,922	8,336,320
<b>Cash &amp; Cash Equivalent at End of Year</b>	<b>26,644,919</b>	<b>21,830,921</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>		
<b>Cash &amp; Bank Balances</b>	<b>26,644,919</b>	<b>21,830,922</b>

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
KARATINA UNIVERSITY**

<b>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS</b>						
<b>S/n</b>	<b>DESCRIPTION</b>	<b>Original Budget 2013/2014 Kshs</b>	<b>Adjustments 2013/2014 Kshs</b>	<b>Final Budget 2013/2014 Kshs</b>	<b>Actual 2013/2014 Kshs</b>	<b>Variance 2013/2014 Kshs</b>
	<b>INCOME</b>					
1	Exchequer grants	511,591,500		511,591,500	511,596,099	4,599
2	Tuition fees and related charges	175,903,269	64,536,539	240,439,808	271,326,004	30,886,196
3	Catering Services	11,500,000	779,061	12,279,061	13,296,086	1,017,025
4	Farm Income	2,500,000		2,500,000	2,345,274	-154,726
5	Other income	3,000,000		3,000,000	4,322,820	1,322,820
	<b>Total</b>	<b>704,494,769</b>	<b>65,315,600</b>	<b>769,810,369</b>	<b>802,886,283</b>	<b>33,075,914</b>
<b>Sno.</b>	<b>EXPENDITURE</b>					
1	Personnel Emoluments	411,120,769	20,415,600	431,536,369	462,234,700	-30,698,331
2	PSSP Disbursement	40,400,000	20,000,000	60,400,000	73,875,277	-13,475,277
	<b>Board Expenses</b>					
3	Council expenses	8,000,000	1,000,000	9,000,000	8,788,430	211,570
4	University Committees	1,800,000	2,000,000	3,800,000	3,621,183	178,817
5	Dean & senate committees	2,000,000		2,000,000	1,188,232	811,768
	<b>Operating/ Administrative Expenses</b>					
6	Advertising & publicity	5,000,000		5,000,000	5,821,639	-821,639
7	Audit fees	700,000		700,000	696,000	4,000
8	Catering expenses s	16,000,000		16,000,000	16,466,723	-466,723
9	Cleaning/sanitary materials	2,000,000		2,000,000	1,567,824	432,176
10	Computer expenses & Maintenance	400,000	500,000	900,000	859,493	40,507
11	Electricity Expenses	10,800,000		10,800,000	10,730,051	69,949
12	External travelling	1,800,000	1,000,000	2,800,000	2,702,025	97,975
13	Farm expenses	750,000	500,000	1,250,000	1,090,293	159,707
14	Fuel – Vehicles	3,600,000	1,500,000	5,100,000	4,789,552	310,448

15	Games & Sports	1,680,000	500,000	2,180,000	2,122,290	57,710
16	ERP software	8,500,000	(3,500,000)	5,000,000	3,400,810	1,599,190
17	Insurance Expenses	3,800,000	500,000	4,300,000	4,296,007	3,993
18	Internet services	7,500,000	6,800,000	14,300,000	14,290,887	9,113
19	Legal expenses	200,000	200,000	400,000	294,950	105,050
20	Medical expenses	7,600,000	1,000,000	8,600,000	7,728,119	871,881
21	Newspaper & journals	2,276,000		2,276,000	1,293,620	982,380
22	Office entertainment expenses	480,000		480,000	365,659	114,341
23	Office expenses	1,560,000		1,560,000	1,775,201	-215,201
24	Open Day & cultural celebration	600,000		600,000	613,475	-13,475
25	Postal expenses	500,000		500,000	517,272	-17,272
26	Public celebrations & funerals	750,000	750,000	1,500,000	1,608,332	-108,332
27	Rent & Rates	28,000,000	11,900,000	39,900,000	39,743,107	156,893
28	Security services	3,000,000		3,000,000	2,582,780	417,220
29	Shows & Exhibition expenses	3,500,000		3,500,000	2,963,635	536,365
30	Stationery	6,167,800	1,000,000	7,167,800	6,876,676	291,124
31	Telephone expenses	2,232,000		2,232,000	1,848,500	383,500
32	Travelling & Accommodation	5,400,000	3,500,000	8,900,000	9,083,144	-183,144
33	Uniforms	582,200		582,200	4,000	578,200
34	Water & Sewerage Expenses	9,000,000	1,500,000	10,500,000	10,965,063	-465,063
35	ISO training & Implementation	3,500,000	-2,000,000	1,500,000	1,379,592	120,408
36	Strategic Plan Implementation & Monitoring & Review	3,000,000	-3,000,000			0
37	Purchase of computer	6,000,000	9,000,000	15,000,000	14,608,675	391,325
38	Purchase of plant & equipment	2,000,000	-1,000,000	1,000,000	814,655	185,345
39	Purchase of Furniture	5,000,000		5,000,000	4,759,460	240,540
40	Purchase of Medical equipment	750,000	250,000	1,000,000	1,219,533	-219,533
41	Purchase of Sports Equipment	750,000		750,000	648,620	101,380
42	Purchase of Motor Vehicle	13,500,000	-4,900,000	8,600,000	8,600,000	

