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| CLERK-AT THE TABLE:   | S. Kalama. |

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**CHUKA UNIVERSITY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



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**CHUKA**



**UNIVERSITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30 2019**

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

**Chuka University**  
**Annual Reports and Financial Statements**  
**For the Year Ended June 30, 2019**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Chuka University is an independent public entity established through a charter as per the Universities Act, 2012. It is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University. Chuka University has a variety of Academic programmes, which are offered under the following six Faculties: Business Studies, Arts and Humanities, Education and Resources Development, Agriculture and Environmental Studies, Science, Engineering and Technology and Faculty of Law.

**(b) Principal Activities**

The Mandate of the Chuka University as provided by the Chuka University Charter dated 8<sup>th</sup> January 2013 is to:

- i) Provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of citizens of Kenya.
- ii) Participate in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellectual participation of students in the economic, social, cultural, scientific, and technological development of Kenya.
- iii) Provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of Diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing contribute to manpower needs.
- iv) Conduct examinations for such academic awards as may be provided in the statutes pertaining to the University and
- v) Examine and make proposals for new faculties, schools, institutes, departments, resource and research centres, study courses and subjects of study.

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***OUR MISSION***

To generate, preserve and share knowledge for effective leadership in higher education, training, research and outreach through nurturing an intellectual culture that integrates theory with practice and innovation.

***Vision***

To be a Premier University for the provision of quality education, training and research for sustainable national and global development

***Core Values***

The University is committed to the following set of core values:

- i) Customer value and focus
- ii) Diversity & social fairness
- iii) Environmental consciousness
- iv) Fidelity to the law
- v) Innovation
- vi) Integrity
- vii) Passion for Excellence
- viii) Peaceful Co-existence
- ix) Professionalism and Confidentiality
- x) Prudence utilisation of resources
- xi) Team work
- xii) Timeliness and Devotion to duty.

**(c) Key Management**

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

- i) The Principal Secretary, Ministry of Education
- ii) The Council
- iii) The Management Board

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and had direct fiduciary responsibility were:

| <b>Designation</b>                  | <b>Name</b>                          |
|-------------------------------------|--------------------------------------|
| i) Vice – Chancellor/CEO            | Prof. Erastus N. Njoka, Ph.D.        |
| ii) Deputy Vice Chancellor (AFP&D)  | Prof. Zachary Njogu Waita, Ph.D.     |
| iii) Deputy Vice Chancellor (ARSA)  | Prof. Dorcas K. Isutsa, Ph.D.        |
| iv) Registrar – Administration (Ag) | John K. Nkanatha, MA.                |
| v) Registrar (Academics)            | Prof. Francis G. Nderitu, Ph.D.      |
| vi) Finance Officer (Ag)            | CPA. John K. Thurairira, MBA (CPAK). |

**(e) Fiduciary Oversight Arrangements**

The key fiduciary oversight committee of the University for the Financial Year 2017/2018 and their respective functions are outlined below:

**1. Finance, Farms, Enterprise Company and General Purpose Committee**

- i) To review and recommend approval of policies and conditions for sound management of the financial processes and operations.
- ii) To review and report to the Board on the annual audited accounts.
- iii) To review and recommend approval of policies and conditions for sound management of financial investments.
- iv) To formulate policies and conditions for sound management of University funds.
- v) To discuss and recommend to the council Annual and Quarterly Financial reports.

**2. Audit, Governance and Risk Management Committee**

- i) Assist in enhancing internal controls in order to improve efficiency, transparency and accountability in the management of University funds
- ii) Examine internal and external audit reports and recommendations after management response to ensure action is taken
- iii) Follow up to ensure action is taken to resolve Public Accounts Committee recommendations
- iv) Provide oversight on risk management processes
- v) Any other duty as set out in the Audit Committee Charter

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**3. Human Resources Management Committee**

- i) To provide guidance and direction to compensation and benefits of employees as per the negotiated Collective Bargaining Agreements as well as negotiate for group health care benefits.
- ii) Implementation of employee training and development policy depending on competency needs assessment.
- iii) Carry out the organization employee needs assessment and recommend for recruitment of various categories of staff.
- iv) Handle and recommend to the council staff disciplinary matters and the appropriate action to be taken.

**4. Building, Planning and Development Committee**

- i) To oversee implementation of development projects in the University.
- ii) To consider and recommend to the Council building projects budget for the University.
- iii) To monitor and appraise development projects for the University.

**5. Grievances Handling and Appeals Committee**

- i) To hear any appeals related to staff and students discipline and recommend to the council for the necessary action.
- ii) To arbitrate the cases brought to the committee from various organs of the University.

**6. Sealing and Honorary Degree Committee**

- i) To make recommendations to the council on the award of Honorary Degrees to various personnel.
- ii) To recommend to the Council students due for graduation.
- iii) To propose to the Council, the graduation dates as proposed by the Senate.

**f) Entity Headquarters**

P.O. Box 109, 60400

Chuka Town

Kenya

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**g) Entity Contacts**

Telephone: (254) 0202310512/

Cell phone 0715505858/0731620266

E-mail: [info@chuka.ac.ke](mailto:info@chuka.ac.ke)

