

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid on the
Table of the House
by the Leader of
the Majority Party
on Tuesday,
16th October 2018.*

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYATTA UNIVERSITY**

**FOR THE YEAR
ENDED 30 JUNE 2017**

PARLIAMENT
OF KENYA
LIBRARY

A handwritten signature in blue ink, appearing to be 'J. M. O. O.', enclosed in a circular scribble.



KENYATTA UNIVERSITY

Annual Reports & Financial Statements

for the Year Ended

30th June 2017

Transforming Higher Education ...Enhancing Lives



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CORPORATE PHILOSOPHIES

OUR VISION

To be a dynamic, an inclusive and a competitive centre of excellence in teaching, learning and service to Humanity.

OUR MISSION

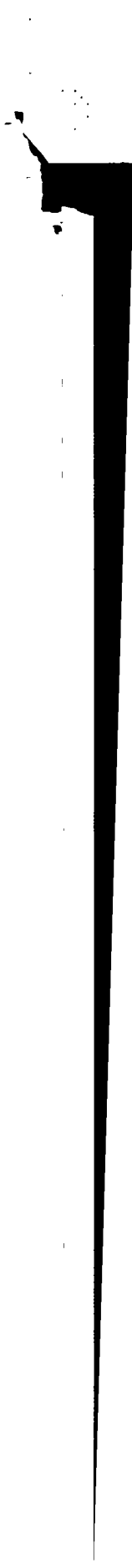
To provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

OUR IDENTITY

A community of scholars committed to the generation of knowledge and cultivation of wisdom for the welfare of society.

OUR PHILOSOPHY

Sensitivity and responsiveness to societal needs and the right of every person to knowledge.





I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

Kenyatta University is an international Public University based in Nairobi, Kenya. Its main campus is located 23 kilometers from the City Centre along Nairobi-Thika Super Highway. It is set on 1,105 acres of land providing a quiet and serene environment conducive to learning, research and intellectual growth.

Kenyatta University began its long journey to the attainment of University status in 1965 when the British Government handed over the Templer Barracks to the Kenya Government. These were converted into an institution of higher learning known as Kenyatta College. Following the Act of Parliament of 1970, Kenyatta College became a constituent College of the University of Nairobi. Consequently, the name changed from Kenyatta College to Kenyatta University College. Kenyatta University College admitted its first batch of 200 students in 1972 to pursue studies leading to the award of the Bachelor of Education of the University of Nairobi.

In July, 1978, the Government transferred the faculty of Education of the University of Nairobi to Kenyatta University College Campus. As a result, the College became the only institution training teachers at both undergraduate and postgraduate levels. The University status was achieved on August 23, 1985, when the Kenyatta University Act received presidential assent making the institution a full-fledged University. The Act became operational on September 1, 1985 and the University was inaugurated on December 17, 1985.

In December 2012, the Government of Kenya brought the governance and Management of all Universities under one umbrella through the enactment of the University Act 2012, which repealed the individual public University's Acts including the Kenyatta University Act 1985. Under the new Universities Act 2012, Kenyatta University was granted Charter on 1st March 2013.

Kenyatta University has over the years established new faculties and constituent Colleges. In this pursuit, Jomo Kenyatta University College of Agriculture and Technology became a constituent College of Kenyatta University and in 1988 a full-fledged University, Jomo Kenyatta University of Agriculture and Technology (JKUAT). In 2007, Pwani University College at Kilifi was established as a Constituent College. It became Pwani University, a full-fledged University in January 2013. Machakos University College established in 2009 also became a full-fledged University in 2016 Machakos University.

The University has 19 schools, these are;

1. School of Agriculture & Enterprise Development
2. School of Hospitality and Tourism
3. School of Engineering & Technology
4. School of Economics
5. School of Applied Human Sciences





I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

Background Information continued

6. School of Humanities & Social Sciences
7. School of Environmental Studies
8. School of Education
9. School of Business
10. School of Law
11. School of Pure & Applied Sciences
12. School of Medicine
13. School of Public Health
14. School of Visual & performing Arts
15. Digital School of Virtual & Open Learning
16. Graduate School
17. School of Architecture & the Built Environment
18. School of Creative, Film & Media Studies
19. School of Security, Diplomacy & Peace Studies

The University has established campuses at:

- Ruiru (2004),
- Parklands (2004),
- Mombasa (2007),
- Nairobi City Centre (2010),
- Nakuru (2010),
- Nyeri (2010),
- Kericho (2013) and
- Daadab (2014).

In Addition to the above campuses, Kenyatta University established Open Distance and e-Learning centres' in Mombasa, Nyeri, Embu, Parklands, Nakuru, Kisumu, Kakamega, Garissa, Marsabit and Kericho..



I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(b) Principal Activities

The principal activity/mission of the University is to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

(c) Key Management

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

- Vice-Chancellor
- Deputy Vice-Chancellors
- Registrars
- Chief Finance Officer

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 are as listed below;

No.	Designation	Name
1	Ag. Vice-Chancellor	Prof. Paul K. Wainaina
3	Deputy Vice-Chancellor (Administration)	Prof. Wangari Mwai
4	Deputy Vice-Chancellor (Academic)	Prof. John Okumu
5	Deputy Vice-Chancellor (Finance and Development)	Prof. Godfrey Mse
6	Deputy Vice-Chancellor (Research, Innovation and Outreach)	Prof. Fredrick Q. Gravenir.
7	Registrar (Administration)	Dr. Daniel Muindi
8	Registrar (Academic)	Dr. Andanje Mwisukha
9	Registrar (Finance and Development)	Dr. Nelson Karagu
10	Registrar (Research, Innovation and Outreach)	Prof. Vincent O. Onywera
11	Chief Finance Officer	Mr. Joseph I. Gitahi



I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(e) Fiduciary Oversight Arrangements

The governing organs of the University are:

The University Council;

The Council shall exercise prudent leadership, innovative enterprise, and good judgment in directing the University and shall always charter in the best interest of the University.

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.

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

The council shall review the viability and financial sustainability of the University, and shall do so at least once every year.

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

The Senate of the University;

The Senate shall have the following powers and duties:-

To satisfy itself regarding the content and academic standard of any course of study in respect of any degree, diploma, certificate or other award of the University;

To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;

To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;

To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;

To make regulations governing such other matters as are within its powers in accordance with the charter or the statutes.



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I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(e) Fiduciary Oversight Arrangements

The University Management Board:

The University Management Board shall assist the Vice-Chancellor in;

The management of urgent day-to-day academic, administrative, research, developmental and outreach issues;

The efficient management of the human, physical, and financial resources of the University;

Coordination of University and colleges strategic and development plans;

Make proposal to Senate and Council on issues that have University-wide application;

Receive proposals from different sectors of the University for recommendation for Council consideration;

The implementation of Council and Senate approved policies;

Any other matters related to the management of the University.



I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(f) University Headquarters

Kenyatta University
Thika Road, Nairobi
P. O. Box 43844- 00100
Nairobi.

(g) University Contacts

Telephone: +254 020 8710901-19
Fax: +254 020 8711573
Telex 25483 KenUnKen
Website: <http://www.ku.ac.ke>

(h) University Bankers

Co-operative Bank of Kenya Ltd.
Helasie Selassie Avenue
P.O. Box 48231 – 00100
Nairobi

National Bank of Kenya Ltd.
P. O. Box 41862 – 00100
Nairobi.

Kenya Commercial Bank Ltd
P. O. Box 30081
Nairobi.

Standard Chartered Bank Ltd.
P. O. Box 64355 - 00620
Nairobi.

Equity Bank Ltd
P.O. Box 75104 – 00200
NAIROBI

(i) Independent Auditors

Auditor General
Anniversary Towers
P.O. Box 30084 - 00100
GPO, Nairobi.

(j) Principal Legal Adviser

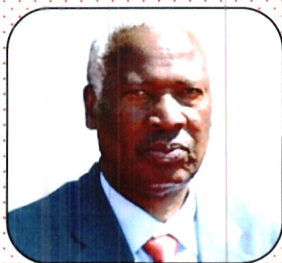
Lawrence Mungai and Advocates
P. O. Box 10130 - 00100
Nairobi.



II. MEMBERS OF THE UNIVERSITY COUNCIL

Chairman of the University Council

Prof. Ratemo Michieka, EBS, FKNAS.,
B.Sc., M.Ed. , Ph.D. (Rutgers Univ. USA),



Prof. Michieka (66) was the Chairman of Council Kenyatta University, having been appointed to the council on 7th February 2013 to 13th March 2017. He is also Professor of Weed Science and Environment at the University of Nairobi.

Prior to his appointment he held various prominent positions including Chairman KARI, Director General NEMA, Founding Vice-Chancellor Jomo Kenyatta University of Agriculture and Technology, Served as Chairman Inter-University Council, East Africa among others

Prof. Michieka is a distinguished alumni of Rutgers University

Prof. Shem E. Migot-Adholla Ph.D.,
B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



Prof. Adholla (67) is the Chairman of Council of Kenyatta University having been appointed to the council on 14th March 2017. He is a private consultant based in Nairobi, Kenya and works on issues including agriculture and rural development, migration, land policy reform, environmental management and rural health issues. He is currently a member of the Board of Directors of Equity Bank, Kenya and serves as Chairman of Equity Bank subsidiary in South Sudan Previously he held various positions including the Chairman of the Centre for Corporate Governance, Nairobi, served on the Board of Kenya Wildlife Trust

(KWT), a charitable fund based in Nairobi, served as Vice-Chairman of the Board of Directors of the Kenya Wildlife Service (KWS), a member of the Board of Directors, Housing Finance Company of Kenya, the Lead Specialist on Land Policy and Administration for Africa Region at the World Bank Headquarters, Washington, DC, and served (on secondment) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya, where he was responsible for formulation and implementation of agricultural and rural development policy as well as general oversight of one of the largest ministries in the country, including some 38 state corporations.

Earlier, he taught at the University of Nairobi, where he provided leadership in the Department of Sociology and was involved in research activities at the Institute for Development Studies (IDS)

AG. Vice-Chancellor

Prof. Paul K Wainaina Ph.D.,
B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



Prof. Wainaina (67) is the Acting Vice-Chancellor Kenyatta University, and is an ex-officio member of the University council, having been appointed as the Ag. Vice-Chancellor on 18th March 2016. He is also Professor of Philosophy of Education, Kenyatta University.

II. MEMBERS OF THE UNIVERSITY COUNCIL

Prior to his appointment he held various position including Deputy Vice(Administration) Kenyatta University, Professor of Philosophy of Education, University of Namibia, Professor of Philosophy of Education, Moi University among others. He is an alumni of University of Alberta, Canada

Member

Prof. Collete A. Suda,
M.Sc.; Ph. D. (Missouri -Columbia) FKNAS, ERS



Prof. Collete Suda is a member of Kenyatta University Council by virtue of being the Principal Secretary, State Department of Science and Technology in the Ministry of Education, Science and Technology.

Previously, she was the Secretary, Gender and Social Development, Ministry of Gender, Children and Social Development, Full Professor of Sociology, University of Nairobi, Director, Board of Common Undergraduate Studies from and Director, Institute of African studies, University of Nairobi.

Professor Suda studied at University of Missouri, Columbus for her post graduate Degrees and her doctoral Degree in Rural Sociology. She is a Fellow of Kenya National Academy of Science (FKNAS). She has been honored with an award of the Order of the Burning Spear (EBS)

Member

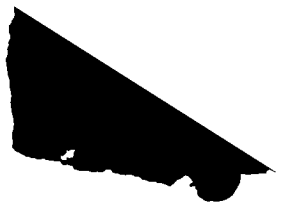
Dr. Kamau Thugge,
M.A. B.A. (Nairobi) B.A. (Colorado College) M.E. Ph.D. (Johns Hopkins)

Dr. Kamau Thugge (60) is a member of Kenyatta University council by virtue of being the Principal Secretary of National Treasury.



Dr. Thugge served as Treasury and Permanent Secretary of Kenya Reinsurance Corporation Ltd. He worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He also worked at the International Monetary Fund (IMF) in various capacities for over 21 years, both in the policy making Departments and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief. He is a career economist having served in various capacities in the Treasury and Central Bank.

He holds MA and BA degrees in Economics (University of Nairobi). Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado Collage, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA.





II. MEMBERS OF THE UNIVERSITY COUNCIL

Member

Dr. Violet Chesang, Ph. D. Linguistics (Egerton)



Dr. Chesang (40) is a member of Kenyatta University Council having been appointed on 22nd January 2013. She is a Communication Consultant, Sivan Africa Group, Anti-Counterfeit Agency, Ministry of Industrialisation and Consultant Editor at Kenya Year Book Editorial Board.

She served as a Lecturer, Department of linguistics and foreign languages, Moi University, Consultant Researcher, CDF Taskforce, Consultant Editor, KYEB and Editor, Sayare radio Station

She holds a PhD in Linguistics from Egerton University and a Master of Philosophy in Linguistics (M.Phil) from Moi University.

Member

Rev. Beatrice Musila, M.A. Counselling (NIST)



Rev Musila is a member of Kenyatta University Council having been appointed on 22nd January 2013 to 13th March 2017. She is the Lay Minister, Christ is the Answer Ministries (CITAM), Governing Council member; Nairobi International School of Theory (NIST), Director/manager, Mallbros Ltd

Former Woman's Counselor, Family Transformation Ministry, Counselor for Internally Displaced People (IDPS), Karura community, Counselor for Primary School Children and Primary School Teacher, at Hola, St. Michael, Kerugoya and DEB Muslim Primary School

Member

Prof. David Ngugi, Ph. D. Agronomy (Reading, UK); B.Sc. Agriculture, Hons. (Makerere U.)



Prof. Ngugi (75) is a member of Kenyatta University Council having been appointed on 22nd January 2013 to 13th March 2017. He is an Agronomist/Agroforester and is currently a Private Consultant.

He has had nineteen years of lecturing in higher institutions of learning, and twelve years of international experience in planning, implementing and monitoring agroforestry research in SADC region (Malawi, Tanzania, Zambia, Zimbabwe). He has served as a consultant to diverse international

organizations among them USAID, DFID, Rockefeller Foundation and ASARECA. He has a PhD in Agronomy from the University of Reading, UK and a B.Sc. in Agriculture (Hons.) from Makerere University, Uganda. He has widely published and serves in various Boards around the country.



II. MEMBERS OF THE UNIVERSITY COUNCIL

Member

Mr. Aggrey ole Murunga, B.A; M.A. (Nairobi University)



Mr. Murunga (70) is a member of Kenyatta University Council having been appointed on 22nd January 2013 to 13th March 2017. He is a successful businessman and farmer.

He is a former General Manager/CEO of the Coffee Board of Kenya and also former banker with the Development Finance Bank of Kenya Ltd. Prior to this he taught Economics at the University of Nairobi for few years in the Mid 1970s upon completion of his Master degree course.

He holds a Master Degree in Economics from the University of Nairobi.

Member

Ms. Flora Gado, M.Sc. Tourism Development (Surrey, UK)



Ms. Gado is a member of Kenyatta University Council having been appointed on 22nd January 2013 to 13th March 2017. She is also the Director for Boni House, a Homestay/Guest House for expatriates.

She has served as a Lecturer at Kenya Utalii College, Nairobi for about eight years.

She holds a Master of Science Degree in Tourism Development from the University of Surrey, UK.

Member

Dr. Margaret W. Njoroge , Ph.D in counseling Psychology (Egerton University)



Dr. Njoroge (50) is a member of Kenyatta University Council having been appointed on 14th march 2017. She is a Lecturer in the Department of Psychology at the Catholic University of Eastern Africa.