<b>Academic expenses</b>						
43	Teaching materials	3,000,000		3,000,000	2,614,556	385,444
44	students activities	2,500,000		2,500,000	2,310,760	189,240
45	Purchase of lab equipment	8,000,000	-2,500,000	5,500,000	5,318,081	181,919
46	Field trip	4,000,000	2,000,000	6,000,000	6,259,270	-259,270
47	External examiners	4,000,000	-1,500,000	2,500,000	2,377,120	122,880
48	Seminars & Conferences	3,000,000	500,000	3,500,000	2,690,506	809,494
49	Annual conference		1,200,000	1,200,000	1,030,345	169,655
50	Graduation Expenses	5,000,000		5,000,000	4,311,831	688,169
51	Publishing & printing	2,500,000	-2,000,000	500,000	247,833	252,167
52	Purchase of library books	11,000,000	-4,000,000	7,000,000	6,971,819	28,181
53	Research expenses	3,000,000	-1,000,000	2,000,000	1,846,732	153,268
54	Staff Training expenses	1,200,000		1,200,000	1,663,471	-463,471
55	Industrial Attachment/ Teaching Practice	3,000,000		3,000,000	3,785,652	-785,652
56	Subscription to Professional Bodies	1,000,000		1,000,000	608,720	391,280
57	Professional Services	1,500,000		1,500,000	630,302	869,698
58	Performance Contracting	1,000,000	700,000	1,700,000	1,038,605	661,395
59	Examination materials	2,000,000		2,000,000	1,474,651	525,349
<b>Repairs and Maintenance</b>						
60	Vehicle Repairs & maintenance	2,400,000		2,400,000	2,600,706	-200,706
61	Generator fuel & Maintenance	450,000		450,000		450,000
62	Maintenance of building	3,000,000		3,000,000	3,212,965	-212,965
63	Maintenance of plant & Equipment	500,000		500,000	394,004	105,996
64	General Refurbishment	9,000,000	2,500,000	11,500,000	11,857,987	-357,987
65	Maintenance of play grounds	270,000		270,000	105,600	164,400
66	Maintenance of Catering equipment	400,000		400,000	40,300	359,700
67	Maintenance of Hostel equipment	350,000		350,000	30,300	319,700
68	Water supply equipment	226,000		226,000	82,105	143,895
<b>TOTALS</b>		<b>704,494,769</b>	<b>65,315,600</b>	<b>769,810,369</b>	<b>802,339,705</b>	<b>-32,529,336</b>

## **Explanatory notes**

1. Tuition fees has a favorable variance of Kshs 30.8M this due to aggressive marketing of the University programmes leading to increased students enrollment.
2. Personnel emoluments has an unfavorable variance of Kshs 30.6M because the University paid the second phase of salary arrears rising from the negotiated and signed Collective Bargaining Agreement of 2010/2013 period.
3. PSSP disbursement has unfavorable variance of Kshs 13.5M due to payments made to part-time teaching for the various programmes offered by the institution.
4. Advertising and Publicity had a negative variance due to several adverts that were made with regard to change in reporting dates for students and advertisement for new intakes.

