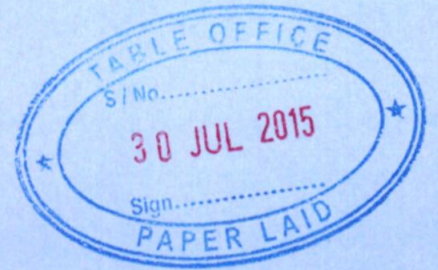
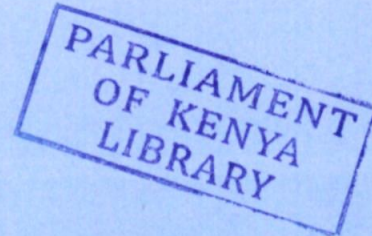


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper laid
By Hon. A. Bwaka (LOM)
on Thurs. 30.07.2015 (PM)
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REPORT

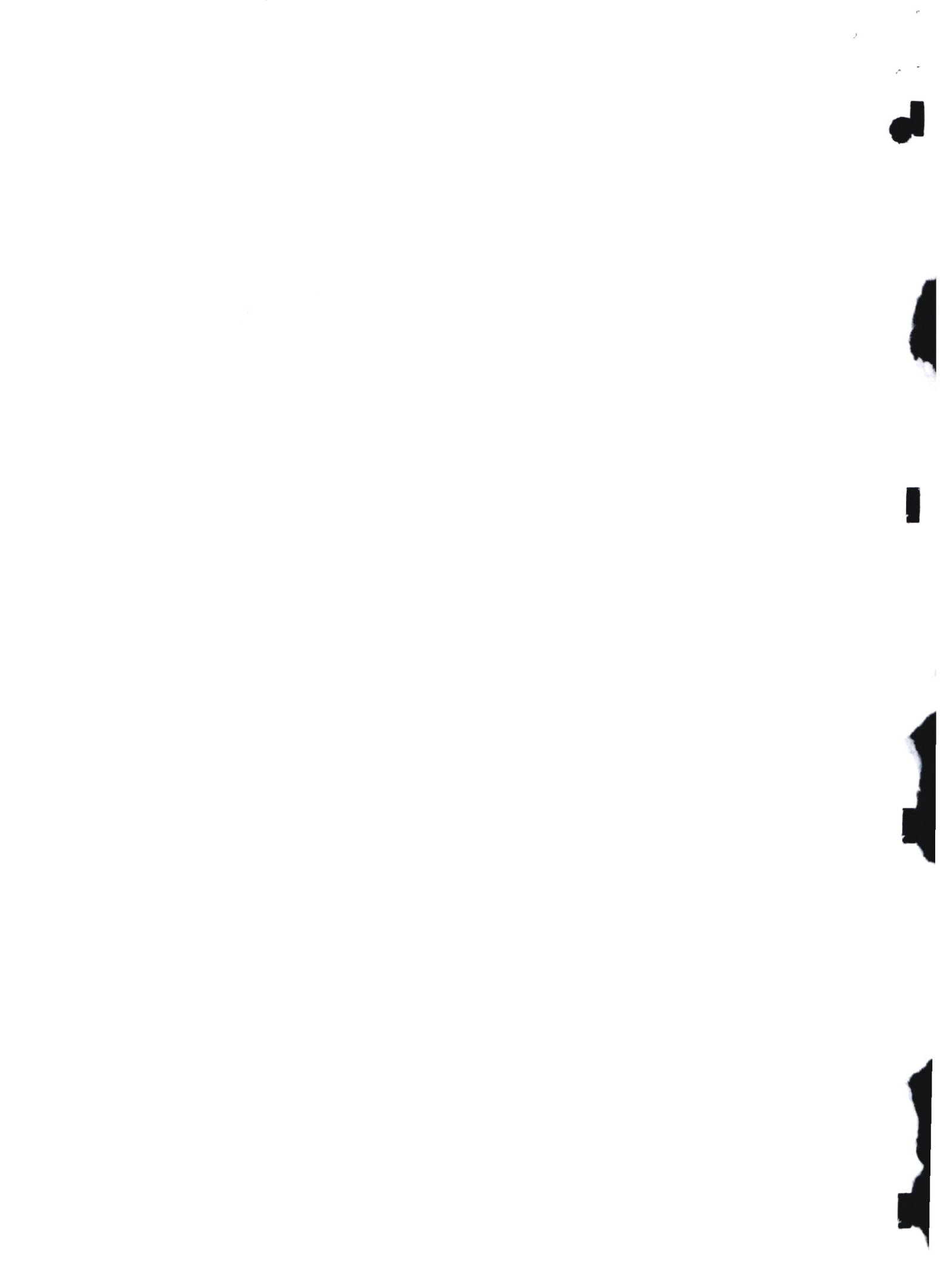
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
SOUTH EASTERN KENYA UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2014**



KENYA NATIONAL
EMIS
11 JUN 2015
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Tel: 068-222222
P. O. BOX 1000



SOUTH EASTERN KENYA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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



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I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

South Eastern Kenya University was established on 1st March, 2013 as a successor to South Eastern University College (SEUCO). SEUCO was established on 15th July, 2008 as a successor to Ukamba Agricultural Institute (UKAI). At Cabinet level the University is represented by the Cabinet Secretary for Education, science and technology who is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The principal activity/mission of South Eastern Kenya University is to provide quality education through teaching, research, extension, innovation and entrepreneurship with emphasis on dry land agriculture, natural resources and environmental management.

(c) Key Management

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

- University Council
- The Senate
- The South Eastern Kenya University Management Board

(d) Fiduciary Management

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

No	Designation	Name
1.	Vice Chancellor	- Prof. Geoffrey M. Muluvi
2.	Deputy Vice Chancellor (F, P & D)	- Prof. Reuben M. Muasya
3.	Deputy Vice Chancellor (AHRM)	- Prof. Dickson M. Nyariki
4.	Deputy Vice Chancellor (ARSA)	- Prof. Zipporah Ng'ang'a
5.	Registrar (AHRM)	- Prof. Mary Mburu
6.	Registrar (ASA)	- Dr. John F. Koga
7.	Registrar (P & D)	- Dr. Joseph Metet
8.	Finance Officer	- Mr. Lawrence Bokoro



(e) Fiduciary Oversight Arrangements

- Finance and general purpose committee
- Building and physical development committee
- Staff terms and condition of service committee
- Audit committee
- Appeals committee
- Appointments committee
- Graduation and sealing committee

(f) Headquarters

South Eastern Kenya University
P.O. Box 170 - 90200
Kitui, Kenya

(g) Contacts

Telephone: 020-2318998/0716962771/020-2531395
E-mail: info@seku.ac.ke
Website: www.seku.ac.ke