Previously she worked in other organizations like NGOs and learning institutions. These include among others, Mount Kenya University, The Presbyterian University of East Africa and Kenya Methodist University.

She holds a Ph.D. in Counseling Psychology from Egerton University, a Masters Degree in Counseling Psychology and a Bachelors Degree in Psychology (Counseling).

Member

Mr. Ahmed M. Ibrahim, B.A. (Brunel University), M.A. (University of East London)



Mr. Ahmed (48) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently the Chief Executive Officer at Tassia Integrated Academies Limited.

He previously worked in several international organizations including Islamic Relief World Wide, The Kenya Red Cross and The Inter-Continental Charity Organization based in London, United Kingdom.

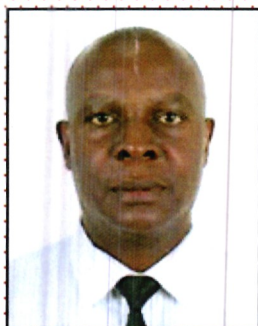


II. MEMBERS OF THE UNIVERSITY COUNCIL

Mr. Ahmed holds a Masters Degree in Arts (International Relations) from Brunel University, London and a Bachelors Degree in Arts (International Development) from the University of East London, UK.

Member

Mr. Eric K. Sila, B. Com., MBA (University of Nairobi)



Mr Sila (49) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently Deputy Director, Credit Risk at NIC Bank Kenya.

Mr. Sila is a professional banker with leadership skills in credit risk, management, credit administration and operational risk amongst others. Previously he was Head of Business Support and Corporate Recoveries (Corporate Credit) at Barclays Bank of Kenya.

He has international leadership experience having led teams in Corporate Credit and Business Support and Recoveries in Zambia, Uganda and Tanzania.

He holds Masters Degree in Business Administration (Strategic Management) and a Bachelors Degree in Commerce (Finance) from the University of Nairobi.

Member

Mr. Mugambi Nandi, B.L., MBA (University of Nairobi)



Mr. Nandi (46) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is an advocate of the High Court of Kenya, with many years' experience in corporate and commercial law. He is the Senior Partner at KN Law LLP, Advocates and Notaries Public, where he specializes in mergers and acquisitions, private equity, capital market transactions and energy law.

He has previously served as a Board Member of the Privatization Commission of Kenya, and currently sits on a number of boards,

including Communications Authority of Kenya, Mayfair Bank Limited (In formation) and Seriani Asset Managers Limited.

He holds a Bachelor of Laws Degree and a Master of Business Administration Degree from the University of Nairobi, and a Diploma in Financial Management certified by ACCA.



III. CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Chancellor

Mr. BENSON WAIREGI, E.B.S.,

B. Com. (Accounting), MBA (Nairobi), CPA (K.)



The Chancellor performs such functions and enjoy such powers, rights and privileges as provided for under section 38 of the Act and the statutes. The Chancellor ,from time to time, gives advice to the Council which the Chancellor considers necessary for the betterment of the University. The Chancellor have the right to take part in the formal and informal activities of the University.

Chairman of the University Council

PROF. RATEMO MICHEKA, EBS, FKNAS.,

B.Sc., M.Ed. , Ph.D. (Rutgers Univ. USA),



From 7th February 2013 to 13th March 2017
The Chairperson of Council chairs Council meetings and exercise the powers and privileges as provided for in the Universities Act, Kenyatta University Charter and the Statutes.

Prof. SHEM E. MIGOT-ADHOLLA, Ph.D.,

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



From 14th March 2017

AG. Vice – Chancellor

PROF. PAUL K. WAINAINA, Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



The Vice-Chancellor is the Chief Executive Officer of the University having the following powers and function:

- Is the academic, administrative and financial head of the University;
- Have the overall responsibility for the direction, organization, administration and programmes of the University;
- Is the accounting officer of the University.



III. CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Administration)

PROF. WANGARI MWAI, B.Ed. (Kenyatta), M.A. (Nairobi), Ph.D. (Maseno)



The Deputy Vice-Chancellor (Administration) is responsible to the Vice-Chancellor for all administration affairs including:

- Personnel issues in the University;
- Security issues;
- Catering services;
- Staff houses and accommodation;
- Legal issues;
- Health services;
- Transport services.

Deputy Vice Chancellor (Academic)

PROF. JOHN OKUMU, B.Ed., M.Sc. (Kenyatta), Ph.D. (Leeds)



The Deputy Vice-Chancellor (Academic) is the head of the Academic Division of the University and is responsible to the Vice-Chancellor and offers leadership, direction, organisation and administration of programmes of the Division.

Deputy Vice-Chancellor (Finance & Development)

PROF. GODFREY MSE, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)



The Deputy Vice-Chancellor (Finance and Development) is the head of the Finance and Development Division of the University with the following duties and functions:

- Preparation of estimates, allocation of funds, control of expenditure and financial accounting;
- Physical developments;
- Grounds and estates management;
- Procurement services.

Deputy Vice-Chancellor (Research, Innovation & Outreach)

PROF. FREDERICK Q. GRAVENIR, M.A. Ph.D. (Prague)



The Deputy Vice-Chancellor (Research, Innovation and Outreach) duties and functions include:

- Driving the University's research agenda in line with Country's Vision;
- Encourage research culture in the University;
- Institutionalise networking, collaboration research and outreach in the University;
- Encourage innovation and handle issues to do with intellectual property rights;
- Ensure dissemination of research findings.



III. CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Registrar Administration

DR. DANIEL M. MUINDI, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)



The Registrar (Administration) is the principal assistant to the Deputy Vice-Chancellor (Administration), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Administration).

Registrar Academic

DR. ANDANJE MWISUKHA, B.Ed., M.Ed., Ph.D. (Kenyatta)



The Registrar (Academic) is the principal assistant to the Deputy Vice-Chancellor (Academic), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Academic).

Registrar (Finance and Development)

DR. NELSON M. KARAGU B.Sc., M.A. Ed (Idaho), Ph.D. (Nairobi)



The Registrar (Finance and Development) is the principal assistant to the Deputy Vice-Chancellor (Finance and Development), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Finance and Development).

Registrar (Research, Innovation & Outreach)

DR. VINCENT ONYWERA, B.Ed., M.Ed., Ph.D. (Kenyatta), ISAK 2



The Registrar (Research, Innovation and Outreach) is the principal assistant to the Deputy Vice-Chancellor (Research, Innovation and Outreach), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Research, Innovation and Outreach).



III. CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Chief University Librarian

DR. GEORGE G. NJOROGE, Ph.D., (Nairobi)



The Chief University Librarian is responsible to the Vice-Chancellor and the Deputy Vice-Chancellor (Academic) for the leadership, management, organization, operation and utilization of University Library Services and maintaining high professional standards for all libraries within the University.

Chief Finance Officer

JOSEPH I. GITAHI, B.Sc., M.Sc.Org.Dev.(USIU), CPA (K), FA.



The Chief Finance Officer is the head of Finance Department and the technical officer responsible for financial strategy and policy matters. He is responsible to the Deputy Vice-Chancellor (Finance and Development) and work closely with the Vice-Chancellor as the chief accounting officer of the University. The Chief Finance Officer superintends and manages the finances and financial reporting obligations, and perform such other duties delegated or assigned to him by the Vice-Chancellor and Deputy Vice-Chancellor (Finance and Development).



IV. CHAIRMAN'S STATEMENT 30TH JUNE 2017



It is my Privilege to present the Annual Report and Financial Statement for the year ended 30th June 2017 for this great University.

It is my pleasure to report that the University recorded yet another year of strong performance in its effort to transform and attain world class status. The University's revenues maintained an upward trend in the recent past.

In its endeavor to provide quality education and training, the University entered into collaborations, signed MOUs (Memorandum of Understanding) and organized workshops with various stakeholders. In particular;

Kenyatta University hosted the 1st Biennial Conference whose theme was 'Quality University Research and Innovation'. The conference was graced by esteemed leaders and Vice-Chancellors from different regions of the country and the world.

The University hosted the 2016 Regional Centre of Expertise Conference for Greater Nairobi. The RCE is an undertaking of the United Nations University and the Institute of Advanced Studies (UNU-IAS) Programme on Education for Sustainable Development (ESD).

From 23rd to 26th August 2016, the University hosted the 2016 Society for the Advancement of Science in Africa (SASA) Conference. The theme of the Conference was "Advancing Africa's Sustainable Development through Science, Technology and Innovation".

Kenyatta University hosted the 2nd International Conference on Physical Activity and Sports for Health and Development in Africa (PASHDA) from 21st to 23rd September 2016.

The School of Agriculture and Enterprise Development (SAED) organized her second Biennial International Conference with the theme 'Enhancing Sustainable Agricultural Production and Marketing Systems through Science, Technology and Innovation,' from Tuesday 29th November to Friday 2nd December 2016.

In its endeavour to expand the teaching of Chinese Language and Culture, the CI plans to start "a Confucius Classroom" under its wings. In this regard a tentative MoU was signed with Rusinga School for the establishment of the first Confucius Classroom under Kenyatta University.

Kenyatta University researchers were trained at different forums on Research e-Infrastructure, from 14th to 19th October 2016. The trainings were facilitated by Kenya Education Network (KENET) in partnership with the KU Division of Research Innovation and Outreach.

The University became the first regional institution to host a National GIS Day. The event was held in collaboration with ESRI Eastern Africa at Kenyatta University on 16th November 2016.

Through the Department of Special Needs Education, the University co-hosted an International Conference on Communication Disability from 9th to 11th February 2017.



IV. CHAIRMAN'S STATEMENT 30TH JUNE 2017

On infrastructure;

The University continued with the construction of teaching facilities projects such as the Teaching, Research and Referral Hospital, School of Business, Applied Human Sciences Building, and the children hospital among others.

We will continue to work closely with the Government and other Collaborating partners to provide highly competitive and versatile graduates which the Country and Region need for sustainable development.

I take this opportunity to thank the Government of Kenya and all collaborating partners, both internal and external for their continued support.

Lastly I want to thank my fellow members of council, members of staff, and students for their tireless effort, team work and for achievements made in the year ended 30th June 2017.

A handwritten signature in blue ink, reading "S.E. Migot-Adholla".

Prof. Shem E. Migot-Adholla Ph.D.
Chairman, Kenyatta University Council



V. VICE-CHANCELLOR'S REPORT 30TH JUNE 2017



I am delighted to present the University's results for the year ended 30th June 2017. During the year under review the University remained focused on its mission to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

During the year, the University put in place the necessary Internal Controls on re-sources to ensure that we meet the targets of revenue collection and cost control.

The University held its 40th graduation ceremony on 15th July 2016 and its 41st Graduation Ceremony on 15th December 2016 at the main campus. The events saw 5,899 and over 6,000 graduates respectively conferred with various certificates, Diplomas and Degrees in respective disciplines.

Kenyatta University registered over 22,000 new students in the year 2016/2017 who were admitted to study at the Main Campus and other University Campuses.

Education, Training and Research

In the year 2016/2017, the University remained focused in provision of quality education and training;

Kenyatta University hosted the 1st Biennial Conference whose theme was 'Quality University Research and Innovation'. The conference was graced by esteemed leaders and Vice-Chancellors from different regions of the country and the world. I take this opportunity to appreciate guests for their support and participation in the Biennial conference and urged participants to utilize the opportunity of the Biennial Conference to learn more and come up with solutions to solve the problems and hindrances affecting the state of Higher Education.

Kenyatta University hosted the 2016 Regional Centre of Expertise Conference for Greater Nairobi. The RCE is an undertaking of the United Nations University and the Institute of Advanced Studies (UNU-IAS) Programme on Education for Sustainable Development (ESD). RCE was launched on 9th July 2007 with an aim to mobilize stakeholders for sustainable development and promote the role of ESD in achieving the SDGs at local and regional levels. Some of its stakeholders include National Environment Management Authority (NEMA), Government Institutions, Universities, Kenya Organization for Environmental Education (KOEE), Umande Trust, UNESCO, UNEP and UN-Habitat. RCEGN's goal is to promote public awareness, education and training and to build the capacity of Greater Nairobi community to achieve sustainable development.

Kenyatta University hosted the 2016 Society for the Advancement of Science in Africa (SASA) Conference from 23rd to 26th August 2016. The theme of the Conference was "Advancing Africa's Sustainable Development through Science, Technology and Innovation". SASA seeks to advance science, improve health, economic social development on the African continent. The conference attracted participants from Europe, Canada, West Africa, South Africa and Eastern Africa, where internationally recognized authorities presented their viewpoints within discussion panels, and several sub-sessions and poster sessions. Over 80 scientific papers were presented at the conference.



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The first ever Africa Innovation Festival was held at Kenyatta University, Environment and Natural Resources Cabinet Secretary, Prof. Judi Wakhungu, who was the Chief Guest urged young people to look at the business opportunities presented, but remember to help conserve and protect the environment while financially empowering themselves. The three-day Innovation Festival attracted exhibitors and inventors who were showcasing manufactured products that focus on energy conservation and create business opportunities. The Innovation Festival is a project of the Kenyatta University Chandaria Business Innovation and Incubation Centre and it attracted exhibitors and participants from around the country. The University supports innovation and technology; and champions innovative ideas by participating actively in such forums. I emphasize on the need to develop Innovations that will help deal with climatic change.

Kenyatta University hosted the 2nd International Conference on Physical Activity and Sports for Health and Development in Africa (PASHDA) from 21st to 23rd September 2016. The conference was graced by leaders, guests and representatives from different countries in Africa. Kenyatta University excels in sports, and was ranked first position in Sports Development. I confirm the commitment of the University Management to support sports development and physical education through various ways, for instance: the establishment of sports facilities, and the awarding of scholarships, to deserving sports persons

The School of Agriculture and Enterprise Development (SAED) organized her second Biennial International Conference with the theme 'Enhancing Sustainable Agricultural Production and Marketing Systems through Science, Technology and Innovation,' from Tuesday 29th November to Friday 2nd December 2016. The conference brought together an estimated 300 Agricultural Scientists and numerous distinguished participants from around the world. The conference was aimed at creating lucrative opportunities for upcoming Agricultural Scientists and entrepreneurs who will get a platform to share their research breakthroughs, findings and experiences in agribusiness. The international conference helped to enhance sustainable crop and livestock production and marketing systems and add to the understanding on the importance of enhancing agricultural productivity on economic development.

In its endeavour to expand the teaching of Chinese Language and Culture, the CI plans to start "a Confucius Classroom" under its wings. In this regard a tentative MoU was signed with Rusinga School for the establishment of the first Confucius Classroom under Kenyatta University. This MoU is part of the process of approval by CI Headquarters, Hanban. After the necessary applications were completed and submitted, the formal approval for the classroom was granted in November 2016.

The KU Confucius Institute was privileged to host a number of distinguished guests who included Prof. Wang Chongjie – University Secretary, Shandong Jianzhu University, who visited Kenyatta University on 2nd December 2016. The major outcome of the visit was a planned exchange visit to their University in 2017 and the offer by the University Secretary to grant a Masters scholarship to one engineering student to study engineering at Shandong Jianzhu University upon completion of his undergraduate course. An MoU was also signed to pave way for further collaborations that would be outlined in detailed MoAs later.



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Kenyatta University researchers were trained at different forums on Research e-Infrastructure, from 14th to 19th October 2016. The trainings were facilitated by Kenya Education Network (KENET) in partnership with the KU Division of Research Innovation and Outreach. The half-day trainings aimed at creating awareness of the advanced global e-infra structures available to Kenyan Researchers whose institutions are linked to KENET network.