## **XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30<sup>TH</sup> JUNE 2014**

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

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and do comply with the said standards. This is based on the enactment of Public Finance Management (PFM) Act, 2012 and gazettelement of Public Sector Accounting Standard Board (PSASB) on 28<sup>th</sup> February 2014. This led to approval of application of International Public Sector Accounting Standards (IPSAS) in preparation of financial statements for non commercial state corporations with effect from financial statements ending 30<sup>th</sup> June 2014.

The statements are prepared on accrual basis and presented in Kenya shillings as the functional and reporting currency of the University.

In addition, figures have been reported on historical cost basis, unless stated otherwise. The cash flow statement is prepared using the indirect method.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

##### **Government grants**

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis (IPSAS 23)

##### **Donations**

Donations have been recognized as income over the period they have been received to match with the related cost or assets intended to compensate for.

##### **Deferred income**

Deferred income recognized in the books is as a result of amortization of granted assets and the asset recognition criteria are met. Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets.

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

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

The university has recognized incomes to include student tuition fees and related charges for the period in which it is earned

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. 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 - IPSAS 17**

Property, plant and equipment are stated at cost less any depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

Buildings	2.5%
Furniture, Plant and Equipment	12.5%
Library Book	12.5%
Motor Vehicles	25%
Computers and peripheral devices	30%

**d) Intangible assets – IPSAS 31**

Computer Software has been recognized at cost as intangible assets. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed finite for a period of three years. The assets are subjected to a full year's depreciation except those acquired within the last three months of the year at a rate of 30%

**e) Work in progress**

Work in progress represents properties (buildings) under construction. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

**f) Inventories –IPSAS 12**

Inventories are stated at lower of cost and net realizable value. Costs includes direct material and where applicable direct labour and those overheads that have been incurred to bring the inventories to their present location and condition. Costs of issues are calculated using 'First In First Out' (FIFO) method. Net realizable value represents the estimated selling prices less all estimated costs of disposal

**g) Biological assets**

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27)

**h) Receivables**

Receivables are recognized when commitments are effected at their nominal value.

**i) Cash and cash equivalents**

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

**j) Retirement benefits obligations (IPSAS 25)**

After Karatina University inherited the former Moi University Central Kenya Campus, the staff opted to remain in the Moi University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 7.5% and 15% respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Kshs 200.00 per employee per month, while the employer contributes Kshs 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

**k) Related Party Disclosures – IPSAS 20**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of Council are regarded as related parties in preparation of these financial statements under board expenses in the statement of financial performance.

**l) Comparative figures**

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

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

In the process of applying the University's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the University's accounting policies are dealt with below:

***Impairment losses***

At each year end, the University reviews the carrying amounts of its tangible and intangible 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 the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash generating unit to which the asset belongs.

***Property and equipment***

Critical estimates are made by the University council in determining depreciation rates for property and equipment.

**n) Financial Risk Management**

The University's activities expose the institution 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 does not hedge any risks and has in place practices to ensure that credit is extended to students and customers with an established credit history.

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

**(i) Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.

	Performing Kshs	Non Performing Kshs	Total Kshs
<b>As at 30 June 2014</b>			
KTDA Bonus Payment	1,284,506	-	1,284,506
Student Balances	27,105,874	-	27,105,874
Moi University		19,116,170	19,116,170
<b>Total</b>	<b>28,390,380</b>	<b>19,116,170</b>	<b>47,506,550</b>
<b>At 30 June 2013</b>			
KTDA Bonus Payment	2,026,409	-	2,026,409
Student Balances	29,478,413	-	29,478,413
Moi University	-	19,116,170	19,116,170
<b>Total</b>	<b>31,504,822</b>	<b>19,116,170</b>	<b>50,620,992</b>

**(ii) Liquidity risk management**

The University's financial liabilities are categorized as general creditors, part time payments, contractors' fees and retention amounts. The amounts disclosed in the financial position are the contractual undiscounted carrying amounts due within 12 months and the impact of discounting is not significant.