**h) Entity Bankers**

Kenya Commercial Bank Ltd,

P.O. Box 7014 - 60400

Chuka

Cooperative Bank of Kenya

P.O. Box 101 – 60400

Chuka

Equity Bank Ltd

P.O. Box 213 - 60400

Chuka

Family Bank Ltd

P.O Box 3092-60200

Meru

Barclays bank of Kenya l td

P.O.Box 88-60100

Embu

Standard Chartered Bank Ltd

P.O. Box 109-60200

Meru

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**i) Independent Auditors**

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





**j) Principal Legal Advisor**

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

**THE UNIVERSITY COUNCIL**

| <b>Name(s)</b>  | <b>Concise Description</b>  |
|---|---|
| <p>Dr. Julius Tanguis Rotich<br/>           University council chairman</p>                    | <p>Dr Julius Rotich is the current Chairman of Chuka University Council. He was born on 18<sup>th</sup> July 1954. He holds a Ph. D degree in Operational Research from Lancaster University, MBA (UON) MSc (Sussex University), Bcom (UON). He is also a Certified Public Accountant of Kenya (CPAK). He is the immediate Director and Chief Executive Officer of the Kenya College of Communications Technology and the Secretary to the Board of the same College.</p> |
| <p>Prof. Erastus N. Njoka - CEO<br/>           Vice - Chancellor &amp; Council Secretary</p>  | <p>Professor Erastus N. Njoka was born on 31<sup>st</sup> October 1959. He is a renowned Scholar and an administrator. He started working in Egerton University where he served as the Dean of the Faculty of Agriculture. He also served as a Director and Principal of Chuka University College before it was elevated to a full-fledged University. He holds PGD, MSc, Ph. D (Friendship University).</p>  |
| <p>Mr. Boniface Simba<br/>           Council Member</p>                                      | <p>Boniface Simba was born in 1972. He holds BA in Public Administration and an MBA in Strategic Management from the University of Nairobi. He served in Provincial Administration and Central Government in various senior capacities before moving to the National Treasury as a senior administrator. He serves in the Council as a representative of the PS, National Treasury.</p>   |

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|   |  |
|---|--|
| <p>Dr. George Kwedho<br/>Council Member</p>          | <p>Dr George Kwedho has over 35 years' successful experience in providing fiscal, strategic and operations leadership in public organizations. He holds a Ph.D. degree in environmental planning (University of Eldoret), and Msc. He is currently a managing consultant, FEPAN Global Agencies Company Ltd.</p>                             |
| <p>Josephine Wambui Gitonga<br/>Council Member</p>  | <p>Josephine serves as a child protection specialist at save the Children International. She also served as the programmer manager at parenting in Africa network. She holds B.A and MA degrees from the University of Nairobi.</p>  |
| <p>Hellen Kiende Mungania<br/>Council Member</p>   | <p>Hellen Kiende serves as a council member at Chuka University. She is an Advocate of the High Court of Kenya.</p>  |
| <p>Andrew Mwitw Mugambi<br/>Council Member</p>     | <p>Andrew Mwitw was born on 18<sup>th</sup> April 1951. He is a full time consultant in Agribusiness and development in general. He also worked as a senior deputy director in charge of Development coordination in the Ministry of Agriculture. He holds Bsc and Msc degrees in Agricultural Economics from Colorado State University)</p> |

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**Kennedy Morara Ontiti**  
Council Member



Ken Ontiti serves as a council member at Chuka university. He is an advocate of the High Court of Kenya.




**Arch. Titus Ingana**  
Council Member






Arch. Titus Ingana is the Ag. Deputy Director of Research, Ministry of education. He also served in the United Nations as Nations Advisor in East Timor, Indonesia. He holds a Ph.D. in Environmental Policy Analysis and a Master of Science, Geology. He also holds a Bachelor of Science (BSc) in Geology/Earth Science, General.

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**MANAGEMENT TEAM**

| <b>Name of the Staff&amp; Responsibility</b>   | <b>Concise Description</b>  |
|--|---|
| <p>Prof. Erastus N. Njoka, Ph.D.<br/><b>Chief Executive Officer/ Vice Chancellor</b></p>  | <p>Professor Erastus N. Njoka was born on 31<sup>st</sup> October 1959. He is a renowned Scholar and an administrator. He started working in Egerton University where he served as the Dean of the Faculty of Agriculture. He also served as a Director and Principal of Chuka University College before it was elevated to a full-fledged University. He holds PGD, MSc Ph. D (Friendship University).</p> |
| <p>Prof. Zachary N Waita Ph.D.<br/><b>Deputy Vice Chancellor (AFP&amp;D) (Ag)</b></p>   | <p>Professor Zachary N. Waita is associate professor of Literature and Media Studies. He served in Moi and Egerton Universities before joining Chuka University in 2009.</p>  |
| <p>Prof. Dorcas K. Isutsa, Ph.D.<br/><b>Deputy Vice Chancellor (ARSA)</b></p>           | <p>Professor Dorcas Isutsa was born on 8<sup>th</sup> August 1966. She served as the Deputy Principal of Chuka University College before it was elevated to a full fledged University. She is the DVC in charge of Academics, Research and Students Affairs. She holds a BSC(Egerton) and Ph.D from Cornell University in USA.</p>  |

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|   |  |
|---|--|
| <p>Prof. Francis G. Nderitu, Ph.D.<br/><b>Registrar (Academics)</b></p>  | <p>Professor Nderitu was born on 1<sup>st</sup> January 1965 and served in Egerton University as a Deputy Registrar (Academic Affairs) and as a Chairman Department of Physics and Computer Science. He is currently the registrar of Academics affairs in Chuka university. He is a Ph.D. degree Holder in Condensed Matter Physics from (Egerton University) M.Sc. in Physics (Egerton University) B.Sc. in Physics, (University of Nairobi)</p> |
| <p>John K. Nkanatha, MA.<br/><b>Registrar (Administration)(Ag)</b></p>  | <p>John Nkanatha was born on 1<sup>st</sup> January, 1959. He served in Egerton University in various capacities before joining ChukaUniversity. He holds a BA and MA in Kiswahili.</p>  |
| <p>John K. Thurania, MBA, CPA (K)<br/><b>Finance Officer (Ag)</b></p>  | <p>CPA. John K. Thurania was born on 31<sup>st</sup> December, 1974. He served in various Companies and institutions as an Accountant before moving to Constituencies Development Fund (CDF) as a Fund Manager. He holds BCOM, MBA, (Egerton), and CPA (K).</p>  |

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**CHAIRMAN'S STATEMENT**

It is my pleasure and great honour for me to present the Seventh annual report and Financial Statements of Chuka University for Financial Year ended 30<sup>th</sup> June 2019. Am happy to report that the university recorded another year of strong performance in the endeavour to become a premier university. Chuka University as continued strengthening and expanding its academic programmes and tailoring them to meet the industry need. To this end, the University is constructing a 3 billion shillings science Research Park and Food Technology Science laboratory worth 292 million shillings that will house research facilities all aimed at building capacity in human capital. Plans are also underway to put up a postmodern library, which will provide greater access to knowledge to researchers globally.