In attendance were Deans, Chairmen of Departments, and research champions representing each teaching department at Kenyatta University.

Kenyatta University, in collaboration with Alliance for a Green Revolution in Africa (AGRA) set up the Soil Science Laboratory. The aim was to contribute to capacity building for Agricultural development in Integrated Soil Fertility Management (ISFM) in sub-Saharan Africa by strengthening research facilities in selected universities so that they can offer the best training possible in Africa in soil health, to produce a new generation of soil scientists and agronomists. The Soil Science Lab was hosted by the Department of Agricultural Resource Management, Kenyatta University

Kenyatta University became the first regional institution to host a National GIS Day. The event was held in collaboration with ESRI Eastern Africa at Kenyatta University on 16th November 2016. The GIS Day is usually held at institutional or individual level to showcase the use of GIS Technology to communities and neighbourhoods. The University has witnessed greater involvement and competition amongst the students both within and across Universities on matters GIS over the last one year. The enthusiasm among the students was driving development of better infrastructure in the University to meet demand and to help the students conduct research better and address the many problems facing the country and indeed the world. The passion showcased by the students also helps them to leverage the GIS knowledge to address the Sustainable Development Goals.

Kenyatta University, through the Department of Special Needs Education, co-hosted an International Conference on Communication Disability from 9th to 11th February 2017. The event was hosted in partnership with the association of Speech and Language Therapists of Kenya, University of Leibniz-Hannover and sponsored by the Starkey Hearing Foundation. The three-day international conference brought together local, regional and international participants who shared their knowledge and research findings, creating a community of scholars dedicated to the generation and dissemination of knowledge on communication disability. People with disabilities in general, and specifically those with communication disabilities in Africa, are too often left without the basic services and equipment they need. They are denied the chance to work and study; and to take advantage of opportunities to live their life to the fullest. More often, they are discriminated against, shut out and isolated due to ignorance and prejudice

On 1st February 2017, the Francophone Digital Centre (Campus Numérique Francophone partenaire) was commissioned in Kenyatta University by the Director of the Association of Francophone Universities (Agence Universitaire de la Francophonie or AUF) – Indian Ocean Region, Mr. Phillipe Bataille and members of the University Management. Indeed, the Digital Centre, which will be used for both in-house and distance training as well as research, is a result of a partnership agreement between Kenyatta University and the AUF dating back to 2013. It is equipped with the state-of-the-art ICT equipment including teleconference facilities.



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The Agence Universitaire de la Francophonie is an association that brings together about 800 institutions of higher learning and research in more than 100 countries in the world. With the commissioning of the Digital Centre, Kenyatta University is proud and privileged to be part of this association. It is worth noting that Kenyatta University is the first University in English speaking Eastern Africa region to become a member.

Kenyatta University hosted the first Society for the Advancement of Science in Africa (SASA) Award Ceremony to celebrate young researchers' enthusiasm, commitment and absolute determination to disseminate their research findings. These awards followed presentations made during the 2016 SASA Conference hosted by Kenyatta University. SASA is a not-for-profit international association of scientists, academic institutions, research institutions, government agencies, philanthropists and funding agencies that serve to advocate, educate, lead and guide advancement of science on the African continent; and link such advancement with the wider global scientific knowledge society. At Kenyatta University a lot of emphasis is put on research and it features prominently in the University's Strategic Plan. I take this opportunity to applaud this initiative by SASA to facilitate the advancement of research and encourage the possibility of incorporating other stakeholders, such as funding organizations and the Government, into this noble initiative; and encourage members of staff to become members of SASA. Students should be recognized for what they do as well as the potential of what they can do as this boosts their confidence and enthusiasm towards research. I congratulate the organizers of the event and express appreciation to the SASA Management and the entire SASA Conference Organizing Committee for giving young researchers an opportunity to objectify their research findings; and for going the extra mile of awarding them

On infrastructure;

To facilitate increased access to University education to Kenyans, the University planned for and embarked on projects to increase and diversify programmes. During the year 2016/2017, the following projects were ongoing Teaching, Research and Referral Hospital, School of Business, Applied Human Sciences Building, and the children hospital among others

Students Welfare

Kenyatta University has launched a Mobile Application that enables students to contact the security office if they are in danger and it also provides them access to attachment opportunities. They can also use the application to register for classes. The app is the first of its kind to be adopted by a university. It was the brainchild of Kevin Mwangi, a second year Engineering student, who worked with a team of six Kenyatta University staff members. The project was supervised by KU Online Communications Manager, Dr. Reuben Njuguna. It took close to one year to set up. Among the key features of the app is that it will allow instant communication to a large number of students at a go. The App also has news and events panel that informs users of what is happening in the University, including important University or student-based meetings and conferences. The App allows for easier access to the University's online content including students' portal, corporate email, Eduroam (the KU Wi-Fi) and information on accommodation.



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Another key feature about the app is a link that offers security information including tips, a list of hotlines and emergency numbers. Students can send an instant message to the KU Security office if they are in danger. The App has a careers feature which enables students to access job and attachment opportunities from the KU Careers and Placement Office. The Chief Guest at the launch was the Chairman of the Communications Authority of Kenya, Mr. Ngene Gituku.

Achievements

The Post Modern Library emerged position one in this year's Matkaba Awards (Kenya Library of the Year Awards), during the finals held on 30th September 2016 at the National Museums of Kenya. The awards recognize excellence in the provision of library and information services in Kenya. Kenyatta University Post Modern Library emerged position one in the Academic Libraries Category. The library received a Certificate of Excellence, a Trophy, Bankers cheque worth Kshs. 60,000.00 and two hundred library books from Book Aid International. The 7th Edition of the Maktaba Awards were organized by the Goethe-Institute, the Kenya Library Association, the Jomo Kenyatta Foundation, the Ministry of Sports, Culture and the Arts, in cooperation with several other partners

Kenyatta University has won the prestigious COG Award (Education Sector), in 2016, for the second time in a row. The Education Sector Award was introduced in 2015 and won by KU. The COG Award is a very thorough governance assessment that includes due diligence from regulators like the Ethics and Anti-Corruption Commission (EACC). The Institute of Certified Public Secretaries of Kenya (ICPSK) in the year 2010 inaugurated an Award for excellence in governance, titled the "ICPSK Champions of Governance (COG) Award". The Award, which is now in its seventh edition, aims at recognizing institutions and individuals that exhibit the highest standards of practice of good governance.

The Kenyatta University team that participated in the 2017 National Drama Festival scooped the first prize, with a total of 72 awards, 32 trophies and a Canon camera. Following this impressive achievement, a trophies handing over ceremony was conducted on 25th May 2017. I congratulate the team for their commendable performance noting that such a harvest needs to be recognized and celebrated. I am proud to be associated with the team's exemplary achievement and to be part of the tradition of excellence at Kenyatta University. 'We are recognized as a university that lays great premium on and excels in the performing arts.

Other Activities;

The Principal Secretary (Higher Education, Science and Technology) Prof. Collete A. Suda was taken on a tour of the extensive KU Teaching, Research and Referral Hospital (KUTRRH), a vision 2030 project to inspect the work so far. With her was Kenyatta University Acting Vice-Chancellor, Prof. Paul K. Wainaina, members of the University Management and representatives from China Jiangsu International, the main project contractor. The PS promised to make another visit before the end of the year and urged the contractor to speed up work towards completion of the hospital. When completed, the KUTRRH will be one of the best referral hospitals in Kenya, and indeed in the East African region. The hospital will have in place cutting-edge and world class medical technology, with the



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The hospital will have in place cutting-edge and world class medical technology, with the most modern diagnostic and treatment machines that match hospitals in the developed world. There will no longer be a reason for patients to spend huge amounts of money seeking treatment abroad.

Kenyatta University held a successful Silver Jubilee celebration of Culture Week festivities from 30th October 2016 to 6th November 2016. The celebrations kicked off with an Interfaith Gospel Extravaganza on Sunday 30th October 2016, where participants from different faiths congregated for prayers and a gospel concert.

The Official Opening Ceremony took place on Tuesday 1st November 2016 at the Bishop Square, Main Campus. The event was graced by the Chairman, National Cohesion and Integration Commission, Hon. Francis Xavier ole Kaparo. The ceremony featured electrifying performances from various local, regional and international groups. It also served as an occasion where various diverse cultures were showcased under the theme; 'Celebrating 25 years of Cultural Convergence: Our Origin, Our Life, Our Legacy'. The Grand Finale celebration was held on Sunday 6th November 2016 in the University Amphitheatre. The event was graced by the High Commissioner, Embassy of India in Nairobi, H.E. Mrs. Suchitra Durai. Kenyatta University Culture Week celebrations have become a valued customary event featuring prominently on the University calendar as part of a cultivated institutional identity. This has continued to provide an opportunity for showcasing with great pride, our country's diverse culture and values as an institution.

A ceremony for staff to celebrate the end of 2016 was held on Wednesday 22nd December 2016 at the University Amphitheatre. The ceremony which was marked with song and dance also provided a perfect platform for staff to interact. Forty nine (49) members of staff who are scheduled to retire on 30th June 2017 were also honoured during the ceremony.

Kenyatta University hosted an International Conference on Reproductive Health themed 'Ending Obstetric Fistula in a Generation'. The conference aimed to identify gaps, disseminate study results, share best practices on approaches to end obstetric fistula and formulate a Call to Action. The stakeholders of the conference were drawn from academia, national and county governments, obstetric fistula surgeons, non-governmental actors and affected communities, including the champions. The First Lady of the Republic of Kenya, H.E. Margaret Kenyatta officially opened the conference on Tuesday 23rd May 2016 at the University Amphitheatre. The First Lady thanked Kenyatta University for hosting the event, and acknowledged the participants for coming together to raise awareness, and commit to actions that will accelerate a united call to end obstetric fistula this decade.

The 10th Kenyatta University Council was appointed on 14th March, 2017 through Kenya Gazette. On 17th March, 2017, the University Management organized a hand over ceremony held at the University Council Boardroom whereby the outgoing Chairman of Council, Prof. Ratemo Michieka handed over the instruments of power to the newly appointed Chairman Prof. Shem E. Migot-Adholla.

On 31st March, 2017, the newly appointed members of Kenyatta University Council met for inauguration. The new board attended a retreat for induction on 21st and 22nd April, 2017 at North Coast Beach Hotel.



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Appreciation

In conclusion, I take this opportunity to convey my appreciation and gratitude to the University Council, Management and all members of staff for their commitment to work and their timeliness and splendid effort that have seen Kenyatta University move towards its goal of becoming a world-class University.

Finally, I would like to thank the Government, Local and International Donors, Suppliers and Service providers for their trust, guidance and continued co-operation.

Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR



VI. CORPORATE GOVERNANCE STATEMENT

Introduction

The statement outlines the key aspects of the University's corporate governance framework. Corporate governance is the process by which the University is directed, controlled and held to account. It provides the structure through which the strategic objectives of the University are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between the University Council, Senate, Management Board, Regulators and all Stakeholders.

The University in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its vision, mission, and core values for sustainability of the University.

The governing organs of the University are:

- (i) The University Council;
- (ii) The Senate of the University;
- (iii) The University Management Board.

(i) The University Council

Council Charter

The Council is guided by the Council Charter which defines the governance guidelines within which the Council exists and operates. It clearly states the respective roles, responsibilities and authorities of the Council and its Committees.

Council Appointment and Composition

In accordance with the Universities Act No. 42 of 2012, clause 36(1) the Council consists of nine persons appointed by the Cabinet Secretary for a period of three years and who are eligible for re-appointment for a further one term. The persons are as follows:

- The Chairperson
- Principal Secretary, Ministry of Education
- Principal Secretary, Ministry of Finance and The National Treasury
- Five members appointed by the Cabinet Secretary
- The Vice-Chancellor who is an ex-officio member of the Council.

The University Charter (Clause 17) requires that the members of the Council at the first meeting after their appointment determine by lot which of their number shall vacate office after a period of three and four years respectively.

Council Diversity

The Council members possess a broad range of skills, expertise, experience and knowledge essential to undertake the University's mandate. The areas of expertise of the current Council members include Sociology, economics, Linguistics, Counseling Psychology, International relations, Business Administration, Finance and Law among others. 9 to 13 of this Annual Report.

The University endeavors to and remains compliant with the one third (1/3) gender balance.

Separation of Powers and Duties

The Chairman of Council's responsibilities include the operation, leadership and governance of the Council, ensuring its effectiveness and setting its agenda. The Vice-Chancellor's role and responsibilities include the day-to-day management of the University's business and overseeing the implementation of strategies and policies approved by the Council. This is clearly stipulated in the University Statutes.



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Powers and Functions of the Council

The powers and functions of the Council include:

- To make new or additional Statutes, alter, amend or revoke existing Statutes in consultation with the Senate;
- To establish such standing or other committees with membership and with such terms of reference as it may deem fit;
- To make regulations in accordance with the Charter for any purpose in respect of which regulations may be made, provided that no regulations shall be made until Senate has had an opportunity of reporting thereon;
- To provide the land, building, premises, furniture and equipment, including specialized scientific equipments, vehicles, machinery, facilities and other means required for carrying out the work of the University;
- To determine method of recruitment, appointment and promotion of all staff of the University;
- To make the appointments authorized by the Charter and the Statutes and to determine the terms and conditions of service for all staff of the University;
- To provide for the welfare of every person in the employment of the University;
- To establish, confirm, abolish or hold in suspense any professorship, lectureship or other academic, as well as other senior administrative posts in consultation with the Senate;
- To confer, after report from Senate, the title of Professor Emeritus, Adjunct Professor, Adjunct Faculty and other senior staff;
- To receive, consider and approve from University Management Board estimates of expenditure required to carry out the work of the University and to provide the requisite in so far as the estimates are approved and accepted by the Council;
- To provide control and regulate the finances of the University as the Council may provide in the Statutes or Regulations from time to time;
- To control, manage and regulate accounts, investment property and all the business affairs of the University and for that purpose appoint bankers, auditors, lawyers or any other agent as the Council may deem necessary from time to time;
- To promote and make financial provisions and facilities for research within the University;
- To determine, after considering the recommendations of Senate, all fees payable to the University;
- To invest any moneys belonging to the University including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time think fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rent and subject to the Charter with the power of varying such investment from time to time by sale or re-investment or otherwise;
- To sell, buy, exchange, lease, grants or take on lease moveable and immovable property on behalf of the University, pursuant to section 17 of the Charter;



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- To borrow money on behalf of the University, and for that purpose and subject to the Charter, to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;
- To enter into, vary, carry out or terminate contracts on behalf of the University;
- To select a Seal, Arms and Mace for the University and to have the sole custody and use of the Seal;
- To provide by Statutes for the creation of new Colleges, Campuses, Schools, Departments, Directorates, Institutes, Centres or other bodies of learning and research in the University and for the abolition from time to time of any such bodies, and to approve the establishment, abolition or sub-division of any such bodies on the recommendation of Senate;
- To institute, on the recommendation of Senate, donors' fellowships, studentships, exhibitions, bursaries, prizes and other aids to study and research where appropriate and upon conditions acceptable to the Council;
- To determine the terms and conditions upon which Internal and External Examiners shall be appointed by the Senate;
- To consider and give effect to reports from Senate on those matters upon which Senate is authorized or required to make by the Statute;
- To exercise powers of removal from office for good cause of any officer or staff member and other disciplinary controls in the University;
- May empower any of its committee to act jointly with any committee appointed by the Senate, provided that the Council shall not delegate to the Chairperson or to a committee the powers to approve without further reference to the Council the annual Estimates of Expenditure;
- May refer any financial matters affecting the academic policy of the University to the Senate for advice;
- Shall determine the method and condition of appointment and promotion, terms of service and remuneration of all staff of the University;
- Shall authorize or control the establishment and disestablishment of Campuses, Colleges, Schools, Departments, Directorates, Institutes, Bureau, Units and Centres;
- Shall authorize or control the establishment and disestablishment of academic, library, administrative, technical, secretarial and all other posts in the University necessary for the proper functioning of the University;
- Shall control the appointment of any other persons working for the University, pay hon-oraria, fees and other remuneration as the Council may determine from time to time.