(h) Bankers

1. National Bank of Kenya Ltd. (SEKU Branch)
P.O Box 1656-90200
KITUI
2. Equity Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1453-90200
KITUI
3. The Co-operative Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1432-90200
KITUI
4. Barclays Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1206-90200
KITUI
5. Kenya Commercial Bank Ltd.(Kitui Branch)
P.O Box 683-90200
KITUI

(i) Independent Auditors

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

(j) Principal Legal Adviser

Mutula Kilonzo & Co. Advocates
P.O. Box 59839-00200 City Square
Nairobi, Kenya



II. THE UNIVERSITY COUNCIL

<p>1. Prof. Louis M. Mumera</p>	<p><i>Date of Birth:</i> 15th September, 1945</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) Ph.D., Plant Physiology, Dept. of Agronomy (University of Illinois 1992) ii) 2 M.Sc., Agronomy, Dept. of Agronomy (Penn State, 1983) iii) 3 B.A., Agric. Ed (University of Massachusetts, 1973) iv) 4 Diploma Agric., Education, (Egerton College, 1969) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) Professor of Plant Physiology, Dept of Crops Hort & Soils (August 2010 to date) ii) Deputy Vice Chancellor [A&F] & secretary to University Council, (2006-2011); Senate Rep to Council (1993-1998) iii) Associate Professor of Plant Physiology, Dept of Crop Science (2002-2010) iv) Senior Lecturer Plant Physiol. & Weed Science Dept of Agronomy (1992-2002)
<p>2. Mr. Bartholomew Lumbasi</p>	<p><i>Date of Birth:</i> 1978</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) May 2013 to Date: Maasai Mara University: Phd in Education ii) 2011 to date: Jomo Kenyatta University of Agriculture and Technology Masters in Business Administration-Strategic Management iii) 2002-2004 : Kenyatta University Master of Education -Planning <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) May 2012 to Date : Public Service Commission-Ministry of Education ii) September 2008 to May 2012: District Quality Assurance and Standards Officer

	<p>iii) September 2001 to June 2008: Teachers Service Commission</p>
<p>3. Mrs. Margaret W. Muiru</p>	<p><i>Date of Birth:</i> 14TH AUGUST 1959</p> <p><i>Key Qualifications:</i></p> <p>i) On-going- Masters in Governance and Ethics (MKU- online) Strategic Leadership Development Programme 2010 (KIA) Advanced Public Administration- 1990 KIA Modernizing Human Resource Management and Development -2012 ESAMI Bachelor of Arts: Political Science and Sociology 1980-1983 (UON)</p> <p><i>Work Experience:</i></p> <p>i) 2012- To date: The National Treasury- Ag. Director of Administration</p> <p>ii) 2009-2012 : The National Treasury – Senior Deputy Secretary-Administration</p> <p>iii) 2006-2009: Ministry of Justice and Constitutional Affairs – Deputy Secretary- Administration</p> <p>iv) 2002-2006: Ministry of Justice and Constitutional Affairs – Under Secretary</p>
<p>4. Mr. Martin Kinoti</p>	<p><i>Date of Birth:</i> 14th December, 1963</p> <p><i>Key Qualifications:</i></p> <p>i) 1995: Master of Science degree in Applied Nutrition - University of Nairobi.</p> <p>ii) 1990: Bachelor of Science (Animal Production), Upper Second Class Honours - Egerton University</p> <p><i>Work Experience:</i></p> <p>i) 2006 to-date: Managing Director, Nutrimix Limited</p> <p>ii) 1995 to 2006: Unga Feeds Limited (now Unga Farm Care East Africa Limited).</p>

	<p>iii) 1990 to 1993: District Animal Production Officer/Extension Co-ordinator, Ministry of Livestock Development, Kitui</p>
5. Prof. Kamuti Kiteme	<p><i>Date of Birth:</i> 23rd September, 1935</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 1963 B.Sc (Ed), Fairleigh Dickinson University, Madion, NJ, USA ii) 1965 MSc (Ed) Bank Street College of Education, New York, NY, USA iii) 1970 Ed.D Yeshiva University, New York , NY, USA <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 1968-1994 - Lecturer/Assistant Professor/Associate Professor/Professor, City College of the City University of New York. ii) 1968-1994 - Visiting and Adjunct Professor (a) USA e.g Vermont, South Dakota, California (b)Africa e.g Ghana, Kenya (c) Caribbean e.g Puerto Rico, University of the West Indies. iii) 1995-present - Professor Emeritus. Lecturer. Academic Consultant.
6. Mrs. Veronica W. Maina	<p><i>Date of Birth:</i> 20th May 1970</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) Master of Laws (LLM merit) Public International Law 2007-2009 ii) University of London iii) Postgraduate Diploma Refugee Law course IIHL Italy 2011 iv) Postgraduate Diploma in Law 1996 <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) Managing partner V.W.Maina & Co Advocates: September 1998 to date ii) Part time lecturer – gender & refugee management (Police

	<p>Science Program) Laikipia University College: Jul 2010 to date</p> <p>iii) Volunteer coordinator refugee rights resource centre Refugee Rights Resource Centre: July 2010 to date</p>
7. Dr. Kipera Issa Athuman	<p><i>Date of Birth:</i> 25th May 1963</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) PhD in Economics (2002) - Centre for Economic Studies and Policy, Jawaharlal Nehru University, New Delhi India ii) MA in Planning (1989) - Department of Urban and regional Planning, University of Nairobi, Nairobi Kenya iii) BA in Economics (1987) - University of Nairobi, Nairobi Kenya (Second Class Upper Division) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) July 2011 – Present – Regional Child Centred Community Development (CCCD) Specialist, Plan International – Regional Office of Eastern and Southern Africa ii) February 09 – June 2011 - Deputy Director/Operations Manager, Plan International Ethiopia iii) Sept 09 – Jan 10 – Acting Country Director, Plan International Ethiopia
8. Ms. Risper J. Kandie	<p><i>Date of Birth:</i> 1974</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) Postgraduate (Geothermal Energy Technology) University of Auckland 2009 ii) Master of Science in Petroleum Geology University of Nairobi 2011