In full realization of the potential Chuka University as greatly leveraged on technology. The University as continued to strengthen ICT resources by establishing and equipping computer laboratories for both students and staff. The developments will help to maximize students and staff productivity, enhance teaching, learning, and improve quality of research for sustainable development

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

As the Chairman of the council of this great University, I take pride in the realization that staff members, students and fellow council members have continued to preserve the university brand through resilience and commitment towards achieving our common goal of academic excellence. Thank you all for your continued commitment, loyalty, hard work and peaceful co-existence



Dr. Julius Tangus Rotich, Ph.D.  
**COUNCIL CHAIRMAN**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

Once again, the future of Chuka University as continued to progress through stability and growth. During the year ended 30<sup>th</sup> June 2019 the university focused on its mission to generate, preserve and share knowledge for effective leadership in higher education, training, research and outreach

### **Financial performance**

During the year, the university instituted the necessary internal controls on resources to ensure that we meet the targets of revenue collection and cost control. That way the university remained resilience and timely met the financial obligation as and when the fell due. Through prudent financial management, the University managed to remit all statutory deductions, third party deductions, and honour supplier invoices promptly.

### **Education, Training, Research and outreach**

Chuka University maintained high standards of teaching, training and research activities. During the financial year, Chuka University culminated the academic year by hosting its fifth International research conference. The conference was attended by 175 delegates who presented, shared and disseminated their research works. Chuka University also signed an MOU of mutual interest with Saarland University in Germany.

### **Infrastructure**

To facilitate increased access to University education, the university planned and embarked on projects to diversify programmes, promote student, staff and community welfare. During the year 2018/2019 the following flagship projects were implemented; Construction of phase two male hostel, Construction of Science Research Park, construction of administration block and law school, acquisition of a bigger Ultra-modern fire engine with capability of spewing 10,000 litres of water within four minutes, and also Plans are under way to construct a ultra-Modern Library for use by scholars across the globe.

### **Human resource**

The University Recognizes that human capital is a key pillar to organizational growth. Towards this end and while keen on wage bill sustainability, Chuka University as continued to recruit top-talent and as a robust team of staff with diverse skills, which is key to achieving the

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objectives. During the year, Chuka University hosted its first staff end of year party and team building with the aim of rekindling the efforts of the staff and rewarding the best performing employees. This was also a moment of reflection and forward planning whereby the team learned strategies of working together effectively as well as appreciating each other's strengths and Weaknesses. Chuka University also sponsored staff for trainings both locally and abroad during the year under review.

In conclusion, my I convey my appreciation and gratitude to the university council, my fellow staff members for their commitment to work and their timeliness and splendid effort that have seen Chuka University towards its goal of becoming a premier University.

Finally, I would like to thank the government, local and international donors, suppliers and service providers for their trust and guidance and continued cooperation.



Prof. Erastus N. Njoka, Ph.D.  
**CEO/VICE – CHANCELLOR**

## **CORPORATE GOVERNANCE STATEMENT**

Chuka University is committed to exhibiting best practices in all aspects of corporate governance as guided by the University Charter and the Mwongozo Code of Governance. The Mwongozo Code was established by the Government to provide guidance on effective leadership, governance and management of public resources. The Charter requires the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

### **i) The Council**

This is the governing body of the university. The Council comprises nine members as disclosed in pages 9 to 11. The council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the Universities goals and objectives. The Council is appointed by the Cabinet Secretary for Education.

As the governing body of the University, the Council has a responsibility of maintaining a sound system of internal controls that support the achievement of policies, aims and objectives, whilst safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012. In discharging its mandate, the Council is guided by the Charter to effectively fulfil its corporate governance responsibility towards its stakeholders. In addition, it has adopted Guidelines on Corporate Governance developed by the Commission for University Education.

The University also embraces the Public Officers and Ethics Act and the Mwongozo Code for State Corporations. The Council is also the executive governing body responsible for the academic policy and strategic direction of the University, including its external relations, and for the Administration of the University. The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

### **Meetings of the council**

The meetings of the council are held at least once every quarter in a Financial Year.

### **Council Committees**

To promote smooth running of its affairs, certain functions of the Council are delegated to its committees, which report to the Council.

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These Committees include the following:

- i) Finance, Farm, Enterprise Company and General Purpose Council Committee.
- ii) Audit, Governance and Risk Management Council Committee.
- iii) Grievances Handling Appeals Council Committee.
- iv) Human Resources Management Council Committee.
- v) Building, Planning and Development Committee.
- vi) Sealing and Honorary Degree Council Committee.

All Committees of the Council have an appointed chairperson. The decisions and recommendations of these committees are formally reported to the Council.

**Remuneration of the Council**

The members of the council, other than the Chief Executive Officer, do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Ksh. 20,000 per sitting. The Chairman and the Chancellor receives honoraria as stipulated in their appointment letters by the appointing authority. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University duties.

**ii) The Management Team**

Members of the management team are appointed by the Council through a competitive process. The membership consists of the CEO/Vice Chancellor, the Deputy Vice Chancellor (Administration, finance, Planning and Development), Deputy Vice Chancellor (Academics, Research and student Affairs) Finance Officer, Registrar (Academics) and Registrar (Administration and Planning).

**iii) The Senate**

This is the academic authority of the University. It is composed of the Vice - chancellor, Deputy vice chancellors, Deans, Directors Heads and Chairmen of the academic Departments, two students representatives Finance Officer and Faculty representatives. Its role is to discuss and approve student results as well as students discipline. The Senate is chaired by the Vice - Chancellor.

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The Principal academic and administrative officer of the University is the Vice Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

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**VII) MANAGEMENT DISCUSSION AND ANALYSIS**

The University has been keen on implementing the Government Big Four through ensuring a sustainable and prudent management of the university.