**(iii)Market risk**

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

***Foreign exchange risk***

The University is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognized in the books of accounts. The University bank accounts are denominated in Kenya Shillings and transaction will be reflected depending on the transaction day spot rate.

**o) Accounting policies, Changes in Accounting estimates and Errors – IPSAS 3**

Errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period

<b>Note 3: Government Grants</b>	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
July	42,630,000	30,833,333
August	30,833,333	30,833,333
August	53,900,000	-
September	37,730,000	30,833,333
October	39,726,062	30,833,333
November	38,346,569	30,833,333
December	38,346,569	53,900,000
December	-	30,833,333
January	38,346,569	30,833,333
February	38,346,569	30,833,333
March	38,346,569	30,833,333
April	46,641,852	30,833,333
April	16,590,567	-
May	38,346,569	30,833,333
June	38,350,721	30,833,333
CBA Monies	(24,885,850)	-
	<b>511,596,099</b>	<b>423,900,000</b>

NB/ \*The CBA monies relates to amounts transferred to UoN JAB Account to cater for 2010-2013 CBA issues across all other public universities.

<b>Note 4: Deferred Income- Granted Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Deferred Income	145,838,911	155,607,720
Amortization of Granted Assets	(9,547,289)	(9,768,809)
Deferred Income C/Forward	<b>136,291,623</b>	<b>145,838,911</b>

<b>Note 5: Donations</b>	<b>Kshs</b>	<b>Kshs</b>
University Events	100,000	591,580
Library Books	-	<b>742,300</b>
Needy & Vulnerable Student Fund	66,600	-
	<b>166,600</b>	<b>1,333,880</b>

<b>Note 6: Tuition and Related Charges</b>	<b>Kshs</b>	<b>Kshs</b>
Tuition & Accommodation JAB	113,537,219	60,404,310
Tuition & Accommodation SSP	156,625,285	116,983,200
Student Application Fees	1,163,500	505,800
	<b>271,326,004</b>	<b>177,893,310</b>

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Note 7: I.G.A and Other Incomes</b>		
Kitchen Food Sales	13,296,086	10,365,747
Tea Farm	1,923,049	2,957,331
Farm & Milk Sales	422,225	244,445
Disposal of Biological Assets- (calves)	-	30,000
Laundry	42,720	34,895
Photocopier	46,222	106,135
Conference Facilities	1,194,816	3,090,977
Sale of Tender document	105,000	749,500
Hire of Facilities	127,969	237,161
Fines	77,671	65,713
Graduation	1,363,000	913,000
Research funds	900,262	1,798,436
Transport Charges	298,560	-
	<b>19,797,580</b>	<b>20,593,340</b>

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>EXPENDITURE</b>		
<b>Note 8: Administrative costs</b>		
Stationery	6,876,676	8,873,242
Motor vehicle expenses	7,390,258	7,519,338
Office expenses	2,140,860	2,426,126
Postage	517,272	930,271
Printing and Publishing	247,833	3,327,856
Computer exp	859,493	590,799
ISO	1,379,592	2,753,791
Shows and Exhibitions	2,963,635	2,666,158
Performance contracting	1,038,605	-
Charter	-	5,748,425
Legal expenses	294,950	27,700
Strategic Plan	-	2,223,140
Subscription to Professional Bodies	608,720	1,341,895
Professional Services	630,302	-
News papers and Journals	1,293,620	657,030
Cleaning materials	1,567,824	1,447,663
Telephone	1,848,500	1,570,587
Insurance	4,296,007	3,119,314
Open & Cultural Celebrations	613,475	596,250
Public celebrations and funerals	1,608,332	594,827
Training expenses	1,663,471	526,220
Security	2,582,780	2,644,021
Water & Sewer	10,965,063	9,717,414
Electricity	10,730,051	9,390,729
Rent & Rates	39,743,107	24,691,897
Staff Uniforms	4,000	397,630