Meetings of the Council

While the Council is responsible for its agenda, it is the responsibility of the Chairperson and the Council Secretariat working closely with the Vice-Chancellor, to come up with the Annual Council Work Plan and Agenda for the Council meetings.

The Council Work Plan together with the calendar of meetings for the Financial Year 2016/2017 was fixed in advance and provided to all Council members. The agenda and supporting papers were distributed in advance to all members of the Council and its Committee's.



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Unless the Council otherwise determines, meetings of the Council are held at least four times in each calendar year at such a place and time as the Chairperson may determine.

At all meetings of the Council, a quorum is the nearest whole number above half the membership of the Council.

Where consensus is not achieved, decisions of the Council may be by a simple majority vote of those present and voting, provided that the chairperson of the council shall have a casting vote in case of an equality of votes.

The Chairperson may at any time call a meeting of the Council within twenty eight (28) days of receiving request for that purpose addressed to him and signed by at least a half of the membership of Council.

Councils' Effectiveness

In order to ensure that the Council members are effective in their contribution to the management of the University, it is important that they develop good understanding of the University and its operations.

Council members undergo regular training to enable them to fulfill their responsibilities. In the year 2016/2017 the University conducted an induction training for the new Council from 20th April to 22nd April 2017.

The University has also developed a comprehensive induction program and inducts all new board members.

Evaluation

The Council has put in place evaluation system to ensure that the Council achieves their objective. In the year under review, no evaluation was done due to change of management and University Council evaluation will be done in the next Financial Year.

Council Committees

The University has a total of eight committees whose chairperson reports to the main Council and assists in executing the mandate of the Council and by extension, the University.

I. Finance, Building and Development Committee:

Membership

- Council Member - Chairperson
- Vice-Chancellor
- Principal Secretary Ministry of Education
- Principal Secretary, Ministry of Finance & National Treasury
- One Council Member
- In attendance Principal Secretary, Ministry for Works, Housing & physical Planning



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Terms of Reference

- To receive, consider and submit the proposed budget estimates from the relevant sectors for approval by Council.
- To control the banking and investment operations of the Council and to make provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University.
- To control all the expenditure of the University under approved Annual Estimates.
- To receive and consider all requests for authorization of expenditure more than the approved Annual Estimate and make recommendation to Council.
- To prepare University Development Plan for an approved period and submit to Council
- To consider and propose fees and other rates to the Council.
- To keep under review approved development programmes and to ascertain that the objectives of the University are being achieved and to make recommendations thereon to Council.
- To report to Council all matters related to finance and development.
- To ensure that accurate records are kept on the establishments in the University.
- To exercise such powers as the Council may from time to time delegate to the Committee

II. Terms and Conditions of Service Committee

Membership

- Council Member - Chairperson
- One Council Member
- Vice-Chancellor
- Principal Secretary Ministry of Education
- Principal Secretary Ministry of Finance & National Treasury

Terms of Reference

- To determine and review terms and conditions of service of all staff in the University



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- To considerations of service of all staff in the University.
- To consider proposals of terms and conditions of service made by staff union through the University Management Board.

III. Appointment and Promotion for Associate Professors, Professors and Equivalent Grades Committee

Membership

- Chairman of Council – Chairperson
- One Council Member
- Vice-Chancellor

Terms of Reference

- The Committee is responsible to the Council for the appointments and promotions of Associates Professors, Professors and Equivalent grades as may be determined by the Council.

IV. Disciplinary Board for Staff Committee

Disciplinary Board for Senior Staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades)

Membership

- Vice-Chancellor – Chairperson
- One Member of Council

Terms of Reference

- The committee is responsible to the Council for the discipline, suspension and removal from service of all senior staff (Grades A-F, Graduate Assistants to professor and equivalent grades) as may be determined by the Council.

V. Staff Appeals Board Committee

Membership

- Chairman of Council – Chairperson
- Vice-Chancellor
- Two Members of Council

Terms of Reference

- To consider and determine appeals from individual members of staff against decisions in relation to their discipline from both the junior and the senior Board of discipline.



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VI. Honorary Degrees Committee

Membership

- Vice-Chancellor - Chairperson
- Chairperson of Council
- One Member of Council

Terms of Reference

- To receive and consider nomination from the various Boards of Schools and Institutes for the award (s) of honorary degree and fellowships.
- To recommend to the Senate persons deemed fit for the award of honorary degrees.

VII. Sealing Committee

Membership

- Chairperson of Council - Chairperson
- Vice-Chancellor
- One Member of Council

Terms of Reference

- To receive, verify and seal certificates before they are issued to graduands.

VIII. Audit Committee

Membership

- One Member of Council - Chairperson
- Principal Secretary Ministry of Education
- One Member of Council

Terms of Reference

- Evaluating adequacy of management procedure with regard to issues relating to risk management, control and governance
- Reviewing and approving the audit charter where applicable and internal audit annual work plan.
- Reviewing internal and external audit finding and recommendations and proposing corrective and preventive action where necessary.
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- Initiating special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer/Chief Executive Officer.



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Council Remuneration

The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chancellor and the Chairman of Council receives a honoraria on a monthly basis as indicated in Note 10 of the Financial Statements.

Council allowances are based on approved rates and guidance provided in Government Circulars

Conflict of Interest

The Council members are obligated to fully disclose to the Council any real or potential conflict of interest, which comes to any Council member's attention, whether direct or indirect. At any meeting the Council members are expected to make a declaration of any interest they may have in the business under discussion. In the financial year under review, there were no transactions with any of the Council members or their related parties.

Code of Conduct and Ethics

The University has a code of conduct and ethics policy that binds the Council members, management and employees. When joining the University, every employee is provided with a copy of the code of conduct and ethics policy and must commit to abide by its requirements as part of the employment contract with the University.

Whistle Blowing Policy

This is provided for in Kenyatta University Anti-Corruption Policy Clause 17. Which states that the University undertakes to protect the identity of persons making corruption disclosures and the information provide therein shall be handled in utmost confidentiality. Allegations that are false and made with malicious intent are discouraged. Where such malicious or allegations are discovered, the person who made the allegation shall be subjected to disciplinary action.

Risk Management and Internal Controls

The University Council is responsible for the University system of risk management and internal control, which is designed to identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

The Council has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit Committee. Details in relation to the Audit Committee's work in this regard are set out in the University Statutes.

The Vice-Chancellor is responsible for implementing the system, including a system of internal controls and audits, to identify and manage risks that are material to the University. Independent review of the risk management framework is carried out through the University Internal Audit function that carries out risk based internal audit on regular basis.

The University has an in-house legal officer and has appointed advocates to advice on litigation risks. The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The University Council through its Audit Committee receives regular reports during the year on internal controls and risks.





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The University's Key Risks include:

1. Strategic/Commercial Risks
2. Economical/Financial/Market Risks
3. Legal and Regulatory Risks
4. Organization/Management/Human Factor Risks
5. Political Risks
6. Environmental Risks
7. Technical/Operational/Infrastructure Risks

Compliance

The Council operates in a manner reflecting the University's values and in accordance with the Corporate Guidance, the University Act, University Charter, University Statutes, Council Charter, Mwongozo and all other applicable regulations.

The Council is committed to ensuring that it complies with all applicable laws and regulations

Governance Audit

The University participated in the Champions of Governance Award and took the first position in the Education Institutions' category during the champions of Governance Awards Gala night organized by the Institute of Certified Public Secretaries of Kenya.

Stakeholders

Stakeholders may be categorized, on the basis of location, into internal and external. Internal stakeholders include those inside an organization. These include students and employees. On the other hand, external stakeholders are based outside the organization, but have implications for survival of the organization. These include customers, suppliers, government agencies, development partners, local communities, alumni, external examiners and trade unions.

Going Concern

The Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Conclusion

The Council recognizes that practices and procedures can always be improved. Accordingly, the corporate governance framework of the University is kept under review to take account of changing standards and regulations.





VI. CORPORATE GOVERNANCE STATEMENT

Number of Council Meetings held during the year 2016/2017

S/No	Type of Meeting	Number of Meetings
1	Full Council	4
2	Terms and Conditions of Service Committee	3
3	Audit Committee	2
4	Finance, Building and Development Committee	3
5	Sealing Committee	3
	Total	14

(ii) The Senate of the University

Membership

The membership of the Senate shall be:-

- The Vice-Chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- The Principals of each Constituent College;
- The Principals of each College within the University;
- Registrars;
- Executive Deans;
- Directors of Campuses;
- Chairpersons of Departments;
- One Professor representing each College;
- The Chief University Librarian;
- The Chief Finance Officer;
- Director of Student Affairs;
- Director Information, Communication and Technology Services (ICT);
- Two members elected by the students' organization, who shall be entitled to attend deliberations of the Senate on matters which are considered by the Chairperson of the Senate to be confidential of which relate to examinations, the general discipline of students, and other related matters; and
- Such other member as Council may determine in accordance with the Statute

The Deputy Vice-Chancellor in charge of Academic affairs shall be secretary to the senate.



VI CORPORATE GOVERNANCE STATEMENT

The Senate shall have the following powers and duties:-

- 1) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- 2) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- 3) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- 4) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- 5) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.

The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

(iii) The University Management Board

Members of the University Management Board shall be;

- The Vice-chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- Registrars;
- Chief Finance Officer
- Chief Legal Officer
- Such other member of senior management as the Council may determine and as provided for in the statutes.

The University Management Board shall assist the Vice-Chancellor in;

- 1) The Management of urgent day-to-day academic, administrative, research, development and outreach issues;
- 2) The efficient management of the human, physical, and financial resources of the University;
- 3) Coordination of University and colleges strategic and development plans;
- 4) Make proposals to Senate and Council on issues that have University-wide application;
- 5) Receive proposals from different sectors of the University for recommendation for Council consideration;
- 6) The implementation of Council and Senate approved policies;
- 7) Any other matters related to the management of the University.



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenyatta University is committed to being a responsible organization, both in how she works with students and staff but also in terms of how she contributes to the wider community and the world around us.

Service to humanity is one of the major components of Kenyatta University Mission. To assist in accomplishing its mission, Kenyatta University initiated a Directorate of Community Outreach and Extension Programmes (COEP) in August 2007.

The Main objective of COEP is to facilitate Kenyatta University Community to reach out and touch the lives of Kenyan by extending knowledge, skills, information and other resources that would help to improve the quality of individual, families and community life. The Directorate of COEP further helps communities identify, mobilize and utilize the resources available to them for their own development.

Kenyatta University has a wide range of abilities as a result of diverse areas of training and experiences, COEP gives everybody in the University, both staff members and the students an opportunity to reach out and extend their services to the communities in any part of this nation and beyond based on the identified needs. This is a gesture of Kenyatta University giving back to the Kenyan society within which the University exists.

Major Programmes under COEP include:

1. Students' Community Service Programme

- Facilitate students in community service project, extended services to communities of their choice
- Conduct training seminars for students going for community service projects
- Co-ordinate field supervision for students in community service projects
- Analyse students' field report, for impact assessment and further intervention.

2. Development of Community based Project proposals by Kenyatta University Departments/ Units

- Conduct baseline survey to determine community needs,
- Develop fundable community-based project proposals,
- Establish links with relevant collaborators,
- Implementing, monitoring and evaluation of community projects,
- Compile and disseminate project reports,
- Follow up for impact assessment and determine further intervention.

3. Train underprivileged youths in Trade Skills to empower them for employment

- Developing training programmes for disadvantaged youths,
- Recruit and admit the youth to the appropriate programmes,



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

- Impact the youth with employable knowledge and skills,
- Prepare the trained youth for the Government trade tests.

4. University Response to National Crisis

- Collect materials and financial donations from Kenyatta University community and other willing donors,
- Supply the donations to the people in need.

In the past, the directorate in partnership with clubs/departments/religious movements has organized and undertaken response to National Crises initiatives as well as mentoring visits, offering free medical camps, environmental conservation activities at schools, children's homes and at village level. Notably:

1. There is increased disease burden in our country today sprouting from both communicable (malaria, TB, HIV) and non-communicable diseases such as cancer, type II diabetes, cardiovascular diseases and stroke. The burden has direct implications on development and achievement of Kenya's Vision 2030 due to the lost productivity in diseases as well as the increased medical cost associated with treatment and management of the diseases.

Kenyatta University, in her Vision is committed to excellence in teaching, research and service to humanity. Service to humanity is aimed at improving quality of lives of citizens in all parts of the country using the great wealth of knowledge and skills possessed by the KU community (staff and students). To enhance skills in serving humanity especially those faced with life limiting illnesses, KU through the Directorate of Community Outreach and Extension

Programmes (COEP) provided an opportunity for the members of staff to undertake a five-day training in palliative care between 22nd and 26th August 2016. The training was organized and facilitated by doctors and nurses from the Nairobi Hospice, which was the first hospice to be established in Kenya in 1988. Initially, the hospice was targeting cancer patients only, but has since started giving care to patients that have other life limiting illnesses such as kidney failure, HIV/Aids and diabetes, among others.

2. Following the ongoing effects of drought in various counties of Kenya, Kenyatta University Community led by the Acting Vice-Chancellor, Prof. Paul Wainaina embarked on a drought response mission dubbed Lisha Mwendzako Initiative. The process of mobilizing for donations towards the response began on 14th February, 2017 when Prof. Wainaina appointed a committee to guide a University-wide coordinated drought response mechanism. This was a follow-up on the president's appeal to all stakeholders, local and international partners and organizations to support the Government's effort to contain the drought on 10th February, 2017. Donations worth Ksh.2,293,543 were realized; Ksh1,197,547 being donated by the KU Community (staff, students, alumni and her partners) while sh.1,100,000 was donated by the University. These funds purchased food enough to feed 1,000 families for one month. Led by the Acting Vice-Chancellor, Prof. Wainaina, representatives of the KU Community distributed food donations to 1,018 families at Nuno, Sankuri and Ziwani wards of Garissa County



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenyatta University in her effort to improve access to Higher Education for Orphans and Vulnerable Students (OVS) established the Financial Aid Office (FAO) with the mandate to mobilize funds for scholarships in February 2009. The initiative of the Vice-Chancellor is in line with the Kenyatta University (KU) philosophy statement; being, “sensitive and responsive to societal needs and the right of every person to knowledge”, and lays emphasis on the societal development of an individual.

The Objectives of the Financial Aid Office are:

- To empower orphans and vulnerable students by enabling them acquire higher education through financial support
- To establish deliberate methods of empowering women in acquisition of higher education so that they can become role models for other women in society
- To support the education of the disabled so as to make them self-reliant and useful members of society
- To continuously seek for sources of funding as a means of establishing a sustainable OVS Fund.