During the year under review the University realized a total revenue of Kshs.2.2 billion compared to Kshs 2.1 billion the previous. Due to strict austerity measures and stringent internal control systems, the university spend kshs.1.3 Billion as compared to kshs.1.4 Billion. In general, the university realized a surplus of Kshs.860.9 Million as compared to a surplus of kshs.753.3 Million the previous year, hence an increase of Kshs.107.6 Million

The increase was also due to increase in recurrent capitation from the Government by an amount of Kshs. 27.8 Million. During the same year, the University self-generated an amount of kshs. 979.1 Million as Appropriation in Aid, which was used to fund purchase of equipment, support construction projects and other operations. The Government contributed a total of Ksh. 301 Million to support capital projects.

In our statement of financial position, the Net worth of the University continued growing recording a net worth of Kshs.7.09 billion up from Kshs. 4.7 billion in the financial year 2017/2018. This was mainly due to acquisition of high precision laboratory equipment, acquisition of modern fire engines to safeguard the University against the risk of fire, acquisition of buses to support student practicals and field trips, construction of buildings to support the growing staff and student population and the university effort to enhance security through acquisition of High mask floodlights. This was also due to a revaluation of all the university asset during the financial year 2018/2019 that realized a Revaluation surplus of kshs.1billion and Recognition of new University. The current assets of the University recorded an amount of Kshs.1.8 Billion against the current liabilities of Kshs 284.6. Million. This means that the university liquidity is stable and we can meet our obligations as and when the fall due.

During the year, the university continued maintaining a competitive hedge in its core business of generating, preserving and sharing knowledge for effective leadership in higher education, training, research and outreach. This is despite the stringent regulator requirement and reforms in the higher education sector. The University successfully held its sixth graduation ceremony and the fifth International research conference.

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**Compliance with statutory requirements**

The university has complied with all the statutory rules and has not been penalised in any one instance. The University has ensured that all the taxes are paid at the right time and all the statutory deductions deducted from staff salaries are remitted to the relevant offices in good time.

**Major Risks**

Chuka University was not exposed to any major risk that can affect its operation.

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING**

Chuka University is an acknowledged local leader on social responsibility issues. The goal of the university is to use knowledge and resources to make a positive and decisive difference to people, organisations and the community. The University has sphere headed Corporate Social Responsibility in the following areas:

**Environmental Conservation**

Chuka University has collaborated with the local community in planting of trees in the surrounding Environment. The University also funded students and staff who conducted various research activities on environmental conservation through the faculty of Agriculture and Environmental studies, these facts have helped compact the climate changes in the surrounding environment.

**Promotion of Education**

The university offer bursaries and scholarships every year to the best performing students in each Faculty. The university also offer bursaries to staff dependants to support their education in other institutions of higher learning. Chuka University is also committed to growing its engagement with schools, colleges and charitable voluntary groups to promote higher education for the benefit of all, promoting equality of access and supporting diversity. During the financial year 2018/2019 Chuka university also supported the prize-giving day for Tharaka Nithi County.

**Sports**

Despite hiring of qualified staff to coordinate sports activities in the university, Chuka University as continued sponsoring students to participate in games activities with other university and several trophies have been received from such competitions.

**Water and Sanitation Initiatives**

During the 2018 /2019, FY the University engaged in supplying water at supplemented rate to the surrounding community for the benefit of our students and neighbours. Most of our students reside in houses built by the community members.

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During the financial year, the university sold water totalling to kshs.1 million at subsidised prices to the community during the dry spell of the year. The proceeds from the sale catered for repair and maintenance costs.

The University is also considering Projects to approve for the implementation in the university neighbouring community during the financial year 2019/2020 under the programme of corporate social responsibility.

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**REPORT OF THE COUNCIL**

The Council submits the report together with the audited financial statements for the year ended June 30, 2019, which indicate the state of the University's affairs.

**Principal activities**

The principal activities of the University are to provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of citizens of Kenya.

**Results**

The results of the entity for the year ended June 30, 2019 are set out on pages 27 to 35 for financial statements and pages 40 to 76 for the notes to the financial statements.

**University Council**

The members of the Council who served during the year are shown on page 9 to 11 in accordance with the Universities Act, 2012.

**Auditors**

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 38 & 39 of the Public Finance Management (PFM) Act, 2013, which empowers the Auditor General to carry out the audit of the University for the year ended June 30, 2019.

By Order of the University Council



Prof. Erastus N. Njoka, Ph.D.  
**VICE – CHANCELLOR/CEO**

**STATEMENT OF COUNCILS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University'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 (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

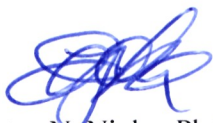
The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. 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, 2019, 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.

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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 on 26<sup>th</sup> September 2019 and signed on its behalf by:



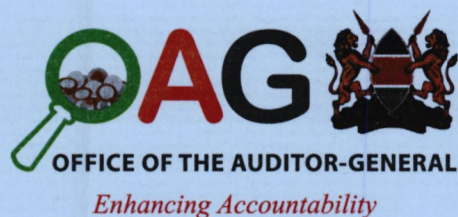
Prof. Erastus N. Njoka, Ph.D  
**VICE – CHANCELLOR/CEO**



Dr. Julius Tangusi Rotich, Ph.D  
**COUNCIL CHAIRMAN**

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON CHUKA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Chuka University set out on pages 27 to 71, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Chuka University as at 30 June, 2019, 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 Universities Act, 2012 of the Laws of Kenya.

#### Basis for Qualified Opinion

##### 1. Lack of Ownership Documents of Land

As previously reported, the statement of financial position reflects a property, plant and equipment balance of Kshs.5,550,693,142 which, as disclosed in Note 28 to the financial statements, includes an amount of Kshs.1,087,500,000 relating to land. However, the reported value of land included Kshs.25,000,000 relating to land parcel - LR.No.Karingani/Ndagani/741 measuring 1.0 hectares of which the University did not have ownership documents. Although the Management indicated the process of securing the Title was at an advanced stage, no documentary evidence was availed to confirm the status.

In view of the foregoing, the University's property, plant and equipment balance of Kshs.5,550,693,142 as at 30 June, 2019 could not be confirmed as fairly stated.