Medical Expenses	7,728,119	6,669,036
Advertising	5,821,639	5,165,810
Internet Charges	14,290,887	10,428,734
Farm Expenses	1,090,293	958,824
Catering Expenses	16,466,723	20,451,850
Audit Fees Expense	696,000	696,000
Loss of Biological asset	58,344	-
Traveling & Accommodation	9,083,144	7,459,022
External Travel & Accommodation	2,702,025	1,915,623
	<b>159,801,600</b>	<b>147,527,218</b>

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Note 9: Employment Expenses</b>		
Payroll expenses	434,787,036	289,331,998
Passage and Baggage	-	64,095
Gratuity	17,734,253	7,003,496
Contract Staff expenses	9,713,411	8,085,095
	<b>462,234,700</b>	<b>304,484,684</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 10: Academic Expenses</b>		
Students activities	2,310,760	1,909,610
External Examiners	2,377,120	3,573,882
Graduation	4,311,831	4,413,013
Industrial Attachments/ Teaching Practice	3,785,652	2,398,749
Games & Sports	2,122,290	1,479,865
Deans & Senate expenses	1,188,232	972,937
University Committees	3,621,183	5,463,022
Teaching materials	5,451,240	2,792,076
Field courses	6,259,270	1,952,230
Research Program	1,846,732	1,137,035
PSSP Disbursement	73,875,277	71,943,258
Examination material	1,474,651	-
Seminars & Conferences	3,720,851	5,552,073
	<b>112,345,088</b>	<b>103,587,750</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 11: Repairs &amp; maintenance costs</b>		
General Refurbishment	11,857,978	6,286,511
Maintenance of buildings	3,212,965	6,093,960
Maintenance of Catering / Hostel equipment	70,600	570,491
Maintenance of plant & Equipment	394,004	380,502
Maintenance of playground	105,600	1,014,674
Water Supply Expenses	82,105	
	<b>15,723,252</b>	<b>14,346,138</b>

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Note 12: Boards Expenses</b>		
Sitting Allowance	5,848,572	6,600,000
Travelling & Subsistence	1,436,568	1,584,369
Accommodation	1,393,290	1,513,666
Other expenses	110,000	118,000
	<b>8,788,430</b>	<b>9,816,035</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 13: Finance Expenses</b>		
Bank Charges	563,578	553,432
	<b>563,578</b>	<b>553,432</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 14: Depreciation and amortization expenses</b>		
Depreciation Buildings	5,455,365	3,788,913
Depreciation Computer & Accessories	11,210,972	5,528,099
Depreciation Computer Software	2,912,042	-
Depreciation Library books	1,688,357	1,359,861
Depreciation Motor Vehicle	10,404,098	8,254,098
Depreciation Equipment & Furniture	7,233,599	5,993,141
	<b>38,904,432</b>	<b>24,924,112</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 15: Cash &amp; Bank Balances</b>		
Co-operative Bank Of Kenya- Cash at bank	13,150,804	8,009,183
Kenya Commercial Bank - 1138274968	1,692,982	1,993,400
KCB - Cash at hand	158,072	69,815
Kenya Commercial Bank-1106185382	3,991,437	8,682,522
Equity Bank- Cash at Bank	7,651,624	3,003,212
Petty Cash	-	72,790
<b>Total Cash &amp; Bank Balances</b>	<b>26,644,919</b>	<b>21,830,922</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 16: Prepayments</b>		
Deposits : Rent (River Bank Campus)	1,010,730	1,010,730
Deposits : Rent (Town Campus)	1,058,085	1,058,085
Deposits :Fuel	1,026,750	1,026,750
Deposits : Rent (Nyeri centre)	254,970	
<b>Total Prepayments</b>	<b>3,350,535</b>	<b>3,095,565</b>