VIII. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2017

Section 81 of the Public Finance Management Act, 2012, section 15 of the State corporation Act and section 47 of the University Act, 2012, require that the Council prepares 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 year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University and is responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) Accrual, and in the manner required by the University Act, 2012 and Kenyatta University Charter. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2017, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Board and signed on its behalf by:


Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR


Prof. Shem E. Migot-Adholla, 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 KENYATTA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta University set out on pages 42 to 80, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta University as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the University's Act, 2012 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Going Concern

During the year under review, the University recorded a deficit of Kshs.43,453,002. Further, the current liabilities of Kshs.3,278,662,945 as at 30 June 2017 exceed the current assets of Kshs.1,693,135,446 resulting to a negative working capital of Kshs.1,585,527,499 which indicates that the University was unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and taxes amounting to Kshs.808,367,887 and other deductions of Kshs.161,875,694 to the respective beneficiaries there by risking fines and penalties.

The University is therefore operating under financial difficulties and if no positive steps are taken to improve the financial performance, it may not be able to meet its mandate in future. The financial statements have therefore been prepared on a going-concern

Report of the Auditor-General on the Financial Statements of Kenyatta University for the year ended 30 June 2017

assumption that it will continue to receive financial support from Government, bankers creditors and donors.

2.0 Property Plant and Equipment

2.1 Encroached Land

As similarly reported in the previous years, the property, plant and equipment balance of Kshs.18,584,848,221 reflected in the statement of financial position as at 30 June 2017 includes land registration No. 11026/2 measuring 445.17 hectares on which the main campus of the University stands. Included in the 445.17 hectares is a portion of land measuring 12.472 hectares valued at Kshs.123,281,555 that has been illegally encroached upon by squatters. Although the University has filed a case in a Court of law against the encroachers, the matter has not been determined and the squatters continue to erect buildings on the land as at the date of this report.

2.2 Land Without Ownership Documents

The property, plant and equipment balance of Kshs.18,584,848,221 further includes land valued at Kshs.880,000 acquired from Lagdera Constituency Development Fund in Garissa County. However ownership documents for the land were not availed for audit verification and as a result, it has not been possible to confirm that the land is owned by the university.

2.3 Land Originally Excised from Public Road Reserve

In addition and as previously reported, the property, plant and equipment balance of Kshs.18,584,848,221 includes a piece of land LR No NKU-Block 9/108 in Nakuru Town measuring approximately 0.0231 hectares with a value of at Kshs.2,018,237 which was issued with a certificate of lease dated 2 November 2009 for a lease period of 99 years. However, information available indicates that the of land was originally excised from a public road reserve measuring 10m x 32.93m previously separating plot number 86 and 87 leaving a narrow lane of 3 meters. As similarly reported in the previous year, the matter was reported to the Nakuru County Government which in turn requested the National Land Commission to conduct investigations to establish the circumstances under which the road was excised and allocated to an individual who subsequently sold the same to the University.

In the circumstances, it has not been possible to confirm the ownership status of the three portions of land valued at Kshs.126,179,792 as at 30 June 2017.

3.0 Receivables from Non-exchange Transactions

As similarly reported in the previous year, the receivables from non-exchange transactions balance of Kshs.715,302,918 reflected in the statement of financial position as at 30 June 2017 includes imprest control balance of Kshs.21,211,684 out of which Imprest of Kshs.15,003,769.65 has been outstanding for over a year. Further, the balance of Kshs.715,302,918 also includes an amount of Kshs.6,920,155 in

respect of staff debts out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the University which have been outstanding for long period of time. The loans were issued by National bank of Kenya and guaranteed by the University but the staff defaulted in repayment after they left the University. The bank however recovered the amounts owed together with accrued interest from the fixed deposit account of the University. It is not clear how the vehicle logbooks were released to ex-staff and how the ex-employees were cleared by the management before the University had fully recovered the outstanding loans from them.

In the circumstances, it has not been possible to confirm full recoverability of the receivables from non-exchange transactions totaling to Kshs.715,302,918

4.0 Nugatory Expenditure - Closure of Kigali and Arusha Campus

Kenyatta University had incurred Kshs.420,749,207 to set up both Kigali campus in Rwanda and Kshs.97,425,152 Arusha campus in Tanzania all totaling Kshs.518,174,359. It was however established that the University closed down the two campuses due to operational challenges apparently imposed by change in legislation by both the Rwandan and Tanzanian governments after the University had just met all the requirements and ready to roll out their programmes.

Although the university has explained that all the due diligence was done before the decision to open up the two campuses, the management has not explained the steps being taken to recover the amount so far incurred totaling Kshs.518,174,359.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Diversity in Staffing in the University

Chapter seven of the National cohesion and integration Act, 2008 states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of the staff. Further, no public establishment shall have more than one third of its staff from same ethnic community. However, a review of the university staff data as of 30 June 2017 revealed that one ethnic community accounted for 45% of senior management, 39% academic staff and 42% on Non-teaching staff. The

University has failed to improve the ethic balance as similar percentages remain unchanged compared to last years with an increase in percentage for non-teaching staff which increased from 39% to 42%. The University management is therefore in breach of the law on diversity in staffing of public establishments.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the University's ability in continuing as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

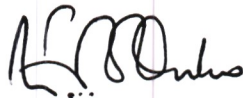
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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



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

Nairobi

28 May 2018

Report of the Auditor-General on the Financial Statements of Kenyatta University for the year ended 30 June 2017


KENYATTA UNIVERSITY
IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

	<u>NOTES</u>	<u>2017</u> <u>Kshs.</u>	<u>Restated 2016</u> <u>Kshs.</u>
Revenue From Non-Exchange Transactions			
Government Grant	6	3,660,925,439	3,128,934,681
		3,660,925,439	3,128,934,681
Revenue From Exchange Transactions			
Tuition & Other Fees	7	5,859,663,442	6,104,228,062
Income Generating Activities	8	57,769,793	67,078,348
		5,917,433,235	6,171,306,410
Other Incomes	9	1,133,339,645	295,221,111
Total Revenue		10,711,698,320	9,595,462,202
Expenses			
Telephone, Electricity and Water	10	305,520,476	302,137,967
Personal Emoluments	11	6,631,832,567	5,683,578,555
Council Expenses	12	11,926,881	15,244,276
Depreciation	13	562,857,802	492,070,809
Repairs and Maintenance	14	905,253,698	518,718,100
Contracted Professional Services	15	42,880,422	80,615,926
Operation Expenses	16	2,143,234,201	2,231,553,808
Finance Cost	17	152,095,271	180,371,079
Total Expenses		10,755,601,318	9,504,290,520
(DEFICIT)/SURPLUS FOR THE PERIOD		(43,902,999)	91,171,682


KENYATTA UNIVERSITY
X. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	<u>NOTES</u>	<u>2017</u> <u>Kshs.</u>	<u>Restated 2016</u> <u>Kshs.</u>
ASSETS			
CURRENT ASSETS			
Cash and Bank Balances	18	265,850,773	81,692,218
Receivables from exchange transactions	19a	130,617,506	146,051,441
Receivables from non-exchange transactions	19b	715,302,918	127,919,128
Inventories	20	88,846,847	89,363,092
Investments	21	492,517,404	126,503,640
		<u>1,693,135,446</u>	<u>571,529,519</u>
NON - CURRENT ASSETS			
Property, Plant and Equipments	22	18,584,848,221	18,491,900,965
		<u>18,584,848,221</u>	<u>18,491,900,965</u>
TOTAL ASSETS		<u>20,277,983,668</u>	<u>19,063,430,484</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	23a	1,971,427,284	1,028,109,697
Refundable deposits from customers	23b	82,086,000	83,698,000
Payment received in advance	23c	98,752,015	32,249,743
Current portion of borrowings	23d	1,126,397,646	762,900,344
		<u>3,278,662,945</u>	<u>1,906,957,783</u>
NON-CURRENT LIABILITIES			
Borrowings	24a	926,527,584	1,112,497,610
Deferred Income	24b	23,000,000	23,500,000
		<u>949,527,584</u>	<u>1,135,997,610</u>
Total Liabilities		<u>4,228,190,529</u>	<u>3,042,955,393</u>
NET ASSETS			
Accumulated Surplus	25	16,049,793,141	16,020,475,089
Revaluation Reserve	25	8,631,815,399	8,675,718,399
Capital Fund	25	4,394,045,564	4,394,045,564
		<u>3,023,932,178</u>	<u>2,950,711,126</u>
TOTAL NET ASSETS AND LIABILITIES		<u>16,049,793,141</u>	<u>16,020,475,089</u>


The Financial Statements set out on pages 42 to 79 were signed on behalf of the University council members by:


Prof. Paul K. Wamaina, Ph.D.
Vice Chancellor

Date.....8/5/2018


Mr. Joseph I. Gitahi
Chief Finance Officer
ICPAK Member No.: 7490

Date.....8/5/2018


Prof. Shem E. Migot-Adholla Ph.D.
Chairman of Council

Date.....8/5/2018

KENYATTA UNIVERSITY
XI. STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE, 2017

	<u>NOTES</u>	2017 Kshs.	Restated 2016 Kshs.
Cash flow from operating expenses			
Deficit/Surplus for the period		(43,902,999)	91,171,682
Non-Cash Movement			
Depreciation	13	562,857,802	492,070,809
Bad & Doubtful Debts	16	(8,840,502)	(18,449,267)
Bank Loan Interest	17	152,095,271	180,371,079
Interest Received	9	(3,327,745)	(6,586,694)
Amortisation of Deferred Income	9	(500,000)	(500,000)
		658,381,828	738,077,608
Increase in Inventories	20	516,245	(27,514,874)
Decrease in Debtors & Receivables	19	(563,109,353)	184,492,666
Increase in Trade & Other Payables	23	1,008,207,859	337,130,962
CashFlow From Operating Activities		445,614,752	494,108,755
Net Cash from Operating Activities		1,103,996,580	1,232,186,363
Cash Flows From Investing Activities			
Property, Plant and Equipment	22	(655,805,057)	(2,443,884,358)
Interest Income Received	9	3,327,745	6,586,694
Net Cash Flow From Investing Activities		(652,477,313)	(2,437,297,665)
Cash Flow From Financing Activities			
Bank Loan Repaid	24a	(185,970,026)	(109,428,868)
Co-operative Bank Loan Received	24a	-	415,000,000
Bank Loan Interest Paid	17	(152,095,271)	(180,371,079)
Capital Grants (GOK)	25	73,221,052	147,250,000
Net Cash Flow used in Financing Activities		(264,844,246)	272,450,053
Net Increase in Cash & Cash Equivalents		186,675,022	(899,322,301)
Net Cash & Cash Equivalents - Brought Forward		(554,704,487)	344,617,814
Cash and Cash Equivalent as at 30th June 2017		(368,029,468)	(554,704,487)
Analysis of Cash & Cash Equivalents			
Cash and Bank Balances	18	265,850,773	81,692,218
Short Term Deposits	21	492,517,404	126,503,640
Current portion of borrowings	23d	(1,126,397,646)	(762,900,344)
		(368,029,468)	(554,704,487)

KENYATTA UNIVERSITY
XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2017

	Revaluation Reserve	Accumulated Surplus	Capital Fund	Total
Balance as at 30th June 2015	28,721,234	8,584,546,717	2,793,461,126.00	11,406,729,077
Government Grants Surplus for the period		91,171,682	157,250,000	157,250,000 91,171,682
Revaluation Reserves	4,365,324,330			4,365,324,330
Restated Balance as at 30th June 2016	4,394,045,564	8,675,718,399	2,950,711,126	16,020,475,089
Government Grants (Deficit)/Surplus for the period		(43,902,999)	73,221,052	73,221,052 (43,902,999)
Balance as at 30th June 2017	4,394,045,564	8,631,815,400	3,023,932,178	16,049,793,141

Note: Capital Funds are grants received from the government for development projects.

KENYATTA UNIVERSITY
XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2017

	Original Budget 2016-2017	Adjustment 2016-2017	Final Budget 2016-2017	Actual on Comparable Basis 2016-2017	Performance Difference 2016-2017	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
Revenue							
Government Grant	3,140,792,900	480,000,000	3,620,792,900	3,660,925,439	40,132,539	1.11	
Tuition & Other Fees	6,431,912,859	-	6,431,912,859	5,859,663,442	(572,249,417)	(8.90)	The University planned for a tri-semester which did not meet the anticipated number of students thus failure to attain its budgetted revenue in tuition fees.
Other Income (IGAs)	1,074,368,910	105,700,000	1,180,068,910	1,191,109,438	11,040,528	0.94	
Total Income	10,647,074,669	585,700,000	11,232,774,669	10,711,698,319	(521,076,350)		
Expenses							
Telephone, Electricity and Water	327,900,000	-	327,900,000	305,520,476	22,379,524	6.83	
Personal Emoluments	5,459,689,135	433,356,000	5,893,045,135	6,631,832,567	(738,787,432)	(12.54)	The over expenditure on personal emoluments was due to the programmed third semester that did not attain the anticipated revenues, but commitments in terms of employment of part-time lecturers had been done.
Council Allowances	12,380,000	-	12,380,000	11,926,881	453,119	3.66	
Depreciation		-		562,857,802			

**XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2017 CONTINUED**

	Original Budget 2016-2017	Adjustment 2016-2017	Final Budget 2016-2017	Actual on Comparable Basis 2016-2017	Performance Difference 2016-2017	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
Repairs and Maintenance	942,330,000	-	942,330,000	905,253,698	37,076,302	3.93	
Contracted Professional Services	43,000,000	-	43,000,000	42,880,422	119,578	0.28	
Operation Expenses	3,012,232,000	-	3,012,232,000	2,143,234,201	868,997,799	28.85	
Finance Cost	152,108,586	-	152,108,586	152,095,271	13,315	0.01	
Total Expenditure	8,197,404,514	433,356,000	10,382,995,721	10,755,601,318	190,252,205		
(Deficit)/Surplus for the period	2,449,670,155	152,344,000	849,778,948	(43,902,999)			

There was a general increase in the expenditures due to the programmed third semester that did not attain the anticipated number of students, and the University had already committed the expenditures with regard to the same.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 1: General Information

The University is established by and derives its authority and accountability from the University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality education and training.

NOTE 2: Statement of compliance and basis of preparation

The University's financial statements have been prepared in accordance with and comply with the Accrual Basis of Accounting method under the 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.

NOTE 3: Adoption of New and Revised Standards i.

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	The University adopted IPSAS in the year ended 30th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University.
IPSAS 34: Separate Financial Statement	The University does not have any subsidiaries, joint ventures or investments in associates and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	The University does not have any subsidiaries, joint venture or investments and therefore the standard does not apply.
IPSAS 36: Investments in Associates and Joint Ventures	The University does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	The University does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interest in other entities.	The University does not have an interest in other entities and therefore the standard does not apply.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2017

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1 st January 2018
IPSAS 40: Public Sector Combinations	Applicable: 1 st January 2019

iii. **Early adoption of standards**

The University did not early – adopt any new or amended standards in year 2017.

NOTE 4: Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from non-exchange transaction

These are revenues received by the University from the Government for recurrent expenditures. The University recognises revenue from non-exchange transaction on accrual basis.

ii) Revenue from exchange transaction

The University recognises revenue from exchange transaction on accrual basis. This is done when the students register and the amount of revenue can be reliably measured and it's probable that the economic benefit associated with the transaction will flow to the University.

b) Budget information

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University 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.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

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 calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Furniture and Equipments	-	10%
Motor Vehicles	-	25%
Academic Gown	-	5%
Buildings	-	2%
Computers Hardware	-	30%
Computer Software	-	30%
Patent & Rights	-	20%

d) Intangible assets

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

e) 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



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2017

Following initial recognition of an asset such as buildings, the asset is carried at cost less any accumulated amortization. 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.

f) Financial InstrumentsInvestments

Investments (Fixed Deposits) are recognized at their initial cost add interest earned. The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated.