## **2. Offsetting of Assets and Liabilities**

As disclosed in Note 24 to the financial statements, the reported bank and cash balance of Kshs.1,645,614,700 has been arrived at after offsetting the negative cash book balance of Kshs.1,945,264 relating to the Development Account held at Co-operative Bank instead of disclosing the balance under current liabilities as required under Paragraph 48 of International Public Sector Accounting Standards No.1 – Presentation of financial statements.

Under the circumstances, the accuracy of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Chuka University Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Competitive Recruitment of Employees**

During the year under review, the University recruited twenty-eight (28) employees. However, review of records in support of the recruitments revealed that five (5) of the positions filled - three nursing officers at grade F, one fire fighter at grade IV and a farm attendant at grade II had not been advertised contrary to Section B.4 of the Public Service Commission - Human Resource Policies and Procedures Manual for the Public Service which provides for advertisement of all vacant posts.

In the circumstances, it could not be confirmed that the recruitment was undertaken on the basis of fair competition and merit.

## **2. Irregular Award of Contracts**

Review of records relating to procurement of goods and services revealed that three (3) suppliers of food stuff were awarded contracts for supply of goods with a total value of Kshs.2,841,650. However, the suppliers were not in the University's list of prequalified suppliers for the financial year 2018/2019. Further, there was no evidence to show the suppliers had applied for registration pursuant to Section 71(2) of the Public Procurement and Asset Disposal Act, 2015.

In view of the foregoing, the competitiveness of the procurements and value for money on the expenditure could not be confirmed.

## **3. Non-Compliance with Financial Guidelines**

The statement of financial performance reflects investment income of Kshs.267,250 (2018: Kshs.54,666,648) representing a decrease of Kshs.54,399,398 or 203%. Available information indicated that in the financial year 2017/2018, the University had invested in fixed deposits amounting to Kshs.600 million, Kshs.160 million and Kshs.250 million in Equity Bank, Family Bank and Co-operative Bank respectively, out of which interest income totaling Kshs.54,666,648 was earned. However, all the deposits were retired towards the end of the financial year 2017/2018 and only Kshs.20,000,000 was invested in Treasury Bills in the financial year 2018/2019. The rest of the funds were held in the banks.

The University therefore contravened the guiding principles for cash management which include avoiding accumulation of idle balances as stipulated under Regulation 83 (2) (c) of the Public Finance Management (National Government) Regulations, 2015. The University was also in breach of The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Management is aware of intention to terminate the University or to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**19 July, 2021**

**Chuka University**  
**Annual Reports and Financial Statements**

**STATEMENT OF FINANCIAL PERFORMANCE**

*Chuka University*  
*Statement of Financial Performance*  
*For the Year Ended June 30, 2019*

|   | Note | 2018-2019<br>30th June 2019<br>Ksh | 2017-2018<br>30th June 2018<br>Ksh |
|---|------|------------------------------------|------------------------------------|
| <b>Revenue from non-exchange transactions</b>     |      |                                    |                                    |
| Exchequer Recurrent Grants                        | 6    | 1,261,792,952                      | 1,233,932,369                      |
| Other Revenue from Non-exchange transactions      | 7    | 372,940                            | <b>188,290</b>                     |
| <b>Sub-total</b>                                  |      | <b>1,262,165,892</b>               | <b>1,234,120,659</b>               |
| <b>Revenue from exchange transactions</b>         |      |                                    |                                    |
| Tuition and Related Income                        | 8    | 845,354,570                        | 820,593,237                        |
| Income Generating Activities                      | 9    | 27,666,408                         | 21,358,620                         |
| Investment Income - Interest Income               | 10   | 267,250                            | 54,666,648                         |
| Other Income                                      | 11   | 105,823,291                        | 34,518,517                         |
| <b>Sub-total</b>                                  |      | <b>979,111,519</b>                 | <b>931,137,022</b>                 |
| <b>Total Revenue (a)</b>                          |      | <b>2,241,277,411</b>               | <b>2,165,257,681</b>               |
| <b>Expenses</b>                                   |      |                                    |                                    |
| Employment Expenses                               | 12   | 856,163,208                        | 931,023,791                        |
| Council Expenses                                  | 13   | 12,696,895                         | 10,266,704                         |
| Establishment Expenses                            | 14   | 1,441,189                          | 410,116                            |
| Repairs and Maintenance Expenses                  | 15   | 17,675,533                         | 13,293,459                         |
| Academic Expenses                                 | 16   | 183,896,105                        | 163,976,512                        |
| Students and Alumni Expenses                      | 17   | 12,674,812                         | 10,239,717                         |
| Staff Welfare & Development Expenses              | 18   | 2,665,584                          | 3,239,084                          |
| Finance Costs                                     | 19   | 1,686,892                          | 1,341,709                          |
| Depreciation and Amortization                     | 20   | 101,910,583                        | 95,957,752                         |
| Audit Fees  | 21   | 696,000                            | 696,000                            |
| General Operating Expenses                        | 22   | 188,913,557                        | 181,407,372                        |
| Increase/Decrease in Provision for Doubtful Debts | 23   | (56,278)                           | 36,493                             |
| <b>Total Expenditure (b)</b>                      |      | <b>1,380,364,080</b>               | <b>1,411,888,709</b>               |
| <b>Surplus / Deficit (a-b)</b>                    |      | <b>860,913,331</b>                 | <b>753,368,972</b>                 |