	<b>2014</b>	<b>2013</b>
<b>Note 17: Receivables from exchange transactions</b>		

	<b>Kshs</b>	<b>Kshs</b>
KTDA Bonus Payment For year 2013/14 &		
Tea Farm sales for the month of June 2014	1,284,506	2,026,409
Student Balances	27,105,874	29,478,413
Moi University	19,116,170	19,116,170
Imprest Debtors	3,854,145	5,626,302
	<b>51,360,695</b>	<b>56,247,294</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 18: Receivables from non-exchange transactions</b>		
MoEST - Capitation June	38,350,721	30,833,333
	<b>38,350,721</b>	<b>30,833,333</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 19: Inventories</b>		
Stores	6,295,427	5,381,591
	<b>6,295,427</b>	<b>5,381,591</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 20: Biological Assets</b>		
Tea Bushes	5,895,552	5,953,896
Cows	352,000	322,000
	<b>6,247,552</b>	<b>6,275,896</b>

**Note 21: Intangible Assets (Computer Software)**

	<b>Kshs</b>
<b>COST</b>	
Additions	6,305,996
Disposals	-
<b>BAL AS AT 30.06.2013</b>	<b>6,305,996</b>
Additions	3,400,810
Disposals	-
<b>BAL AS AT 30.06.2014</b>	<b>9,706,806</b>
<b>Accumulated Depreciation 30.6.13</b>	-
Depreciation For The Year	2,912,042
<b>Accumulated Depreciation 30.6.14</b>	<b>2,912,042</b>
<b>Net Book Value 30/6/2014</b>	<b>6,794,764</b>
<b>Net Book Value 30/6/2013</b>	<b>6,305,996</b>

Note (22)	KARATINA UNIVERSITY						
	FIXED ASSET SCHEDULE						
	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST</b>							
<b>BAL AS AT 30.06.2012</b>	10,796,000	132,611,946	11,788,720	5,381,945	32,901,392	26,414,910	219,894,913
ADDITIONS			11,378,630	1,153,090	115,000	17,631,790	30,278,510
DISPOSALS							
<b>BAL AS AT 30.06.2013</b>	10,796,000	132,611,946	23,167,350	6,535,035	33,016,392	44,046,699	250,173,422
ADDITIONS		66,658,084	14,608,675	6,971,819	8,600,000	9,923,665	106,762,243
DISPOSALS							
<b>BAL AS AT 30.06.2014</b>	10,796,000	199,270,030	37,776,025	13,506,854	41,616,392	53,970,364	356,935,665
<b>DEPRECIATION</b>							
ACCUM DEP RE 30/6/2012		3,788,913	3,636,300	672,743	8,225,348	3,789,167	20,112,471
AMORTISATION FOR THE YEAR		3,788,913	332,280	524,505	4,104,426	1,018,685	9,768,809
DEPRECIATION FOR THE YEAR			6,717,609	162,613	4,149,672	4,974,456	16,004,350
<b>ACCUM DEP RE FOR THE YEAR</b>		3,788,913	7,049,889	687,118	8,254,098	5,993,141	25,773,159
<b>ACCUMULATED DEPRECIATION 30.6.13</b>		7,577,826	10,686,189	1,359,861	16,479,446	9,782,308	45,885,630
AMORTISATION FOR THE YEAR		3,788,913	110,760	524,505	4,104,426	1,018,685	9,547,289
DEPRECIATION FOR THE YEAR		1,666,452	11,100,212	1,163,852	6,299,672	6,214,914	26,445,101
<b>ACCUM DEP RE FOR THE YEAR</b>		5,455,365	11,210,972	1,688,357	10,404,098	7,233,599	35,992,390
<b>ACCUMULATED DEPRECIATION 30.6.14</b>		13,033,190	21,897,161	3,048,218	26,883,544	17,015,907	81,878,020
<b>Net Book Value 30/6/2014</b>	10,796,000	186,236,840	15,878,865	10,458,636	14,732,848	36,954,457	275,057,646
<b>Net Book Value 30/6/2013</b>	10,796,000	125,034,121	12,481,161	5,175,173	16,536,946	34,264,391	204,287,793