Receivables

Receivables from exchange transactions (Fees) are recognized when students register with the University. Receivables from non-exchange (other debtors) transactions are recognized when an invoice is raised or at a time when the debt is determinable.

g) Financial LiabilitiesLoans and Borrowing

Loans are recognized at initial cost plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the University.

The cost of library books is expensed in statement of Financial Performance in the year that such cost arises.

As at 30th June 2017, the University did a stock take and the stock taking figures were incorporated in the Financial Statement.

h) Employee Benefits

The University operates a defined contribution benefit scheme, Kenyatta University Pensions Fund for its employees who are on permanent employment. Defined contribution plans are post employment benefit plans under which an University pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The University contributed Kshs 309,745,056.00 in the year 2017, Kshs 360,384,331.00 in the year 2016, and Kshs 320,215,415.00 in the year 2015 towards the pension scheme.

i) Foreign currency transactions

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



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2017

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

The University had an outstanding balance on long term borrowings of Kshs 926,527,584.00 (being KShs 156,894,625.00 balance from Equity Bank borrowed in the year 2010 and KShs 769,632,959.00 from Co-operative Bank borrowed in the year 2015) as at 30th June 2017. The total interest for the year was KShs 152,095,271.00 recognized as an expense in the statement of financial performance.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

In the year 2016-2017, the University had KShs (368,029,468) in cash and cash equivalent compared to KShs (554,704,488.00) in the year 2015-2016.

l) Provision on bad and doubtful debts

The University provides for bad and doubtful debts at the rate of 10% of the value of debtors at the end of the financial year. The amount recognized as an expense in the statement of performance is the difference between last years provision (2016) and this years provision (2017).

	2017	2016
Bad and doubtful debts	216,006,726	304,411,743
Provision for Bad debts @ 10%	21,600,673	30,441,174

Amount recognized in the Statement of performance 2017 is the difference between 2016 and 2017 provision which is Kshs -8,840,502

In the year ended 30th June 2017 included in receivables was Kshs 520,896,864 from the government that was paid in the month of July 2017 and therefore this debt was not provided for.





XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

n) Prior Year Adjustments

In the year 2016/2017, the University restated the 2016 financial statements with Kshs 1,991,377. Kshs 1,308,480 on contracted professional services and Kshs 682,897 on Salaries pertaining to the year 2016 paid in 2017.

o) Related Parties

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 entity, or vice versa. The National Government, Council Members, Members of Management Board and Members of the Senate are regarded as related parties.

As at 30th June 2017, the National government had not remitted recurrent grants for the salary arrears for the period 2013-2017 amounting to Kshs 520,896,863.65. The same has been recognized as debtors in the year 2016/2017.

The Council expenses in terms of honoraria, sitting allowances and other expenses are indicated in note 9 of the financial statement.

p) University Performance

In the year 2016-2017, the University experienced a reduction in its surpluses, from Kshs 93,163,059 to a deficit of Kshs 43,453,002.

This was due to a reduction in student revenues, because of reduction in student numbers, and also the programmed third trimester that did not attain the anticipated number of students.

The deficit was financed with an overdraft approved by the University Council and Treasury which was sourced from Equity bank.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 5: Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise 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 policies to ensure that credit is extended to students and customers with an established credit history.

(i) Credit risk

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

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 by providing for bad and doubtful debts at the rate of 10%. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.



KENYATTA UNIVERSITY

XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

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

University	Fully performing	Past due	Impaired	Total
At 30 June 2017	Sh	Sh	Sh	Sh
Receivables From Exchange Transactions	130,617,506			130,617,506
Receivables From Non-Exchange Transactions	132,101,690	467,529,376	115,671,851	715,302,917
Investments with Financial Institutions	492,517,404			492,517,404
Bank balances	265,850,773			265,850,773
	<u>1,021,127,373</u>	<u>467,529,376</u>	<u>115,671,851</u>	<u>1,604,328,600</u>
At 30 June 2016				
Receivables From Exchange Transactions	146,051,441	-	-	146,051,441
Receivables From Non-Exchange Transactions	-	128,369,128	29,991,174	158,360,302
Investments with Financial Institutions	126,503,640	-	-	126,503,640
Bank balances	81,692,218	-	-	81,692,218
	<u>354,247,299</u>	<u>128,369,128</u>	<u>29,991,174</u>	<u>512,607,601</u>

The University's policy is payment on registration and thus students' receivables are categorised as either past due or impaired.

Past due amounts are those beyond the maximum established credit period of 30 days and represent slow but paying students. These receivables continue to be serviced even though this is not done on the contractual dates. The Students Finance Section is actively following these debts.

The overdue and impaired debt arises mainly from the students who have taken academic leave and the ones who have dropped out of school. These students have not completed their courses and the debt is payable whenever the student comes back to continue with studies. This debt has been fully provided for.



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

Concentration risk

Concentration risk is the risk posed to the University by any single or group of exposures which have the potential to produce losses large enough to threaten the ability of the University to continue operating as a going concern

The student receivables wholly relate to balances due from students, that are unrelated, and do not have the potential to produce large losses thus there is no concentration risk.

(ii) Liquidity risk management

Liquidity risk is the risk that the University may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Ultimate responsibility for liquidity risk management rests with the University management board, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk by maintaining banking facilities and through continuous monitoring of forecasts and actual cash flows.

Prudent liquidity risk management includes maintaining sufficient cash to meet the University's obligations. Senior management reviews the cash forecasts monthly and determines the University's cash requirement.

The table below analyses the University's financial liabilities into relevant maturity based on the remaining period at the end of reporting period to the contractual maturity date.

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



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2017

University	Less than 1 month Sh	Between 1-3 months Sh	Over 5 months Sh	Total Sh
At 30 June 2017				
Current Portion of borrowings	1,126,397,646			1,126,397,646
Payment Received in advance		98,752,015		98,752,015
Borrowings	9,802,084	29,406,252	887,319,248	926,527,584
Trade and other Payables	1,971,427,284			1,971,427,284
Refundable Deposits			82,086,000	82,086,000
	<u>3,107,627,014</u>	<u>128,158,267</u>	<u>969,405,248</u>	<u>4,205,190,529</u>
At 30 June 2016				
Current Portion of borrowings	762,900,344			762,900,344
Payment Received in advance	-	32,249,743		32,249,743
Borrowings	9,802,084	29,406,252	1,073,289,274	1,112,497,610
Trade and other Payables	1,028,109,697			1,028,109,697
Refundable Deposits			83,698,000	83,698,000
	<u>1,800,812,125</u>	<u>61,655,995</u>	<u>1,156,987,274</u>	<u>3,019,455,394</u>

Market risk

Market risk is the possibility for the University to experience losses due to factors that affect the overall performance of the financial markets in which she is involved. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against.

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



XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

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 recognised in the books of accounts. The University also has various bank accounts denominated in other currencies other than the Kenya Shillings that is the Dollar, Euro and Pound.

Foreign currency denominated financial instruments solely consists of bank balances.

The carrying amounts of the University's foreign currency denominated bank balances at the balance sheet date are as follows:

At 30 June 2017

	KSH Sh	USD Sh	EURO Sh	GBP Sh	Total Sh
Bank balances	-906,686,079	23,627,130	14,124,169	8,387,907	-860,546,873

	KSH Sh	USD Sh	EURO Sh	GBP Sh	Total Sh
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At 30 June 2016

Bank balances	-699,669,137	11,447,578	3,045,013	3,968,420	-681,208,126
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The University manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by projecting for expected cash proceeds and matching the same with expected payments.

Cash flow and fair value interest rate risk

The University holds interest bearing assets in form of fixed and call deposits. The University also has borrowings in the form of loans.

Some of the University's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value of the University's financial assets and liabilities that are measured at fair value on a recurrent basis

This note provides information about how the University determines fair values of various financial assets and liabilities.

Level 3 inputs are unobservable inputs for the asset or liability

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Fair value of financial assets and liabilities

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the University takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Management closely monitors the interest rate trends to minimise the adverse potential impact of interest rate changes. This risk is well managed given that management is in regular contact with the lenders in a bid to obtain the best available rates. The management do not foresee huge fluctuations in interest rates in the foreseeable future.

30TH JUNE 2017

XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED





XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2017

Financial assets/liabilities	Fair value as at	Fair value hierarchy and key inputs	Valuation technique(s)	Significant unobservable inputs	Relationship to fair value
Proper-ty, Plant and Equipments	30/06/17 Sh 18,584,848,221	Level 3	Observable	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2017). There were no financial assets or financial liabilities measured at fair value on level 1 and 2 fair value measurement.

The University Council consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

CAPITAL RISK MANAGEMENT POLICIES

The University manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the University consists of a bank loan disclosed under note 24, capital fund, Reserves and Revaluation Reserves.





XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2017

The University's overall strategy remains unchanged from 2016.

Gearing ratio

	2017	Restated 2016
Capital and reserves	8,631,815,399	8,675,718,399
Accumulated Surplus	4,394,045,564	4,394,045,564
Revaluation reserve	3,023,932,178	2,950,711,126
Capital Fund	16,049,793,141	16,020,475,089
Capital and reserves	926,527,584	1,112,497,610
Total borrowings	368,029,468	554,704,487
Cash and cash equivalents	1,294,557,052	1,667,202,097
Net borrowings	8.1%	10.4%
Net debt to equity ratio		



KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 6: Government Grants

2017	3,660,925,439
Restated 2016	3,128,934,681
	Kshs.

A10001 Recurrent Grants

NOTE 7: Tuition & Other Fees

2017	5,859,663,442
Restated 2016	6,104,228,062
	Kshs.

A20001	Tuition Fees JAB	538,416,200
A20002	Tuition Fees SSP	3,437,070,459
A20003	Tuition Fees ICE	571,695,300
A20005	Tuition Fees Open Learning	452,144,800
A20007	Activity Fees	52,575,000
A20008	Examination Fees	223,569,000
A20009	Library Fees	52,734,250
A20010	Registration Fees	59,209,500
A20011	Identity Card	22,947,106
A20012	Medical Fees	88,404,000
A20013	Material Development Fee	108,642,600
A20015	Accommodation Fees JAB	51,661,128
A20016	Accommodation Fees SSP	13,356,000
A20017	Accommodation Fees I.C.E.	10,852,500
A20025	Tuition Fee - Chinese Language	5,391,599
A20026	Computer Fees	170,994,000

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 8: IGA

	2017 Kshs.	Restated 2016 Kshs.
IGA Income		
A20020 Regional Centre for Capacity Development	8,768,706	76,511,470
A30020 KU Service Station	233,365,781	36,195,272
A30003-A30013 Catering	156,200,328	163,072,426
A30004-A30009 Cyber Café	31,505,778	30,250,526
A30003-A30017 KU Conference Centre	53,664,465	41,273,489
A30004-A40028 KU Funeral Home	80,161,838	60,123,654
A30003-A30017 North Coast Beach Hotel	117,707,038	61,185,796
A20021-A30016 Other IGAs	32,725,746	23,570,622
	714,099,680	492,183,255
IGA Expenditure		
K19001-K19019 Regional Centre for Capacity Development	589,717	1,324,522
K19001-K19180 KU Service Station	218,229,522	29,158,760
K19001-K19525 Catering	254,703,253	245,543,390
K19001-K19039 Cyber Café	17,565,072	21,855,018
K19001-K19019 KU Conference Centre	20,314,530	15,629,990
K19001-K19018 KU Funeral Home	21,822,386	6,910,189
K19001-J18011 North Coast Beach Hotel	122,107,099	103,753,506
K19001-K19019 Other IGAs	998,308	929,531
	656,329,887	425,104,907
	57,769,793	67,078,348

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

	2017	Restated 2016
	Kshs.	Kshs.
NOTE 9 : Other Income		
A20022 Consultancy & other Prof. Services	360,000	133,232
A20031 Affiliation Fees	462,990	70,589
A20033 KU Referral Hospital	45,575,263	
A20034 Chandaria BilC Income	280,000	
A30012 Conferences & Seminars fees	38,503,195	4,296,163
A30019 Hire of Hall & Conference Facilities	30,745	
A40001 Convocation Fees	40,962,000	43,386,500
A40002 Hire of Gowns	897,650	623,240
A40007 Surcharge & Fines	21,580	429,840
A40008 Donations	560,250	549,600
A40009 Commission	7,888,960	6,807,697
A40011 Forex Gain	3,651,915	1,602,114
A40012 Interest Income	3,327,745	6,586,694
A40013 Sale Of Application Forms	43,601,484	47,894,674
A40014 Miscellaneous Income	59,347,379	68,558,566
A40015 Rent/Lease income	57,390,385	37,715,940
A40016 Health Unit	117,292	28,250
A40017 Sale Of Obsolete Items	225,823	581,980
A40018 Security Staff Charge	963,200	831,600
A40020 Dustbin Staff Charge	2,592	2,742
A40027 Sale of Tender Documents	357,000	602,259
A40028 University Bookshop Income	5,380,449	10,576,683
A40029 Culture week Income	377,740	44,500
A40030 Administrative Research Fees	6,139,131	15,910,661
A40031 Community Outreach Income	109,762	
A40033 IAAF World Junior Athletics	689,551,837	
A40034 Un Women Leadership Centre	21,221,534	6,523,332
A40036 Income Ethics Review Board	675,880	353,825
A40037 Academic Motivation Awards	2,963	
A40038 Library Fines	1,953,931	1,740,510
A40040 Amortisation of Deferred Income	500,000	500,000
A40044 YALI Income	100,050,887	38,869,920
A40045 KU Foundation Income	2,848,086	
	1,133,339,645	295,221,111

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 10: Telephone, Electricity and Water Expenses

2017	2016
11,369,038	21,819,611
193,136,270	190,505,858
101,015,168	89,812,498
305,520,476	302,137,967

K19133 Telephone And Postage
K19134 Electricity Expenses
K19136 Water Reticulation & Sewerage

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 11: Personal Emoluments

2017	2016
2,339,108,793	2,021,497,911
1,267,641,976	1,152,768,489
13,854,720	14,311,353
128,760,812	109,434,578
89,795,674	61,719,121
7,821,240	8,265,440
3,574,415	3,334,270
676,340,708	318,997,320
31,561,584	39,028,018
177,099,810	162,988,474
552,986,979	508,398,604
757,137,709	662,349,274
35,834,016	33,912,006
2,573,250	1,061,719
3,068,000	2,615,900
22,677,474	22,907,703
21,721,500	14,467,000
33,522,167	29,040,955
5,122,851	3,743,257
1,400	376,500
53,224,948	58,092,734
309,745,056	360,384,331
10,904,757	10,524,821
540,000	540,000
21,227,175	18,974,601
11,665,161	12,090,000
54,320,393	51,754,177
6,631,832,567	5,683,578,555

J18001 Basic Pay
J18002 House Allowance
J18003 Entertainment Allowance
J18004 Headship/Directorship Allowance
J18005 Responsibility
J18006 Car Allowance
J18007 Domestic Servant Allowance Office
J18008 Commuting & Bus fare
J18009 Leave Travelling Allowance
J18010 Gratuity
J18011 Wages
J18012 Part Time Teaching
J18013 Bonus
J18014 Passage & Baggage
J18016 NSSF Employer Contributions
J18017 Telephone Allowance
J18018 Book & Computer Allowance
J18019 Exam Coordination Allowance
J18020 Acting Allowance
J18021 Electricity & water Allowance
J18022 Overtime
J18023 Pensions Employer Contribution
J18024 Health Risk Allowance
J18025 Special Readers Allowance Special Education
J18026 Terminal Benefits
J18029 Emergency Call Allowance
J18030 Extraneous Allowance