CPA John K. Thurania  
 ICPAK MEMBER NO. 15343  
 Ag. FINANCE OFFICER



Prof. Erastus N. Njoka, Ph.D.  
 VICE – CHANCELLOR/CEO



Dr. Julius Tangus Rotich, Ph.D.  
 COUNCIL CHAIRMAN

**Chuka University**  
**Annual Reports and Financial Statements**


**STATEMENT OF FINANCIAL POSITION**

*Chuka University*  
*Statement of Financial Position*  
*As at June 30, 2019*

|  | Note | 30th June 2019<br>Ksh | 30th June 2018<br>Ksh |
|--|------|-----------------------|-----------------------|
| <b>ASSETS:</b>                               |      |                       |                       |
| <b>Current Assets</b>                        |      |                       |                       |
| Cash & Cash Equivalents                      | 24   | 1,645,614,700         | 1,296,496,584         |
| Receivables from Exchange Transactions       | 25   | 71,229,542            | 76,801,047            |
| Receivables from Non-Exchange Transactions   | 26   | 79,429,469            |                       |
| Inventory                                    | 27   | 16,699,914            | 8,043,912             |
| <b>Total</b>                                 |      | <b>1,812,973,625</b>  | <b>1,381,341,543</b>  |
| <b>Non-Current assets</b>                    |      |                       |                       |
| Tangible assets -Property, Plant & Equipment | 28   | 5,550,693,142         | 3,643,723,615         |
| Intangible assets - Comp Software            | 29   | 7,664,428             | 1,975,899             |
| Biological Assets                            | 30   | 11,805,825            | 9,063,000             |
| <b>Total</b>                                 |      | <b>5,570,163,395</b>  | <b>3,654,762,514</b>  |
| <b>Total Assets</b>                          |      | <b>7,383,137,020</b>  | <b>5,036,104,057</b>  |
| <b>Liabilities:</b>                          |      |                       |                       |
| <b>Current Liabilities:</b>                  |      |                       |                       |
| Payables from Exchange Transactions          | 31   | 160,175,785           | 198,657,119           |
| Retention Work in Progress                   | 31   | 124,469,554           | 48,994,060            |
| <b>Total Liabilities</b>                     |      | <b>284,645,339</b>    | <b>247,651,179</b>    |
| <b>Equity Funds &amp; Reserves</b>           |      |                       |                       |
| Capital Funds                                |      | 1,995,627,819         | 1,606,926,425         |
| Accumulated Surplus                          |      | 3,801,863,817         | 2,922,949,886         |
| Revaluation Reserve PPE                      |      | 1,301,000,044         | 258,576,567           |
| <b>Total Equity &amp; Reserves</b>           |      | <b>7,098,491,680</b>  | <b>4,788,452,878</b>  |
| <b>Total Equity &amp; Liabilities</b>        |      | <b>7,383,137,020</b>  | <b>5,036,104,057</b>  |



CPA John K. Thurania  
 ICPAK MEMBER NO. 15343  
 Ag. FINANCE OFFICER



Prof. Erastus N. Njoka, Ph.D.  
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Dr. Julius Tangus Rotich, Ph.D.  
 COUNCIL CHAIRMAN

**Chuka University**  
**Annual Reports and Financial Statements**

**STATEMENT OF CHANGES IN NET ASSETS**

| <i>Chuka University</i>                          |                      |   |                               |                      |
|--|----------------------|---|-------------------------------|----------------------|
| <i>Statement of Changes in Net Assets/Equity</i> |                      |   |                               |                      |
| <i>For the Period Ended June 30 , 2019</i>       |                      |   |                               |                      |
| Note   | Capital Fund<br>Ksh  | Revaluation<br>Reserves -<br>PPE<br>Ksh | Accumulated<br>Surplus<br>Ksh | Total<br>Ksh         |
|  | 1,511,126,454        | 258,576,567                             | 2,145,827,773                 | 3,915,530,794        |
| Balance as at 01/07/2017                         |                      |   |                               |                      |
| Adjustment for Prior year<br>R/E                 |                      |   | 23,753,141                    |                      |
| Surplus/Deficit for the<br>Year                  | -                    | -                                       | <b>753,368,972</b>            | <b>753,368,972</b>   |
| Exchequer Capital Grants                         | 32                   | <b>95,799,971</b>                       | -                             | <b>95,799,971</b>    |
| <b>Balance as at 30/06/2018</b>                  | <b>1,606,926,425</b> | <b>258,576,567</b>                      | <b>2,922,949,886</b>          | <b>4,788,452,878</b> |
| Balance as at 01/07/2018                         | 1,606,926,425        | 258,576,567                             | 2,922,949,886                 | 4,788,452,878        |
| Surplus/Deficit for the<br>Year                  | -                    | -                                       | 860,913,331                   | 860,913,331          |
| Exchequer Capital Grants                         | 32                   | 301,153,394                             | -                             | 301,153,394          |
| Adjustment on Prior year<br>assets               | 33                   | 548,000                                 | -                             | 548,000              |
| Surplus on Revaluations<br>for the year          | 34                   | -                                       | 1,042,423,478                 | 1,042,423,478        |
| Adjustment for Prior year<br>R/E                 | 35                   | -                                       | 18,000,600                    | 18,000,600           |
| Land and Building<br>Donations                   | 36                   | 87,000,000                              | -                             | 87,000,000           |
| <b>Balance as at 30/06/2019</b>                  | <b>1,995,627,819</b> | <b>1,301,000,044</b>                    | <b>3,801,863,817</b>          | <b>7,098,491,681</b> |

**Chuka University**  
**Annual Reports and Financial Statements**

**STATEMENT OF CASH FLOWS**

*Chuka University*  
*Cash flow Statement*  
*For the Period Ended June 30, 2019*