	<p>iii) BSC Geology: 2nd Class Upper Division University of Nairobi 2002</p> <p><i>Work Experience:</i></p> <p>i) 2008-Present: Senior Geologist Kenya Electricity Generating Company,(KenGen)</p> <p>ii) Nov 2008-2009: Geophysicist, Kenya Electricity Generating Company, (KenGen)</p> <p>iii) 2007-2008: Geologist II, Ministry of Water and Irrigation</p>
<p>Prof. Geoffrey M. Muluvi</p>	<p><i>Date of Birth:</i> 6th June, 1963</p> <p><i>Key Qualifications:</i></p> <p>i) 2009-2012 Master of Business Administration (MBA), Eastern and Southern Africa Management Institute (ESAMI), Arusha Tanzania.</p> <p>ii) 1995-1998 Doctor of Philosophy degree (Plant Molecular Genetics), Department of Biological Sciences, University of Dundee, U.K.</p> <p>iii) 1985-1988 Bachelor of Science (Forestry), Second Class Honours (Upper Division), Moi University, Eldoret.</p> <p><i>Work Experience:</i></p> <p>i) Vice Chancellor 20th May 2013 up to present, appointed Vice Chancellor, South Eastern Kenya University after a competitive interview.</p> <p>ii) Ag. Vice-Chancellor 1st March 2013 up to 19th May 2013, Ag. Vice-Chancellor, South Eastern Kenya University.</p> <p>iii) Principal 15th March 2010 to 29th February 2013, Principal South Eastern University College (SEUCO) a Constituent College of the University of Nairobi.</p>

III. MANAGEMENT TEAM

NAME	POSITION
1. Prof. Geoffrey M. Muluvi	Vice Chancellor
2. Prof. Reuben M. Muasya	Deputy Vice Chancellor (F, P & D)
3. Prof. Dickson M. Nyariki	Deputy Vice Chancellor (AHRM)
4. Prof. Zipporah Ng'ang'a	Deputy Vice Chancellor (ARSA)
5. Prof. Mary Mburu	Registrar (AHRM)
6. Dr. John F. Koga	Registrar (ASA)
7. Dr. Joseph K. Metet	Registrar (P & D)
8. Mr. Lawrence M. Bokoro	Finance Officer

IV. CHAIRMAN'S STATEMENT

On behalf of the Council, I am delighted to present the Annual Report and Financial statements of the South Eastern Kenya University.

During the year under review, the University realized significant achievements, notwithstanding long standing financial and operational challenges. Notably, among the achievements included holding of the University's first graduation ceremony whereupon one hundred and eighteen graduates were awarded degrees and diplomas. The graduation ceremony was celebrated one year after the University was awarded a Charter.

In pursuit of successful discharge of its mandate, the University continued to implement its Strategic Plan 2010 – 2020 with a view to enhancing growth of the University so as to be able to support the realization of the Government's Vision 2030 objectives.

I take this opportunity to reaffirm the commitment of the Council in providing effective leadership for the growth of the University. In this regard, the Council will endeavour to maintain a policy direction which will facilitate management and staff working in tandem with stakeholders to realize this dream.

I also take this opportunity to express my sincere appreciation to all our stakeholders.



PROF. LOUIS M. MUMERA – (Ph.D)
CHAIRMAN OF COUNCIL



V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me pleasure to present the Annual Report and Financial Statement of the South Eastern Kenya University for the year ended 30th June 2014. During the year under review, the University made tremendous growth in all areas of operation.

Total revenue collection amounted to Kshs.858 million compared to Kshs.638 million recorded in the 2012/2013 financial year. Collections from appropriation in Aid amounted to Kshs.302 million which translated to 35.2% of the total revenue collection for the year. The University received Kshs.124 million from the Government as capital grant to finance construction of various projects. It also received Kshs.537 million as capitation in support of recurrent expenditure.

The University continued to rationalize and manage costs. Total expenditure, inclusive of assets impairment and amortization, amounted to Kshs.887 million with employee cost accounting for Kshs.595 million or 67%. The high employee cost is attributed to the implementation of the 2010 – 2013 CBA which led to the University paying arrears amounting to Kshs.115 million.

Through the capital grant received from the Government, the University continued to implement key projects included in its Strategic Plan. These included completion of the Katheka – SEKU water line, construction of internal roads and conversion of old tuition facilities into hostels so as to create additional accommodation space. As a result, the asset base grew from Kshs.2.2 billion to Kshs.2.4 billion. These developments gave the University capacity to increase students' population from 3400 to 4800.

Finally, I wish to recognize the great contribution of all our stakeholders towards the achievements the University has made since it was awarded a Charter in 2013. I sincerely thank all of them and look forward to their continued support.

Thank you.



PROF. GEOFFREY M. MULUVI (Ph.D)
VICE-CHANCELLOR



VI. CORPORATE GOVERNANCE STATEMENT

South Eastern Kenya University was established on 1st March 2013. The University derives its authority and accountability from the Universities Act of 2012, the South Eastern Kenya University Charter and the University Statutes.

Chancellor

Section 12 of the Charter provides that there shall be a University Chancellor who is appointed by the President. The current Chancellor is Dr. Titus Naikuni.

Council

Section 18 of the Charter provides that there shall be a University Council. The current Council is composed of:-

- | | | |
|-----------------------------|---|-----------------------------|
| 1. Prof. Louis M. Mumera | - | Chairman of Council |
| 2. Mr. Bartholomew Lumbasi | - | Rep. P.S. MOEST |
| 3. Mrs. Margaret W. Muiru | - | Rep. P.S. National Treasury |
| 4. Mr. Martin Kinoti | - | Member |
| 5. Prof. Kamuti Kiteme | - | Member |
| 6. Mrs. Veronica W. Maina | - | Member |
| 7. Dr. Kipera Issa Athuman | - | Member |
| 8. Ms. Risper J. Kandie | - | Member |
| 9. Prof. Geoffery M. Muluvi | - | Vice-Chancellor & Secretary |

Other than the Vice Chancellor, all the others are non-executive. All the non-executive Council members are independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgement. Members of the University council are appointed by the Cabinet Secretary for Education, Science and Technology.

Council Meetings

The Council meets once every three months and has a formal schedule of agenda items for deliberations. Members of the Council are given appropriate and timely information to maintain full and effective control over strategic, financial and operational issues of the University. The Council is not involved in the conduct of day to day business as this is a responsibility given to the Vice-Chancellor. It, however, retains responsibility for determining the policy of the University.

The Council conducts its business through committees. The current committees and their terms of reference are:-

Finance and General Purposes Committee

- (a) To consider and make recommendations to the Council on financial matters
- (b) To consider and recommend to the Council matters of general nature

The committee meets on a quarterly basis and as necessary.

Audit Committee

- (a) To review internal and external audit findings, recommendations and propose corrective and preventive action where necessary.
- (b) Assist the accounting officer in enhancing internal controls in order to improve efficiency and accountability

The committee meets on a quarterly basis and as necessary.

Staff Terms and Conditions of Service Committee

- (a) To review and make recommendations to the Council on Staff Terms and Conditions of Service for the University employees as and when necessary
- (b) To examine and recommend career structures within the University
- (c) To establish and generally oversee, on behalf of the Council, a Staff Retirement Benefits Pension Scheme.

The committee meets on a quarterly basis and as necessary.