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 12: Council Expenses

	2017	Restated 2016
	Kshs.	Kshs.
J18027 Sitting Allowance	4,380,000	8,480,000
J18001 Honoraria	2,291,385	2,160,000
K19139 Other Expenses	5,255,496	4,604,276
	11,926,881	15,244,276

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 13: Depreciation

	2017	Restated 2016
	Kshs.	Kshs.
K20152 Depreciation Of Buildings	251,562,118	199,161,774
K20153 Depreciation Of Motor Vehicles	37,052,986	37,337,957
K20156 Depreciation Of Computer Hardware	64,065,668	68,679,680
Depreciation Of Computer Software	21,995,545	12,093,616
K20158 Depreciation Of Furniture & Fittings	187,621,145	174,237,444
K20159 Depreciation Of Academic Gowns	560,339	560,339
	562,857,802	492,070,809

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 14: Repairs and Maintenance

	2017	Restated 2016
	Kshs.	Kshs.
K19157 Maintenance of Furniture & Equipment	48,508,277	45,032,586
K19158 Maintenance of Swimming Pool	803,596	1,455,440
K19159 Maintenance of Motor Vehicle	5,747,961	5,980,381
K19160 Minor Works & Alterations	762,478,212	317,643,703
K19161 Maintenance Of Hostels	5,444,629	6,468,015
K19162 Maintenance Of Residential Quarters	2,950,220	392,826
K19163 Maintenance Of Grounds & Roads Main Campus	16,923,473	18,979,936
K19164 Maintenance Of Building & Stations Main Campus	59,931,423	119,325,294
K19166 Repainting of University Building	2,235,907	2,490,084
K19167 Maintenance of Parklands Campus	230,000	263,930
K19168 Maintenance Mombasa Campus		70,755
K19169 Maintenance Kitui Campus		70,250
K19230 Sports Ground Maintenance -Exercise & Sports Science		544,900
	905,253,698	518,718,100

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 15: Contracted Professional Services

	2017	Restated 2016
	Kshs.	Kshs.
K19152 Audit Fees	1,700,000	2,180,000
K19153 Professional Contracted Services	41,180,422	78,435,926
	42,880,422	80,615,926

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 16: Operations Expenses

	2017	Restated 2016
	Kshs.	Kshs.
K19001 Stationery	66,318,215	53,132,221
K19002 Staff Uniforms	13,155,907	8,253,860
K19003 Photocopying & Printing	33,952,787	33,835,264
K19004 Cleaning Materials	12,431,652	18,432,321
K19005 Office Tea Expenses Office	5,506,482	4,915,333
K19006 Departmental Meetings	27,738,196	21,471,034
K19007 Other Office Consumables Office	34,582,125	64,011,764
K19008 General Office Equipment Office	103,733,261	94,652,069
K19009 Teaching Materials/Chemicals	22,201,943	29,982,687
K19010 Field Courses	28,097,981	30,344,755
K19011 Laboratory Glassware	2,958,885	1,668,492
K19012 Tools & Apparatus	7,027,942	60,545,426
K19015 Animal Feeds Sciences	744,406	620,622
K19017 Food Purchases	-	157,442
K19018 Travelling & Accommodation	63,490,990	51,179,951
K19019 Fuel & Gases	3,393,869	2,352,346
K19020 Purchase of Bicycle	57,241	127,500
K19023 Regional Expenses Open Learning	117,693,757	109,250,826
K19024 Writing Vetting & Production Of Modules Open Learning		554,200
K19025 Rent for Regional Centres Open Learning	20,048,235	11,591,861
K19027 Examination Stationery	13,044,515	24,889,181
K19028 Research and Travel Grants	17,713,728	4,679,429
K19121 Advertising and Publicity	88,188,802	201,067,508
K19122 Inaugural & Public Lectures	59,700	83,840
K19123 Newspapers Magazines & Publications	7,461,060	7,573,440
K19125 Journals and Periodicals	406,280	334,538
K19126 Culture Week Expenses	8,987,801	7,096,718
K19127 Drugs Health Unit	58,842,255	40,845,902
K19128 Drugs Nairobi Hospital	25,398,057	16,894,451
K19129 Medical Reimbursement	18,951,290	11,996,391
K19130 Medical Insurance Inpatient Grades A and above	126,255,532	77,687,592
K19131 Hospitalisation Grades I IV	16,000	302,550
K19132 Medical Referrals	29,993,014	21,389,968
K19135 Sanitary Services	9,524,160	5,510,936
K19137 Land Rent & Rates	2,709,905	50,830,328
K19138 Fumigation	1,112,810	6,651,074
	971,798,782	1,074,913,819

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 16: Operations Expenses

	2017	Restated 2016
	Kshs.	Kshs.
K19140 Public Celebrations	11,216,224	14,467,505
K19141 Bursary	6,900,476	
K19142 Graduation Expenses	21,426,885	18,184,722
K19143 External Examiners Expenses	5,763,940	4,370,057
K19145 Staff Development & Training	6,120,738	4,237,468
K19146 Funeral Expenses	1,936,520	2,493,011
K19147 Insurance Premiums	57,565,081	55,272,940
K19148 Bank Charges	117,206,661	96,633,960
K19151 Provision for Bad & Doubtful Debts	(8,840,502)	(18,449,267)
K19154 Ex gratia Payments	4,807,753	4,417,499
K19155 Fees Commission Awards & Honoraria	12,666,823	19,123,298
K19156 Rental/Hire Of Premises Expenses	35,402,850	19,851,960
K19171 Medical Expenses Students	2,032,004	2,922,333
K19176 Contracted Cleaning Services	50,088,731	38,418,722
K19178 Curriculum Review Seminar	109,500	
K19200 Computerisation & Networking	62,027,356	146,021,053
K19201 Motor Vehicle Fuel	38,340,384	34,947,619
K19204 Senate Affairs	610,654	569,125
K19206 IAAF Expenses	76,808,150	
K19207 Games & Tournament Other Campuses	6,419,682	1,933,780
K19208 Games & Tournaments Main Campus	13,561,880	13,121,706
K19209 E. A. University Games	1,912,886	
K19210 Vice Chancellor's Committees	16,497,209	11,349,138
K19214 Foreign Exchange Loss	3,186,651	5,070,188
K19215 ISO Certification	1,827,960	2,062,417
K19216 Management Board Expenses	1,460,428	1,722,993
K19217 Hire Of Security	102,854,729	93,455,615
K19218 Hire of Sport Facilities	222,000	442,500
K19219 Clearing & Forwarding	2,556,695	13,155,801
K19220 Performance Contract	1,263,242	1,850,745
	653,953,589	587,646,889

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 16: Operations Expenses

	2017	Restated 2016
	Kshs.	Kshs.
K19221 Board Room Supplies	408,674	102,963
K19222 Internet Connectivity	95,043,668	120,932,274
K19223 Sports Uniform		17,880
K19224 Lights & Electrical Accessories		9,020
K19225 Career Week	3,157,838	1,985,630
K19226 Library Journals	3,195,675	3,259,780
K19227 Interuniversity Games	2,837,575	5,067,150
K19232 Odel Online Teaching	62,500	
K19233 Academic Dress	6,557,116	14,102,775
K19236 Professional Boards Registration	108,000	200,000
K19237 Mentoring Activities	209,050	601,350
K19239 Hire of Tents	1,333,120	5,113,295
K19240 Students Shuttle Services		375,950
K19242 KU US Foundation	1,571,632	2,495,508
K19244 PhD Fast Tracking Fund	259,870	
K19246 Invigilation Expenses	1,531,415	11,425,270
K19247 Centre of Capacity Training Expenses		11,179,345
K19500 Conference Seminars & Workshops	11,364,642	10,944,308
K19501 External Travel & Accommodation	29,847,825	53,458,782
K19502 Local Passage & Baggage	2,768,826	7,191,559
K19503 Subscriptions	16,215,015	32,030,536
K19504 Placement Board Expenses	17,206,500	
K19505 Postgraduate Stipend Expenses	38,972,231	13,390,331
K19506 Vc's Research Grants	22,415,520	13,824,277
K19507 Admission Expenses	14,148,004	7,847,877
K19508 Teaching Practice	44,467,411	32,785,795
K19509 Library Books & Journals	4,056,674	20,670,321
K19511 Library Bindery & Stationery	181,000	843,650
K19512 Student Amenities	3,753,556	4,518,393
K19513 Practicum	8,694,742	21,095,513
K19515 Facilitation of new campuses	22,000	
K19517 Research Proposal & Development Main Campus	16,000	2,571,500
K19518 University Staff Student Education Support	323,732	
K19519 Peer Counselling	1,715,750	8,850
K19520 Printing University Magazines	10,779,319	14,450,690
	343,224,881	412,500,572

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 16: Operations Expenses

	2017	Restated 2016
	Kshs.	Kshs.
K19521 Community Outreach Expenses		121,725
K19524 KUSA Expenses	1,146,752	
K19526 Summer Programme	764,380	4,910,380
K19527 Confucius Institute Chinese Expenditure	4,630,785	10,830,411
K19530 Kenya Military Collaboration	18,321,870	10,238,453
K19532 Short term courses /training	3,777,034	4,553,542
K19535 VAT/Tax Payment	1,351,525	
K19537 Wellness Centre Conferences and Seminars	223,500	270,095
K19538 Farm Expenses Kitui	345,357	
K19539 Somesha Mwenzako	367,477	
K19540 KU Equity Bank Annual Conference	14,997,902	12,829,710
K19541 KU Souvenir Shop		111,940
K19542 Incubation Centre Mentoring Activities	726,250	426,300
K19545 Honours Day Awards & Celebrations		748,220
K19546 AIDS/HIV Awareness Activities	934,130	432,835
K19548 Un Women Leadership Centre	14,311,619	12,475,917
K19552 Students Work Study Program	1,903,525	5,727,734
K19553 Establishment of Dairy Farm	4,155,283	28,661,354
K19554 Alumni Reunion Expenses		34,000
K19555 Operationalization Committee	21,275,816	22,931,007
K19556 Relocation and Upgrading of Power		2,313,711
K19557 Software Licences	68,185,362	36,653,570
K19558 KU Corporate Social Responsibility	2,074,210	320,000
K19559 KU Smart Cards	13,169,373	762,700
K19560 Court Awards and Penalties		1,000,000
K19561 Consultancy Services Unit Training Expenses		138,925
K19562 Medicare Cards Expenses	352,500	
K19563 Externally Funded Training AJIRA	1,242,299	
	174,256,949	156,492,527
	2,143,234,201	2,231,553,808

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 17: Finance Cost

	2017	Restated 2016
	Kshs.	Kshs.
K19173 Bank Loan Interest	152,095,271	180,371,079
	152,095,271	180,371,079

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 18: Cash and Bank Balances	2017	Restated 2016
	Kshs.	Kshs.
F15003 Equity Bank - TOWA Project	427	427
F15005 Equity - North Coast Beach Hotel	21,617,732	3,076,553
F15006 Equity Community Outreach	316,596	504,927
F15010 NBK Fees A/C No. 0359150801	1,078,541	3,573,768
F15011 Std Fees Collection A/C No. 2018814400	6,699,603	2,363,899
F15012 Std Dollar A/C No. 8702018780000	19,006,010	10,810,854
F15014 NBK Tuition A/C No. 0359150800	18,586,511	8,573,516
F15015 NBK Research A/C No. 2110781300	6,566,853	15,884,997
F15016 NBK Aicad A/C No. 2110781400	1,172,815	5,750,192
F15017 NBK Harambee A/C 0310891603 (Capitation)	42,817,531	0
F15018 KCB AVU	602,391	3,873,838
F15019 Co op Fees Collection A/C No. 0112962461400	39,858,098	9,718,424
F15020 Std Pound A/C No. 2802018780000	8,387,907	3,968,420
F15021 Cash In Hand	47,264	252,167
F15025 KCB Fees Collection A/C No. 099 250 640 601	2,252,929	1,806,768
F15026 Standard Chartered Euro A/c 9302018780000	14,031,269	2,956,832
F15027 Equity - NCBH Dollar	86,238	25,093
F15028 Equity - NCBH Euro	92,900	88,181
F15031 KU Shuttle Bank A/c No. 1130296769655	29,216	329,216
F15032 Equity KU Meals Bank A/c No. 1130296626107	149,274	49,269
F15033 Equity KU Application Bank A/c No. 1130296626073	52,924	2,411,752
F15034 Equity KU Rental Income A/c No. 113029701357	751,791	519,306
F15035 Equity Bank Referral Hosp. A/c 1130298198	96,290	46,002
F15036 NIC Bank A/c 1 200 008253		420,134
F15038 Equity Bank City Enterprises A/C 1130299385909	20,628	670,958
F15039 Equity Bank Rec Centre A/C 1130299618873	12,840	210,840
F15040 Family Bank Collection A/C 04500023316	69,746,555	2,144,150
F15041 MPESA Virtual Account	7,234,755	1,050,105
F15042 NBK USD 02020059150800	4,534,882	611,631
	265,850,773	81,692,218

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 19: Receivables From Non-Exchange Transactions	2017	Restated 2016
	Kshs.	Kshs.
M21003 Guarantee Deposits	20,839,962	20,839,962
M21006 Staff Debtors	6,920,155	6,624,592
M21008 Sundry Debtors	605,636,792	31,643,939
M21010 Imprest Control	21,211,684	21,837,201
M21012 Imprest Research	10,736,483	25,222,468
M21021 Staff Welfare Recoveries	461,780	408,404
M21027 Debtors-NCBH	71,096,735	51,783,737
Total	736,903,590	158,360,302
NOTE 19a: Receivables from Exchange Transactions		
M21007 Student Fees Arrears	130,617,506	146,051,441
Total Receivables	867,521,096	304,411,743
B11014 Provision For Bad Debts	(21,600,673)	(30,441,174)
	845,920,423	273,970,569
Total Receivables From Non-Exchange Transactions	736,903,590	158,360,302
Provision For Bad Debts	21,600,673	30,441,174
NOTE 19b: Net Receivables from Non-Exchange Transactions	715,302,918	127,919,128

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 20: Inventories	2017 Kshs.	Restated 2016 Kshs.
H17002 Maintenance Store	1,981,260	6,113,157
H17003 Health Drugs Store	12,550,509	8,201,746
H17004 Petrol Stock	1,243,780	3,370,485
H17005 Food Stuff	3,958,292	5,695,163
H17006 Finance Store General	26,053,564	25,927,012
H17007 Accommodation	888,107	824,219
H17010 Ruiru Campus Maintenance Store	4,413,614	4,635,883
H17012 Bookshop Store	32,974,900	31,243,824
H17015 National Oil Store	4,782,821	3,351,604
	88,846,847	89,363,092

NOTE 21: Investments	2017 Kshs.	Restated 2016 Kshs.
G16002 C-operative Bank	100,000,000	
G16004 NBK Ruiru	152,517,404	26,503,640
G16007 Equity Bank	240,000,000	100,000,000
	492,517,404	126,503,640

These are short term deposits that are renewable every three months at negotiated interest rate.