|   |             | <b>2018/2019</b>   | <b>2017/2018</b>   |
|---|-------------|--------------------|--------------------|
|   | <b>Note</b> | <b>Kshs</b>        | <b>Kshs</b>        |
| Surplus / (Deficit) from Operations                                   |             | 860,913,331        | 753,368,972        |
| <b>Adjustments for Non-Cash Items in the Income Statement:</b>        |             |                    |                    |
| Depreciation and Amortization Charge for the year                     | <b>20</b>   | 101,910,583        | 95,957,752         |
| <b>Less: Non-operating income</b>                                     |             |                    |                    |
| Investment Income Received  | <b>10</b>   | 267,250            | (52,609,881)       |
|   |             | <b>962,556,664</b> | <b>796,716,842</b> |
| <b>Working Capital Adjustments</b>                                    |             |                    |                    |
| Increase/Decrease in Receivables -Exchange transactions               | <b>25</b>   | 3,353,378          | 15,305,752         |
| Increase/Decrease in Non-Exchange Receivables - Exchange Transactions | <b>26</b>   | (79,429,469)       | -                  |
| Increase/Decrease in Inventory  | <b>27</b>   | (8,656,002)        | 3,468,052          |
| Increase/Decrease in Payable from Exchange Transactions               | <b>31</b>   | 36,994,160         | (71,671,823)       |
| <b>Net cash flows used in Operating activities (a)</b>                |             | <b>914,818,731</b> | <b>743,818,823</b> |
| <b>Cash flows from investing activities</b>                           |             |                    |                    |
| Investment Income Received - Interest                                 | <b>10</b>   | 267,250            | 52,609,881         |
| Decrease/increase in Short-term Investments                           | -           | -                  | 500,000,000        |
| Acquisition Plant & Equipment   | <b>28</b>   | (25,939,504)       | (18,146,033)       |
| Acquisition Building  | <b>28</b>   | -                  | -                  |
| Acquisition of Furniture & Fittings                                   | <b>28</b>   | (12,705,530)       | (11,387,173)       |
| Acquisition of Motor Vehicles   | <b>28</b>   | (55,140,000)       | (35,949,161)       |
| Acquisition of Computer Hardware                                      | <b>28</b>   | (16,566,488)       | (2,153,567)        |
| Purchase of Library Books   | <b>28</b>   | (413,064)          | (2,355,237)        |
| Computer Software acquired  | <b>29</b>   | (198,000)          | (1,747,677)        |

**Chuka University**  
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|  |           |                      |                      |
|--|-----------|----------------------|----------------------|
| Additions to Biological Assets   | <b>30</b> | (2,742,825)          | (902,563)            |
| Work in Progress Paid  | <b>41</b> | (753,415,847)        | (577,418,408)        |
| <b>Net cash flows used in Investing activities (b)</b>                 |           | <b>(866,854,008)</b> | <b>(97,449,938)</b>  |
| <b>Cash flows from financing activities</b>                            |           |                      |                      |
| Capital fund   | <b>32</b> | 301,153,394          | 95,799,971           |
| <b>Net cash flows used in Financing activities (c )</b>                |           | <b>301,153,394</b>   | <b>95,799,971</b>    |
| <b>Net Increase/(Decrease) in Cash and Cash<br/>Equivalents(a+b+c)</b> |           | <b>349,118,117</b>   | <b>742,168,856</b>   |
| Cash and Cash Equivalents Balance B/F                                  | <b>24</b> | <b>1,296,496,583</b> | 554,327,727          |
| <b>Cash and Cash Equivalents C/F</b>                                   | <b>24</b> | <b>1,645,614,700</b> | <b>1,296,496,583</b> |

**Chuka University  
Annual Reports and Financial Statements**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

| Chuka University                                     |                              |                          |                           |  |                                       |            |
|--|------------------------------|--------------------------|---------------------------|--|---------------------------------------|------------|
| Statement of Comparison of Budget and Actual Amounts |                              |                          |                           |  |                                       |            |
| for the Year Ended June 30, 2019                     |                              |                          |                           |  |                                       |            |
|  | Original budget<br>2018-2019 | Adjustments<br>2018-2019 | Final budget<br>2018-2019 | Actual on comparable<br>basis<br>2018-2019 | Performance<br>difference<br>Variance | %<br>Note  |
|  | Kshs                         | Kshs                     | Kshs                      | Kshs                                       | Kshs                                  | %          |
| <b>INCOME</b>  |                              |                          |                           |  |                                       |            |
| GOK Recurrent Capitation                             | 1,206,493,350                | -                        | 1,206,493,350             | 1,261,792,952                              | 55,299,602                            | 105        |
| GOK Development capitation                           | 315,270,025                  | (5,000,000)              | 310,270,025               | 301,153,394                                | (9,116,631)                           | 97         |
| A-I-A / Internally Generated Funds                   | 693,000,000                  | 97,000,000               | 790,000,000               | 967,705,913                                | 177,705,913                           | 122        |
| committed savings                                    | 899,479,938                  | (702,781,133)            | 196,698,805               |  | (196,698,805)                         | -          |
| Interest From Investments/<br>Deposits               | 10,000,000                   | 2,000,000                | 12,000,000                | 11,778,547                                 | (221,453)                             | 98         |
| <b>Total</b>   | <b>3,124,243,313</b>         | <b>(608,781,133)</b>     | <b>2,515,462,180</b>      | <b>2,542,430,806</b>                       | <b>26,968,626</b>                     | <b>101</b> |
| <b>Expenses</b>                                      |                              |                          |                           |  |                                       |            |
| Employment expenses                                  | 1,054,000,000                | (104,000,000)            | 950,000,000               | 856,163,208                                | (93,836,792)                          | 90         |
| Council expenses                                     | 14,000,000                   | (500,000)                | 13,500,000                | 12,696,895                                 | (803,105)                             | 94         |
| Establishment expenses                               | 2,500,000                    | (900,000)                | 1,600,000                 | 1,441,189                                  | (158,811)                             | 90         |
| Repairs and Maintenance expenses                     | 27,000,000                   | (6,305,000)              | 20,695,000                | 17,675,533                                 | (3,019,467)                           | 85         |
|  |                              |                          |                           |  |                                       | 10         |