Building and Physical Development Committee

- (a) To consider and recommend to the Council the priority development projects and receives reports and recommendations of management on the progress of the physical development of the University.
- (b) To report to the Council on the progress of physical infrastructure development of the University.

The committee meets on a quarterly basis and as necessary.

Graduation and Sealing Committee

- (a) To approve University certificates
- (b) To approve the list of graduands to be issued with certificates
- (c) To approve sealing of certificates.

Appeals Committee

Its terms of reference are to hear and determine appeals made to it by staff from decisions of the senior and junior Disciplinary Committees.

Appointments Committee

The term of reference for the Appointments Committee is to consider appointments for teaching and non-teaching staff in Grade 14 and 15.

Remuneration of Chancellor and the Council

The Chancellor and the Chairman of the University Council are paid monthly honoraria as per Government guidelines. Except for the Vice-Chancellor, members of the Council are paid sitting allowance for every meeting attended.

Management Structure

The University Management Board is made up of the Vice Chancellor, Deputy Vice Chancellors, Registrars and the Finance Officer. The Board meets regularly to review the overall performance of the University.



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There are various other management committees which advise the Vice Chancellor on specific issues in order to enable him to discharge his responsibilities as the Chief Executive Officer of the University.

Internal Controls

The management of the University has put in place a series of internal control mechanisms to ensure the reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement and Disposal Act, 2005.

Authorizations

All the expenditure of the University must be authorized in accordance with set policies and procedures. There is a budget which is approved by the Council. The Council receives regular management accounts comparing actual outcomes against budget as a means of monitoring actual financial performance.

Internal Audit

The internal audit function is performed by internal audit department which is also responsible for monitoring and providing advice on the University's risk management framework. All reports of the internal audit are availed to the audit committee.

Our ambition is to be a center of excellence in sustainable regional and national development through the advancement and expansion of opportunities for higher education and research in dry land agriculture, forestry, mining, energy, water and environmental sciences with emphasis on arid and semi-arid lands (ASALs); achieved by way of collaboration, community service, participatory approaches, appropriate technology transfer and innovation.



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VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

South Eastern Kenya University is committed to the sustainable development of our environment and to supporting the communities in which we operate. Indeed, as a University, our contribution towards the attainment of sustainable development of our environment remains one of our core values.

During the year under review, the University continued to support various educational, sports and other institutions particularly those catering for the aged and children homes. As a demonstration of its commitment to undertake corporate social responsibility initiatives, the Council made a budget of Kshs.400, 000. Among the initiatives which the University accomplished included the following:-

(a) Tree planting-

The University participated in tree planting during the World Environmental Day at Kyusyani Sub County in Kitui County. It also partnered with National Bank of Kenya and Tiva Youth Group in planting two thousand trees within the University.

(b) Donations to sports activities within the Kitui County

(c) Visits to children homes and homes for the aged

(d) Donation of trophies to schools for academic excellence.

Going forward, the South Eastern Kenya University will put in place a robust Corporate Social Responsibility programme with a focus to promote standards of education, improve access to water and health and conserve our environment in the locations we operate.



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VIII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits its report together with the audited financial statements for the year ended June 30, 2014 which show the state of affairs of South Eastern Kenya University.

Principal activities

The principal activities of the University are provided for in the South Eastern Kenya University Charter.

The Charter provides in Section 6 (1) the functions of the University which include:

- (a) To provide 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.
- (b) To participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in economic, social, cultural, scientific and technological development of Kenya.
- (c) To provide and advance University education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs.
- (d) To conduct examinations for such academic awards as may be provided in the Charter pertaining to the University.
- (e) To examine and make proposals for new faculties, schools, institutes, departments, resource and research Centre's degree courses and subjects of study.
- (f) Play a leading role in the development and expansion of the opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands.
- (g) Contribute to industrial and technological development through innovations and technology transfer.
- (h) Develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, consultancy and extension services with emphasis on dry land agriculture and farming systems and their impact and application within and outside Kenya.
- (i) Participate in commercial ventures and other activities to the benefit of the institution, the community and stakeholders.
- (j) Contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 1 to page 5



University Council

The members of the University Council who served during the year are shown on page ii and iv in accordance with Regulation (12) of the University Charter.

Auditors

The Auditor General is responsible for the statutory audit of South Eastern Kenya University in accordance with the Section 68 of the Public Finance Management (PFM) Act, 2012.

IX. UNIVERSITY COUNCIL STATEMENT OF RESPONSIBILITIES

Section 68 of the Public Finance Management Act, 2012 requires the University Council to prepare financial statements in respect of South Eastern Kenya University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The University Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2014. This responsibility includes:


- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- (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) Safe-guarding the assets of the University.
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The University Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the University Act. The Council is of the opinion that South Eastern Kenya University financial statements give a true and fair view of the state of University transactions during the financial year ended June 30, 2014, and of the University financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the University Council to indicate that South Eastern Kenya 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 South Eastern Kenya University financial statements were approved by the Council on 28th August, 2014 and signed on its behalf by:


PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR


PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SOUTH EASTERN KENYA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of South Eastern Kenya University set out on pages 1-20, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of cash flows, statement of changes in net assets and state of comparison of budget and actual account, 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

The Management is responsible for preparation and fair presentation of these financial statements in accordance with the 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 misstatements, 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 these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in accordance with Article 229 (7) of the constitution. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

As reported in the previous year, the property, plant and equipment balance of Kshs.2,279,884,090 as at 30 June 2014 include four (4) parcels of land under reference number LR No.13529, 3756 and 209/10350 valued at Kshs.1,035,600,000 out of which only LR No.209/10350 is registered under the name of the University.

Further, included in the above balance for property, plant and equipment is an amount of Kshs.8,228,852 for work-in-progress projects which stalled during the year. Note 17 to the financial statements does not present the work-in-progress in the correct format.

Motor vehicles valued at Kshs.47,088,710 had been depreciated to nil at the beginning of the period but were still in use during the year under review. The management has not put in place a revaluation policy to ascertain if the motor vehicles carry any nominal value that is economically useful to the University's operation or dispose them altogether for a possible gain or loss.

Consequently, the accuracy, ownership and existence of the property, plant and equipment balance of Kshs.2,279,884,090 as at 30 June 2014 could not be confirmed.

2. Cash and Cash equivalents

The cash and cash equivalents balance of Kshs.33,886,653 as at 30 June 2014 include Kshs.19,718,415 (Note 19) for development account whose cash book balance was Kshs.20,265,960 resulting to and unreconciled and unexplained difference of Kshs.1,547,545.

In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs.33,886,653 as at 30 June 2014 could not be confirmed.