KENYATTA UNIVERSITY
PROPERTY PLANT AND EQUIPMENT
For The Year Ended 30th June 2017

Note 22

DEPRECIATION RATES	LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & EQUIPMENT		COMPUTER HARDWARE		COMPUTER SOFTWARE		PATENT & ACADEMIC RIGHTS GOWNS		CAPITAL WORK IN PROGRESS		TOTAL		
	KSHS	0%	KSHS	2%	KSHS	25%	KSHS	10%	KSHS	30%	KSHS	30%	KSHS	20%	KSHS	5%	KSHS	KSHS	KSHS
As at 1st July 2015	1,660,528,458	9,690,934,435	353,691,883	1,305,050,932	283,663,523	44,110,393	7,830,375	6,551,780	1,668,230,498	15,020,592,277									
Additions	4,424,743,000	267,154,241	89,296,387	437,323,509	95,595,377														
Capitalisation																			
As at 30th June 2016	6,085,271,458	9,958,088,676	442,988,270	1,742,374,441	379,258,900	44,110,393	7,830,375	11,206,780	3,168,671,672	21,839,800,966									
Additions			9,059,843	133,837,007	53,324,539	33,006,432													
Capitalisation		2,620,017,246																	
As at 30th June 2017	6,085,271,458	12,578,105,922	452,048,114	1,876,211,447	432,583,440	77,116,824	7,830,375	11,206,780	975,231,662	22,495,606,023									

Depreciation and Impairment

As at 1st July 2015	-	1,333,350,261	322,564,066	952,607,998	218,175,223	15,891,956	7,830,375	5,409,312	2,855,829,191
Charge for the Year	-	199,161,774	37,337,957	174,237,444	68,679,680	12,093,616		560,339	492,070,809
As at 30th June 2016	-	1,532,512,034	359,902,023	1,126,845,442	286,854,903	27,985,572	7,830,375	5,969,651	3,347,900,000
Charge for the Year	-	251,562,118	37,052,986	187,621,145	64,065,668	21,995,545		560,339	562,857,802
As at 30th June 2017	-	1,784,074,153	396,955,009	1,314,466,587	350,920,571	49,981,117	7,830,375	6,529,990	3,910,757,802

NET BOOK VALUES

As at 30th June 2017	6,085,271,458	10,794,031,769	55,093,105	561,744,860	81,662,868	27,135,707	-	4,676,790	975,231,662	18,584,848,221
As at 30th June 2016	6,085,271,458	8,425,576,642	83,086,247	615,528,999	92,403,997	16,124,821	-	5,237,129	3,168,671,672	18,491,900,966

Note: In the year 2016, Computer Hardware and Software were reported as one item (Net book value Kshs 108,528,818) but in the year 2017 the two have been separated.

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

	2017	Restated 2016
	Kshs.	Kshs.
NOTE 23a: Trade and other Payables from Exchange		
B11015 Provision For Audit Fees	3,400,000	1,700,000
B11017 Tax Retention Electricity	4,930,984	
C12001 Pay As You Earn	454,464,846	195,610,905
C12002 NHIF	5,389,440	4,261,450
C12003 NSSF	558,900	484,900
C12004 Pension	290,360,213	137,151,444
C12007 Vat	36,731,879	30,713,073
C12008 Court Attachments	106,604	101,245
C12013 Insurance Claim	2,431,766	3,781,766
C12014 Salary arrears		682,897
C12015 Withholding Tax	15,931,625	12,025,555
C12020 Welfare Deductions	13,136,853	13,676,176
C12022 Insurance Deductions	6,701,922	6,136,107
C12023 Cooperative Deductions Cooperative	104,141,044	17,561,669
C12024 Students Clubs	116,008	11,319,483
C12025 Other Salary Deduction	11,473,573	4,401,581
C12026 Staff Loans Deductions	26,422,301	2,488,115
D13004 Orphans & Vulnerable Students Fund (OVS)	4,993,083	5,119,783
D13007 Rent Deposits Nakuru	89,400	89,400
D13013 Debtors Overpayment	2,031,759	2,046,925
D13018 Recreation Centre Fund	168,000	168,000
D13019 Income Christain Union Chapel Building		656,529
D13020 KU Alumni	1,200,000	
D13021 Gatundu University College-Recurrent	15,000,000	
D13021 Gatundu University College-Development	339,353,110	
E14001-105 Research Fund	174,831,385	136,366,405
L20001 Hospitals	16,809,502	5,926,399
L20002 Drug Suppliers	9,882,074	13,405,230
L20003 Referral Doctors	6,420,462	4,460,205
L20004 General Creditors	424,350,550	417,774,455
Sub-Total	1,971,427,284	1,028,109,697
NOTE 23b: Refundable Deposits From Customers		
C12005 Students Caution Money	82,086,000	83,698,000
NOTE 23c: Payment Received in Advance		
C12010 Fees Paid In Advance	98,752,015	32,249,743
	2,152,265,299	1,144,057,440

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 23d: Current portion of borrowings	2017 Kshs.	Restated 2016 Kshs.
F15013 NBK Payments A/C No. 0359002400	23,908,316	58,849,903
F15017 NBK Harambee A/C 0310891603 (Capitation)		1,319,697
F15023 Equity Bank Ruiru A/C No. 0291051982	1,099,668,901	697,829,810
F15037 Equity Bank A/c 1130199002464	2,820,429	4,900,934
	1,126,397,646	762,900,344

NOTE 24a: Long Term Liabilities	2017 Kshs.	Restated 2016 Kshs.
L20006 Equity Bank (City Campus) Loan 2010	292,497,610	401,926,478
Repayment	135,602,985	109,428,868
	156,894,625	292,497,610
L20017 Co-operative Bank Loan 2015	820,000,000	405,000,000
Co-operative Bank Loan 2016		415,000,000
Repayment	50,367,041	
	769,632,959	820,000,000
Loan Balance	926,527,584	1,112,497,610

Equity Bank Loan: This is a long term (non-current) loan sourced from Equity Bank for the procurement of MFI
 Co-operative Bank Loan: This is a long term (non-current) loan granted for part finance development of a mall

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

NOTE 24b: Deferred Income

	2017	Restated 2016
	Kshs.	Kshs.
D13008 Balance as at 1st July 2015	23,500,000	24,000,000
	23,500,000	24,000,000
A40040 Amortisation 2%	500,000	500,000
Balance as at 30th June 2017	23,000,000	23,500,000

Donation from Chandaria Foundation for the construction of Chandaria Business Innovation and Incubation Centre. Recognised as deferred income and amortised at the rate of 2% per annum of the original value of Kshs 25,000,000.

B11001 NOTE 25: Capital Fund

	2017	Restated 2016
	Kshs.	Kshs.
Balance as at 1st July 2016	2,950,711,126	2,793,461,126
Government Capital Grants	73,221,052	157,250,000
Balance as at 30th June 2017	3,023,932,178	2,950,711,126

B11002 Revenue Reserve

	2017	Restated 2016
	Kshs.	Kshs.
Balance as at 1st July 2016	8,675,718,398	8,584,546,717
Deficit for the Year	(43,902,999)	91,171,682
Revenue Reserve 2017	8,631,815,399	8,675,718,398

B11004 Revaluation Reserve

	2017	Restated 2016
	Kshs.	Kshs.
Balance as at 1st July 2016	4,394,045,564	28,721,234
Revaluation for the Year		4,365,324,330
Revaluation Reserve 2017	4,394,045,564	4,394,045,564

KENYATTA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

Note 26: Capital Work in Progress	2017	Restated 2016
	Kshs.	Kshs.
N23010 Ruiru Campus (Boundary Wall)	26,592,370	26,592,370
N23014 Funeral Home Extension	119,298,747	116,549,217
N23029 Teaching & Referral Hospital	66,898,537	19,486,764
N23054 Alumni Centre	-	219,520,368
N23055 International Programmes Centre	-	154,003,466
N23058 School of Education	-	384,914,212
N23059 Junior Staff Houses	-	127,220,340
N23061 Campus City Unicity	-	931,505,188
N23063 Graduation Square	48,331,143	45,856,380
N23064 Recreation Centre	47,756,473	20,010,605
N23065 Health Unit Extension	-	131,551,296
N23066 Ruiru Principal House	13,510,874	12,964,036
N23067 Engineering Workshop	-	79,781,895
N23068 Children Hospital	196,298,245	152,865,077
N23069 Applied Human Sciences	67,032,839	51,546,841
N23070 School of Business	58,249,084	23,535,117
N23071 Perimeter Wall Referral Hospital	57,222,723	38,729,333
N23072 School of Architecture	10,620,712	10,620,712
N23073 Stadium Complex	9,814,401	9,814,401
N23077 Construction of Main Road and Gate A	-	69,840,995
N23078 Students Hostels Mombasa	-	347,096,545
N23079 Central Stores	19,960,982	16,138,895
N23081 Kitui Campus Boundary Wall	5,076,468	3,683,637
N23084 Rwanda Campus	54,093,875	51,709,333
N23085 Earth Dam Kitui Campus	9,946,000	9,094,621
N23086 International Languages and Cultural Centres	500,000	500,000
N23087 Referral Road	81,653,832	54,504,912
N23088 Underground Tank Kitui Campus	9,778,404	9,778,404
N23089 Water Tanks KUTeaching and Referral Hospital	72,595,955	49,256,714
	975,231,663	3,168,671,672

KENYATTA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2017 (Continued)

Note 26: Capital Work in Progress

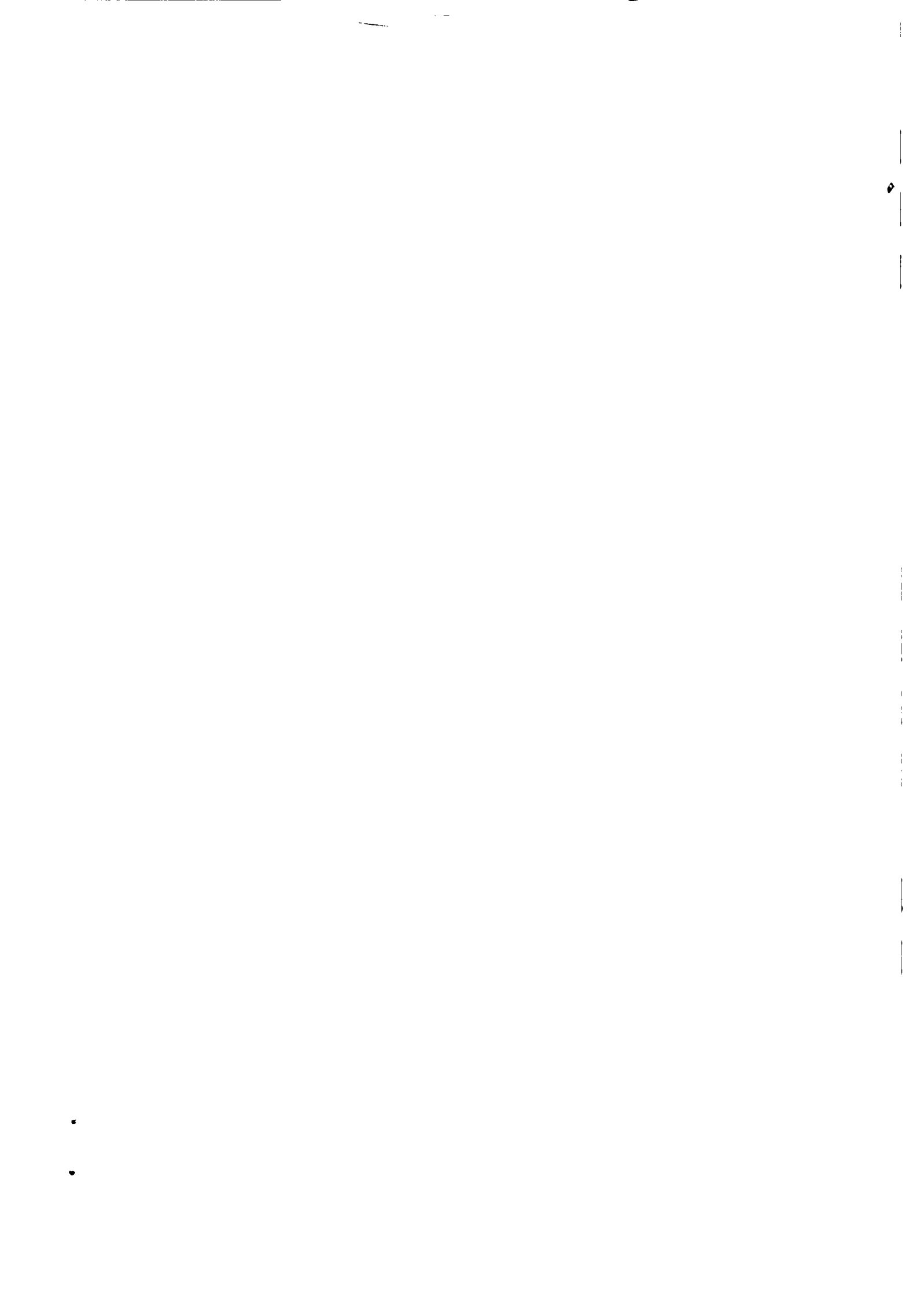
Capitalized Projects

	2017	Restated 2016
	Kshs.	Kshs.
N23054 Alumni Centre	225,569,983	
N23055 International Programmes Centre	171,812,667	
N23058 School of Education	464,769,004	
N23059 Junior Staff Houses	135,562,959	
N23061 Campus City Unicity	940,680,842	
N23065 Health Unit Extension	134,520,850	
N23067 Engineering Workshop	83,640,162	
N23077 Construction of Main Road and Gate A	69,899,495	
N23078 Students Hostels Mombasa	393,561,285	
Total	2,620,017,246	-
Additional W.I.P	426,577,236	

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.	Going Concern: The University is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the Government, creditors and donors.	Management to come up with measures to cut down on University expenditures such as stalling all development projects.	Management	Not Resolved	5 years
2.2.1	Encroached Land by Squatters (Kamae)	Land (Main campus) measuring 12.472 hectares valued at Ksh 981,479.00 which has been illegally encroached by the Kamae squatters. Among other measures taken, the university filled a case in a court of law against the illegal encroachment of the land and the matter is pending at the court of law. The full hearing of the case commenced on 2 nd October 2015 and the acting Vice-Chancellor and the Registrar Finance have testified. Further, the University has involved the National Land Commission and the outcomes, of all the effort taken are awaited.	Management	Not Resolved	



PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
2.2.2	Land without ownership documents (Dadaab)	The Land was allocated to the University by Lagdera Constituency Development fund in Garissa County is valued at Ksh 880,000. The amount was in respect of registration and other related charges. It has taken the University such a long time to get the necessary ownership documents but the University is pursuing the matter.	Management	Not Resolved	
2.2.3	Land Originally Excised from Public Road Reserve (Nakuru). It has not been possible to confirm ownership by the University of the three portions of land valued at Kshs 126,179,792 as at 30 th June 2016.	L.R No.NKU/Bock/9/108 measuring 0.0231 hect and valued at Ksh 2,018,237.00 was bought by the University after it had carried out due diligence including proper search before buying the land. When the University appeared before the Public Investment Committee in November the year 2015, the Committee noted from our response and explanation that the University had done due diligence required before buying the land. The Committee also observed that the University was cleared by the relevant Government agencies, including the Ministry of land and the then County Council of Nakuru before obtaining the ownership documents. In view of the above, the Committee cleared the University of any Wrong doing and	Management	Resolved	



PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
3	Receivable from Non-exchange Transaction: It has not been possible to confirm recoverability of the whole of the receivables from non-exchange transactions totalling to Kshs 10,510,532 as at 30 th June 2016	recommended that the matter be put to rest. The University has taken the following measures to ensure that it recovers its debt. <ul style="list-style-type: none"> • The University has written reminder letters to the debtors. • The debts have been handed over to the University lawyer to pursue them through legal channels • The University has appointed debt collection firm to assist in collecting debts 	Legal Officer	Not Resolved	


 Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR


 Prof. Shem E. Migot-Adholla, Ph.D.,
CHAIRMAN OF COUNCIL