<b>Note 23: Work-In-Progress</b>	<b>2013</b>		<b>2014</b>
	<b>Kshs</b>	<b>Addition for the Year</b>	<b>Kshs</b>
Resource Center	269,074,665	80,904,897	349,979,562
Student Hostel 750 bed capacity	141,549,113	58,999,484	200,548,597
Tuition and Office Block	66,436,113	5,715,728	72,151,841
Student Hostel 256 bed capacity	66,658,084	(66,658,084)	-
	<b>543,717,975</b>	<b>78,962,025</b>	<b>622,680,000</b>

NB/ \* The 256 bed capacity student hostel has been transferred from Work-In-Progress to Property, Plant and Equipment under the category of buildings.

<b>Note 24: Trade &amp; Other Payables</b>	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Creditors	28,416,629	19,415,082
Part time Lecturers	44,910,249	38,334,485
MOI University- Fixed deposit	-	10,000,000
Contractors' Balance	21,711,244	85,379,384
Contractors' Retention Fees	58,118,384	47,330,861
Audit Fees Expense	696,000	696,000
	<b>153,852,507</b>	<b>201,155,813</b>

<b>Note 25: Accumulated Capital Fund</b>	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance B/F	485,200,884	243,443,313
Capital Grants for the year	201,583,999	239,703,675
Prior year Adjustment- tea bushes	-	2,053,896
Balance as at 30/06/14	<b>686,784,883</b>	<b>485,200,884</b>

Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2013/14 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants 2011/2012	157,120,452
Granted Assets from Moi Univ.	86,322,861
<b>Balance as at 30/06/12</b>	<b>243,443,313</b>

Note: These Granted Assets relate to opening balances B/f from operations carried out at Moi University as indicated below:

**Granted Assets from Moi Univ.**

Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales & bonuses for the month of June 2011	2,683,012

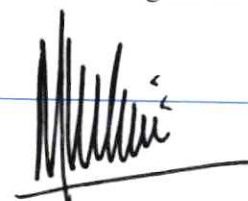
Student Balances	19,119,863
Moi University	<u>19,116,170</u>
	<b>90,963,239</b>
Trade Creditors	<u>(4,640,378)</u>
<b>Total Granted Assets</b>	<b><u>86,322,861</u></b>

	Kshs	Kshs
<b>Note 26: Revenue reserve</b>		
Surplus/Deficit B/F	47,302,547	19,052,577
Surplus/Deficit for the year	14,072,492	28,249,970
<b>Surplus/ Deficit C/F</b>	<b><u>61,375,039</u></b>	<b><u>47,302,547</u></b>

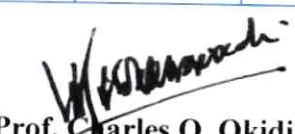
### PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Under Property, Plant & Equipment; Opening balance of Kshs. 164,852,024 related to granted assets including Land worth Kshs. 10,796,000. The University neither had a signed handing over report nor title deed from Moi University to Karatina University	Management agreed that the figure of Property, Plant and Equipment has an opening balance of Kshs. 164,852,024 which has no signed handing over report. The recognition of those assets in the financial statement was based on the legal order establishing the institution.		Not Resolved	
2	Trade and other receivables included Kshs. 19,116,170 in respect to student fees balance sent to Moi University bank account. The amount has been outstanding for a long period and it was not possible to confirm recoverability of the same.	The University had made efforts of contacting Moi University and evidence of communications was provided to the auditors. However the amounts have not yet been recovered.		Not Resolved	
3	Accumulated Capital Fund included Kshs. 86,322,861 granted assets by Moi University which had no signed handing over report.	The figure of accumulated fund contained an amount of Kshs. 86,322,861 in the opening balance, which was generated from granted assets by Moi University. The handing over report has not yet been signed but the University is making effort to have it signed.		Not Resolved	



**Prof. Muchiri Mucai, PhD**  
**Vice Chancellor**



**Prof. Charles O. Okidi, PhD**  
**Chairman of Council**