3. Prior Year Adjustment

The capital fund balance of Kshs.1,644,011,579 as at 30 June 2014 include unexplained adjustment on the main account balance of Kshs.7,264,497. Further, no disclosure is given in the financial statements to explain the inclusion of this adjustment.

As a result, it has not been possible to establish the completeness and accuracy of the Capital Fund balance of Kshs.1,644,011,579 as at 30 June 2014.

4. Trade and other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.315,287,625 as at 30 June 2014. However, the schedule provided for audit review revealed capital projects balance of Kshs.59,863,924 whereas the financial statements shows Kshs.60,206,617. The resulting difference of Kshs.342,693 has not been explained.

In view of the foregoing, the accuracy and completeness of the trade and other payables balance of Kshs.315,287,625 as at 30 June 2014 could not be ascertained.

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 the University as at 30 June 2014, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards and comply with South Eastern Kenya University Order 2008 and the with the Public Finance Management Act, 2012.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 July 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Notes	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Recurrent grants	3	537,810,368	471,400,000
Research grants	4	17,933,989	10,309,098
		555,744,357	481,709,098
Revenue from exchange transactions			
Tuition and other related fees	5	250,354,081	127,065,443
Financial income-external investment	6	-	158,698
Rental revenue income and other sources	7	19,604,535	7,398,672
Agency fees-research grants	8	828,132	628,235
Other income	9	31,508,021	21,553,703
		302,294,768	156,804,751
Total revenue		858,039,125	638,513,849
Expenses			
Administration expenses	10	117,899,451	95,737,349
Council expenses	11	9,683,691	5,220,172
Repairs and maintenance, rents rates	12	38,245,570	22,209,704
Marketing Expenses	13	8,854,432	10,331,373
Catering and accommodation	14	53,912,109	33,440,890
Academic services	15	28,373,989	64,218,149
Employee costs	16	595,899,874	394,303,575
Depreciation and amortization expense	17	43,983,598	41,866,871
Audit fees	18	834,800	696,000
Total expenses		897,687,512	668,024,084
Surplus/(Deficit) for the period		(39,648,388)	(29,510,234)

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Council by:


PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR

Date..... 15/5/15


PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL

Date..... 10/2/15


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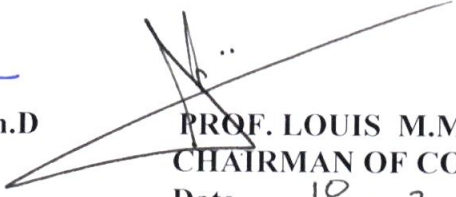
XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

Assets	Notes	2013-2014 Kshs	2012-2013 Kshs
Current assets			
Cash and cash equivalents	19	33,886,653	8,572,835
Receivables from exchange transactions	20	60,368,785	15,301,572
Receivables from non-exchange transactions	21	39,709,381	34,166,667
Inventories	22	6,968,635	3,897,625
Biological Assets	23	1,536,375	942,000
		142,469,829	62,880,698
Non-current assets			
Property, plant and equipment	17	2,279,884,090	2,185,296,827
Total assets		2,422,353,919	2,248,177,524
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	24	315,287,625	217,700,283
Deferred research grants	25	8,400,645	-
Refundable deposits from customers-caution money	26	19,647,500	14,200,500
Bank Overdraft		-	14,352,448
Non-current liabilities		343,335,770	246,253,231
Revenue reserves	27	(31,713,430)	7,934,958
Capital fund	28	1,644,011,579	1,527,269,335
Revaluation Reserve	29	466,720,000	466,720,000
Total net assets and liabilities		2,422,353,919	2,248,177,524

The Financial Statements set out on pages 1to19 were signed on behalf of the Council by:


PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR
 Date.....10/06/15.....


PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL
 Date.....10/06/15.....

II. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	Capital fund Kshs	Revenue reserves Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 30 June 2012	1,570,146,910	37,445,192	466,720,000	2,074,312,102
Deficit for the period	-	(29,510,234)	-	(29,510,234)
Transfer from Capital fund	(276,290,274)	-	-	(276,290,274)
Deferred grants-capital receipts	233,412,699	-	-	233,412,699
Balance as at 30 June 2013	1,527,269,335	7,934,958	466,720,000	2,001,924,293
Deficit for the period	-	(39,648,388)	-	(39,648,388)
Deferred grants-capital receipts	124,006,741			124,006,741
Adjustment on Main A/C balance	(7,264,497)			(7,264,497)
Balance as at 30 June 2014	1,644,011,579	(31,713,430)	466,720,000	2,079,018,149

IV. STATEMENT OF CASHFLOWS

For the year ended 30 June 2014

	Notes	2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Surplus/(Deficit) for the year		(39,648,388)	(29,510,234)
Interest received	6	-	(158,699)
Increase in net worth of biological assets	9	(594,375)	
Gain on disposal of asset	7	(8,515,000)	-
Adjust for depreciation	17	43,983,598	41,866,871
Adjustment for prior dep.on motor vehicles		(9,906,474)	
Provision for audit fee		-	696,000
Operating surplus/deficit before working capital		(14,680,639)	12,893,939
Increase in trade & other receivables	20	(50,609,927)	97,294,047
Increase in inventories	22	(3,071,010)	3,194,852
Increase in trade & other payables	24	97,587,342	103,508,337
Increase in Refundable caution money	26	5,447,000	-
Net cash inflow from operating activities		34,672,765	216,891,174
Cash flow from investing activities			
Purchase of non-current assets	17	(26,240,546)	(13,114,480)
Interest on fixed deposits	6	-	158,699
Gain on disposal of asset	7	8,515,000	-
Fixed deposit investment		-	20,000,000
Over stated work in progress	17	-	(10,737,105)
Work in progress	17	(109,688,339)	(191,706,752)
Net cash flow from investing activities		(92,741,120)	(195,399,638)
Cash flow from financing activities			
Increase in research grants	4	8,400,645	656,959
Government grants on capital projects	28	124,006,741	(42,877,574)
Net cash flow from financing activities		39,666,266	(42,220,615)
Increase/decrease) in cash and cash equivalents	19	39,666,266	(20,729,079)
Cash & cash equivalents as start of the year	19	(5,779,613)	14,949,466
		33,886,653	(5,779,613)
Analysis of balances of cash and cash equivalent			
Cash and bank balances	19	33,886,653	8,572,835
Bank overdraft		-	(14,352,448)
Total		33,886,653	(5,779,613)

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2013-2014 Kshs	Adjustments 2013-2014 Kshs	Final budget 2013-2014 Kshs	Actual comparable basis 2013-2014 Kshs	Performance difference 2013-2014 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants	539,764,000	28,320,450	568,084,450	537,810,368	(30,274,082)
Research Grants	8,200,000	-	8,200,000	17,933,989	9,733,989
Exchange transactions					
Tuition and other related fees	160,000,000	87,483,958	247,483,958	250,354,081	2,870,123
Internally Generated Revenue	40,000,000	-	40,000,000	51,940,687	11,940,687
Total revenue	747,964,000	115,804,408	863,768,408	858,039,125	(5,729,283)
Expenses					
Administration expenses	145,556,000	22,011,944	167,567,944	117,899,451	49,668,493
Council expenses	9,344,000	-	9,344,000	9,683,691	(339,691)
Repairs and maintenance	9,300,000	9,500,000	18,800,000	38,245,570	(19,445,570)
Marketing Expenses	10,000,000	1,091,468	11,091,468	8,854,432	2,237,036
Catering and accommodation	34,700,000	15,000,000	49,700,000	53,912,109	(4,212,109)
Academic services	54,700,000	3,500,000	58,200,000	28,373,989	29,826,011
Employee costs	453,755,000	42,661,000	496,416,000	595,899,874	(99,483,874)
Finance Charges	1,323,000	1,000	1,324,000	976,442	347,558
Purchase of ICT Infrastructure & Computers	11,636,000	(1,953,000)	9,683,000	8,963,980	719,020
Purchase of Furniture & Office Equipment	6,650,000	350,000	7,000,000	17,276,566	(10,276,566)
Purchase of Motor Vehicles	11,000,000	(6,000,000)	5,000,000	-	5,000,000
Total expenditure	747,964,000	86,162,412	834,126,412	880,086,103	(45,959,691)
Surplus/(deficit) for the period	-	29,641,996	29,641,996	(22,046,978)	40,230,407

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

The Public Sector Accounting Standards Board (PSASB) was established by the Public Finance Management Act (PFM) No. 18 of 24th July, 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February, 2014.

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the 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 – IPSAS 23

Revenue

The University recognizes revenues when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

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

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information – IPSAS 24

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

Statement of comparison of budget and actual amounts:

Recurrent Grants

- The Government had initially allocated the University Kshs.539,764,000.00 for the current financial year. A further Kshs.28,320,450.00 was allocated through the supplementary budget for FY 2013/2014 raising the annual capitation from Kshs.539,764,000.00 to Kshs.568,084,450.00. However the University has to refund Kshs.30,274,082.00 being excess funds received as part of accelerated capitation for purposes of implementing the 2010–2013 CBA resulting in net capitation of Kshs.537,810,000.00 for the financial year.

Tuition and other related fees

- The University had projected to collect Ksh.247,483,958.00 in the financial year, however the difference between the beginning and ending periods of academic and financial years caused the part of the forecasted amount to be pushed to year 2014/2015.

Administrative expenses

-The University acquired additional premises in Kitui and Machakos in anticipation of increased student numbers this led to an increase in cost of rent and utilities.

-Office supplies previously VAT exempt were brought within the VAT bracket leading to an increase in the cost of office supplies.

-Due to the delayed completion of the Katheka Water Project, the University continued to buy water from water service providers which are very costly.

Employee costs

-Following discussions and agreement with University Workers' Unions on the CBA 2010-2013, basic salaries were increased by 8.54%, 17.8093% and 27.8703% for 2010/2011, 2011/2012 and 2012/2013 respectively. The University paid the arrears in May 2014 and adopted new salaries in April 2014. Basic salaries and house allowances increased in course of the financial year.

Purchase of motor vehicle

-The University did not incur any cost on purchase of vehicles.

c) Property, plant and equipment – IPSAS 17

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

Depreciation is provided for at annual rates estimated to write off the assets over their expected useful lives.

The annual rates are:

Furniture & Equipment	-	15% on straight line basis
Motor vehicles	-	25% on straight line basis
Buildings	-	2% on straight line basis



Computers & Accessories - 25% on straight line basis

Software amortization

Amortization: Costs are to be amortized over the expected useful life of the system. The University typically uses five (5) years for major system implementation

The purpose of amortization is to allocate the costs of the system to the periods for which benefit from the system's service is derived. Amortization is to begin when the software is ready for its intended use and placed in-service (system of record), which is after all testing is substantially completed.

d) Research and development costs

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

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

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

e) Inventories – IPSAS 12

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

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

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

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

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

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

f) Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any



Reimbursement.

Contingent liabilities

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

Contingent assets

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

g) Changes in accounting policies and estimates – IPSAS 3

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

h) Foreign currency transactions – IPSAS 4

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

i) Cash and cash equivalents

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

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) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

l) Useful lives and residual values



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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

m) Related party disclosures– IPSAS 20

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Key management personnel-include all council and members of the Management Board of the University. Non-executive Council members are independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgement. The Chancellor and the Chairman of the University Council are paid monthly honoraria as per Government guidelines. Except for the Vice-Chancellor, members of the Council are paid sitting allowance for every meeting attended.

n) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
	Kshs	Kshs
3 Recurrent grants	537,810,368	471,400,000
This denotes money received from the Government to support recurrent expenditure of the University.		
4 Research grants		
IGAD-IWRM (Mnt Elgon)	1,335,692	2,003,276
Kenya climate change work group	85,775	1,431,567
Standard chartered bank of South Africa	1,871,692	3,152,487
IFS Project	-	1,001,610
MOHEST	2,521,260	507,158
Niche Project	7,502,015	1,119,000
NACOSTI Project	881,247	-
NACOSTI Project	283,000	1,094,000
FAS Project	1,433,456	-
EDULINK Project	2,019,852	-
Total research grants	17,933,989	10,309,098
Total revenue from non-exchange transactions	555,744,357	481,709,098
5 Tuition and other related fees	250,354,081	127,065,443
6 Financial income-external investment	-	158,699
7 Rental revenue income and other sources		
Transport Services	1,182,406	1,554,993
Farm Proceeds	874,212	313,165
Sale of Commercial Goods	2,000	21,389
Milk & Dairy Products	11,640	382,000
Sale of Silage and Fodder Crops	288,021	23,315
Photocopying Charges	33,711	292,486
Tender Fees	48,000	4,811,323
Library Fine	3,690	-
Rent Income	244,215	-
Miscellaneous Income	2,075,718	-
Graduation Fees	423,000	-
General Fines	229,590	-
Gift shop Sales	1,000	-
Gain on Foreign Exchange	26	-
Hire of Conference Facilities	187,920	-
Accommodation Receipts	998,100	-
Food Sales- IGA	4,143,285	-
Gain on Disposal of assets	8,515,000	-
Other Grants & Donations	343,000	-
Total rental income and other sources	19,604,535	7,398,672
8 Agency fees-research grants	828,132	628,235
9 Other income-		
Pay as you eat (PAYE)	30,913,646	21,553,703
Increase in net worth of biological assets	594,375	-
Total other income	31,508,021	21,553,703
Total revenue from exchange transactions	302,294,768	156,804,751

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
	Kshs	Kshs
10 Administration expenses		
Travelling and subs. staff	9,771,632	12,153,387
Passage & baggage and leave days	1,622,498	1,343,878
Transport expenses	12,812,185	19,294,906
Postage & courier services	130,727	208,608
General insurances - properties others	7,492,859	2,942,094
Electricity water expenses	34,718,457	14,830,973
Medical insurance cover & staff hospitalization expenses	24,566,130	10,107,447
Staff fees waiver	246,000	-
Students medical supplies	5,200	-
Student bursaries and RT Demco sponsorship	563,400	-
Student ID card expenses	120,000	-
Guest house & cafeteria expenses	2,109,578	-
External travel & accommodation	180,556	253,969
Staff training and development	314,397	543,860
Legal expenses -	4,966,094	8,669,373
Official entertainment conferences	533,853	517,411
University subscription to other bodies	148,671	-
Newspapers, journals videos	565,115	-
Internet and ICT infrastructure expense	4,067,596	8,587,931
Office expenses	7,228,723	9,069,639
Students union expenses	853,036	-
Board committees - Jab, Fac., dept & mgnt. meetings	977,140	-
Cleaning and Sanitary Services	1,903,342	-
Performance contracting	391,500	344,520
Telephone expenses	165,540	431,745
Farm expenses	184,969	567,312
Tax expense	47,760	-
Printing & publishing	-	2,664,916
Purchase of uniforms	236,050	760,600
Bank charges, commissions and errors	976,442	763,171
Donations- Kv police station	-	1,000,000
Staff seminar expenses & subscriptions	-	681,610
Total administrative expenses	117,899,451	95,737,349
11 Council expenses		
Sitting allowance	4,395,726	2,610,086
Travelling and accommodation allowances	2,639,965	1,044,034
Council training expenses	160,000	-
Honorarium	2,488,000	-
Others	-	1,566,052
Total council expenses	9,683,691	5,220,172

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
12 Repairs and maintenance, rents rates	Kshs	Kshs
Repairs and maintenance equipment machinery	2,793,666	5,002,770
Repairs and maintenance of motor vehicle	6,360,043	5,814,924
Repairs & Maintenance-water supply	-	-
Repairs and maintenance of buildings	10,394,809	-
Rent and rates	18,697,052	11,392,010
Total repairs and maintenance	38,245,570	22,209,704
	2013-2014	2012-2013
13 Marketing Expenses	Kshs	Kshs
Publicity recruitment expenses	6,863,716	8,328,895
Shows & exhibitions expenses	1,990,716	2,002,478
Total marketing expenses	8,854,432	10,331,373
14 Catering and accommodation	53,912,109	33,440,890
Catering and accommodation		
This is expenditure to cater for students' meals and accommodation at the University.		
15 Academic services		
Teaching materials expenses	1,599,228	3,976,273
Teaching practice & field attachment	268,386	-
Academic field trips	512,660	134,236
Sports expenses	3,474,025	2,509,075
Research expenses	13,871,554	9,992,471
Subsistence allowance - external examiners	1,438,148	1,999,336
Student activities	656,182	5,109,287
Library expenses	2,673,317	1,637,471
Graduation expenses	3,880,489	-
Total academic services	28,373,989	25,358,149

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
	Kshs	Kshs
16 Employee costs		
Basic pay	228,897,288	155,791,049
House allowances	127,567,479	104,646,402
Hardship allowance	6,597,752	5,597,505
Commuting allowance	32,961,211	26,396,772
Staff wages	26,265,517	28,861,612
Gratuity & pensions contributions	47,878,898	35,663,810
Other personal allowances	37,500,221	37,346,424
Teaching Claims - Part-time Lecturers	88,231,507	38,860,000
Total employee costs	595,899,874	433,163,575

NB: Teaching Claims - Part-time Lecturers previously categorized under academic services in FY 2012/2013 has now been transferred to be part of employee costs in FY 2013/2014.

17 Depreciation and amortization expense	43,983,598	41,866,871
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Prior years depreciation adjustment on motor vehicles

Change in depreciation rate on motor vehicles was approved by the University Council
In recognition of the poor status of the roads. This increased from 20% to 25% p.a on straight-line method.



17 Property, plant and equipment

Description	Land	Buildings	Furniture & equipment	Motor vehicles	Computer accessories	Work in Progress	Computer software	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2012	1,036,600,000	243,008,364	58,997,418	77,633,636	24,028,265	671,428,187	-	2,111,695,870
Additions	-	-	5,370,040	6,056,518	1,687,922	191,706,752	-	204,821,232
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	(10,737,105)	-	(10,737,105)
At 30 June 2013	1,036,600,000	243,008,364	64,367,458	83,690,154	25,716,187	852,397,834	-	2,305,779,997
Additions	-	-	17,276,566	-	5,717,980	109,688,339	3,246,000	135,928,885
Disposal	-	-	-	(10,722,101)	-	-	-	(10,722,101)
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 June 2014	1,036,600,000	243,008,364	81,644,024	72,968,053	31,434,167	962,086,173	3,246,000	2,430,986,781
Depreciation and impairment								
At 1 July 2012	-	(8,715,914)	(13,274,538)	(43,363,047)	(13,262,800)	-	-	(78,616,299)
Depreciation	-	(4,860,167)	(9,655,119)	(20,922,539)	(6,429,047)	-	-	(41,866,871)
Impairment	-	-	-	-	-	-	-	-
At 30 June 2013	-	(13,576,081)	(22,929,657)	(64,285,586)	(19,691,847)	-	-	(120,483,170)
Depreciation	-	(4,860,167)	(12,246,604)	(9,150,361)	(7,858,542)	-	-	(34,115,674)
Prior year adjustment on dep.	-	-	-	(9,867,924)	-	-	-	(9,867,924)
Sub total	-	-	-	-	-	-	-	(43,983,598)
Disposal	-	-	-	(13,364,077)	-	-	-	(13,364,077)
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 June 2014	-	(18,436,249)	(35,176,260)	(69,939,794)	(27,550,388)	-	-	(151,102,691)
Net book values								
At 30 June 2014	1,036,600,000	224,572,115	46,467,764	3,028,260	3,883,778	962,086,173	3,246,000	2,279,884,090
At 30 June 2013	1,036,600,000	229,432,283	41,437,801	19,404,569	6,024,340	852,397,834	-	2,185,296,827



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

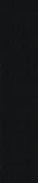
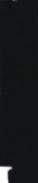
Work in progress includes	2013-2014	2012-2013
Contracted projects-GoK Funded	Kshs	Kshs
(i) Students hostel and kitchen-II	10,877,144	17,052,915
(ii) Students hostel and kitchen-III	4,205,251	67,447,464
(iii) Fencing Mtito Andei campus	1,644,967	-
(iv) Tuition and office block-II	51,460,878	36,548,606
(v) Research office & laboratories	-	8,824,191
(vi) Internal access road	11,376,000	283,986
(vii) Internal road improvement project	3,132,452	10,042,571
(viii) Water works	11,331,167	10,454,898
(ix) Ict cabling	-	2,518,000
(x) Street lighting	1,610,921	2,025,708
(xi) Sports ground	11,356,370	6,675,220
(xii) Guest house extension	-	3,084,440
(xiii) Transport yard	-	783,000
(xiv) Main gate	2,581,829	12,954,532
(xv) Graduation/sports pavilion	111,360	-
(xvi) University capital works	-	13,011,221
Total	109,688,339	191,706,752

18 Provision for audit fees	834,800	696,000
19 Cash and cash equivalents		
A/C No.0102152862000-Nbk-current collection	1,382,910	-
A/C No.0102153129200-Nbk devpt	19,718,415	-
A/C No.01020088710300-Nbk-payment	490,666	-
A/C No.0102153129100-Nbk -IGU	438,330	1,340,007
A/C No0102153302500-Nbk -research	1,726,474	697,319
A/C No.0302052862000-Nbk-uero	4,711,899	1,084,429
A/C No.0202052862000-Nbk- Us dollar	129,081	138,877
A/C:2021558152-Bbk fees collection	764,531	602,060
A/C:1127693166-Kcb fees collection	413,862	154,874
A/C:1129749126-Kcb-salaries account	6,177	7,177
A/C:0720295920757-Equity fees collection	2,644,206	3,482,178
A/C:01129300544600-Co-op fees collection	685,242	544,911
A/C:01020088710400-Nbk(Cas)	732,486	455,598
A/C:01120300515600 CAS-Co-op collection	332	
Un deposited funds	-	
Cash in hand	42,043	65,405
Total cash and cash equivalents	33,886,653	8,572,835
A/C No.0102152862000-Nbk-current collection	-	(11,763,043)
A/C No.0102153129200-Nbk devpt	-	(2,589,405)
Bank overdraft	-	(14,352,448)



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
	Kshs	Kshs
20 Receivables from exchange transactions		
Students debtors	52,925,044	11,826,900
General debtors	787,091	
Staff debtors	159,218	
Outstanding imprest	3,812,152	-
Other current assets	-	
Rent paid in advance	1,168,024	2,858,126
Insurance paid in advance	1,517,255	616,546
Total receivables from exchange transactions	60,368,785	15,301,572
21 Receivables from non-exchange transactions	39,709,381	34,166,667
Total receivables	100,078,166	49,468,238
22 Inventories		
Building materials (cement& others)	5,793,247	2,057,457
Stationery/consumables	0	716,541
Medical drugs	221,979	-
Farm inventory	105,321	
Food stuffs(catering and accommodation)	848,088	1,123,627
Total inventories	6,968,635	3,897,625
23 Biological assets		
Cattle	480,375	465,000
Goats	1,046,000	467,000
Donkey	10,000	10,000
Total biological assets	1,536,375	942,000



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014	2012-2013
	Kshs	Kshs
24 Trade and other payables from exchange transactions		
Suppliers	71,245,716	31,085,538
Certified constructions payable	60,206,617	96,017,383
Contractor's retention	19,721,058	34,072,221
Contractor's retention C/D 2012/2013	29,810,258	-
Commissioner of Domestic Taxes (Withholding Tax)	2,122,711	-
Other payables creditors	17,486,036	28,591,785
Pay as you earn	7,726,127	6,626,385
Payments due to part-timers	58,269,155	16,328,900
Student pre-paid fees	26,264,025	2,476,500
Outstanding salaries & wages	13,504,859	1,805,570
HELB-Loan	3,144,500	-
CDF- Constituency Development Fund	1,558,269	
Provision for audit fees	834,800	696,000
Un-identified direct banking's	3,389,992	-
Non- Registered Students Deposit Refunds	3,500	-
Total	315,287,625	217,700,283
25 Deferred research grants	8,400,645	-
This constitutes the un spent money on account of research projects		
26 Refundable deposits from customers-caution money	19,647,500	14,200,500
This a provision in recognition of money paid by students in account of caution money		
27 Revenue reserve		
This constitutes the accumulated surplus and deficits over the period the University has been in existence		
The figures are made up as follows		
Bal b/f	7,934,958	37,445,192
Deficit for the period	(39,648,388)	(29,510,234)
Bal c/f	(31,713,430)	7,934,958
28 Capital fund		
Bal b/f	1,527,269,335	1,570,146,910
GoK-Capital Grants Receipts	124,006,741	233,412,699
Adjustment on Main A/C balance	(7,264,497)	-
Transfer from capital fund	-	(276,290,274)
Bal c/f	1,644,011,579	1,527,269,335
29 Revaluation reserves		
This is a contra that arose following revaluation of the University assets for purpose of accounting.		
The University policy is to revalue assets after every five years.		



VII.

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

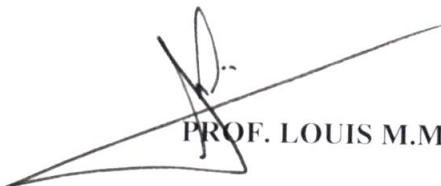
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Accuracy of the financial statements	An ERP system was procured in August 2013, this will generate automated financial statements and ledgers.	Mr. Lawrence Bokoro. Finance Officer.	Resolved	
2.0	Property, plant and equipment.	A progress report on the efforts the University Management has made to have parcels of land registered in the name of the University was provided.	Prof. Geoffrey M. Muluvi. Ph.D Vice Chancellor	Not Resolved	In progress
3.0	Prior year adjustments	This was an adjustment to capital funds arising from treating the GoK as a debtor and liquidation of short-term investment (call deposits) previously recognised through capital grants.	Mr. Lawrence Bokoro. Finance Officer.	Resolved	
4.0	Financial impropriety	An investigation instituted revealed that there was no financial impropriety, however lack of network and pin jam caused variation in dates of fuel consumption and recording in the work tickets.	Fuel Investigation Committee	Resolved	
5.0	Un supported expenditure	Supporting documents including vouchers, goods received notes were provided.	Mr. Lawrence Bokoro. Finance Officer.	Resolved	



PROF. GEOFFREY M. MULUVI, Ph.D

VICE-CHANCELLOR

Date..... 10/06/15



PROF. LOUIS M. MUMERA, Ph.D

CHAIRMAN OF COUNCIL

Date..... 10/06/15