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|                                       |                      |               |                      |                      |                    |           |
|---------------------------------------|----------------------|---------------|----------------------|----------------------|--------------------|-----------|
| Academic expenses                     | 207,000,000          | (22,747,100)  | 184,252,900          | 183,896,105          | (356,795)          | 100       |
| Students and Alumni expenses          | 15,000,000           | (2,300,000)   | 12,700,000           | 12,674,812           | (25,188)           | 100       |
| Staff Welfare & Development expenses  | 7,500,000            | (4,200,000)   | 3,300,000            | 2,665,584            | (634,416)          | 81        |
| Finance costs                         | 1,500,000            | 476,070       | 1,976,070            | 1,686,892            | (289,178)          | 85        |
| Depreciation and Amortization         | 59,800,000           | 40,200,000    | 100,000,000          | 101,910,583          | 1,910,583          | 102       |
| Audit Fees                            | 1,392,000            | -             | 1,392,000            | 696,000              | (696,000)          | 50        |
| General operating expenses            | 224,000,000          | (18,174,631)  | 205,825,369          | 188,913,557          | (16,911,812)       | 92        |
| Provision for Doubtful Debts          | 1,000,000            | -             | 1,000,000            | 719,490              | (280,510)          | 72        |
| Rents and Rates                       | 1,000,000            | (100,000)     | 900,000              | -                    | (900,000)          | -         |
| Purchase of food staff                | 12,000,000           | 1,000,000     | 13,000,000           | 11,706,558           | (1,293,442)        | 90        |
| Medical drugs                         | 2,000,000            | (200,000)     | 1,800,000            | 1,646,172            | (153,828)          | 91        |
| Capital projects                      | 800,000,000          | -             | 800,700,000          | 753,415,847          | (47,284,153)       | 94        |
| Purchase Plant Property and Equipment | 694,551,313          | (501,111,472) | 202,820,841          | 197,764,586          | (5,056,255)        | 98        |
| <b>Total Expenditure (b)</b>          | <b>3,124,243,313</b> |               | <b>2,515,462,180</b> | <b>2,345,673,012</b> | <b>169,789,168</b> | <b>93</b> |
| <b>Surplus / Deficit (a-b)</b>        |                      |               |                      | <b>196,757,794</b>   |                    |           |

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### **Budget Variance explained**

#### **Note 3: A-I-A / Internally Generated Funds**

The University gets this revenue from internal operations. During the year, the University Undertook intensive advertising and marketing of its programme, which lead to increase in tuition and related incomes.

#### **Note 10: Repair and Maintenance Expenses**

The repairs to plant and equipment as planned was not finalized as at the closure of the financial year and the vote was not exhausted

#### **Note 14: Finance costs**

The bank Reconciliations were done on time and all the issues of unclear bank charges resolved hence the cost was managed.

#### **Note 16: Audit Fees**

The Office of the Auditor General had not presented invoice for payment as anticipated as at the closure of the financial year 2018/2019.

#### **Note 17: General Operating Expenses**

The university did not spend as anticipated mainly during the following reasons;

- 1) The university engages services of consultants to develop and audit standard operating procedures. During the ISO certification certificate expired and the University is in the process of re-certification.
- 2) The University had not finalized preparation of the strategic plan, as at the closure of the financial year hence the budgeted amount was not fully utilized.
- 3) During the financial year the university had planned to landscape the central parking, the landscaping was not carried since the procurement was still underway as at the closure of the financial. This lead to reallocation and under spending on the vote during the financial year.
- 4) Chancellors' expenses cost relates to allowances paid to the University Chancellor on official visits to the university and other official duties attended on behalf of the university. His term expired and the government had not done a replacement as the end of the year hence the allocation was not fully utilized.

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**Other Notes**

During the period, the council did a budget reallocation as explained by the statement of comparison.

**Reconciliation of totals as per statement of financial performance and totals and per the statement of comparison of budget and actual amounts**

|  |                    |
|--|--------------------|
| <b>Difference as per budget</b>  | <b>196,757,794</b> |
| Add payment to Purchase of plant, property and equipment   | 197,764,586        |
| Add payment for the Capital projects not included in statement financial performance                             | 753,415,847        |
| Add Cumulative provision for bad debt B/f as at 30th June 2019 not include in statement of financial performance | 719,490            |
| Add purchase of food stuff for financial statement prepared separately under IGU                                 | 11,706,558         |
| Add purchase of medical drugs for financial statement prepared separately under IGU                              | 1,646,172          |
| Les GOK Development capitation not included in Financial performance   | 301,153,394        |
| Add actual decrease in provision for bad debts as reported in statement of financial performance                 | 56,278             |
| <b>Surplus as per the statement of Financial performance</b>   | <b>860,913,331</b> |

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Chuka University is a public university established in 2013, under the Universities Act No. 42 of 2012. The Public Financial Management Act 2012, and the Public Financial Management Regulations 2015, governs the financial management of Chuka University. Chuka University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of citizens of Kenya.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

Chuka University financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared in accordance with the PFM Act 2012, and PFM Regulation Act 2015, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

| <b>Standard</b>                                   | <b>Impact</b>   |
|---|---|
| <b>IPSAS 40:</b><br>Public Sector<br>Combinations | <b>Applicable: 1<sup>st</sup> January 2019</b><br>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. |

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

| <b>Standard</b>                              | <b>Effective date and impact:</b>  |
|--|--|
| <b>IPSAS 41:</b><br>Financial<br>Instruments | <b>Applicable: 1<sup>st</sup> January 2022:</b><br>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"><li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li><li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li></ul> |

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| <b>Standard</b>        | <b>Effective date and impact:</b>   |
|------------------------|---|
| <b>IPSAS 42:</b>       | <ul style="list-style-type: none"><li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li></ul>   |
| <b>Social Benefits</b> | <p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"><li>(a) The nature of such social benefits provided by the entity;</li><li>(b) The key features of the operation of those social benefit schemes; and</li><li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows</li></ul> |

**iii. Early adoption of standards**

Chuka University did not early – adopt any new or amended standards in year 2019.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

###### **Fees, taxes and fines**

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

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

###### **ii) Revenue from exchange transactions**

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

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

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***Sale of goods***

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

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

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

**b) Budget information**

Chuka University budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 32 of these financial statements.

**c) Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Chuka University is a public institution of higher learning, established under the Universities Act No. 42 of 2012. By the nature of its establishment and operations, Chuka University is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business. Therefore, no income taxes have been reported in the University's financial statements. Accordingly, no provision for income taxes is required.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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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. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method.

Assets are subjected to a full year's depreciation and amortization except those acquired within the last three months of the year. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those capital gains or losses are recognized in the statement of financial performance.

The annual rates are:

|                                 |        |
|---------------------------------|--------|
| Buildings                       | 2.50%  |
| Machinery and Equipment         | 20%    |
| Furniture and Fittings          | 12.50% |
| Motor Vehicles                  | 25%    |
| Computer & Computer peripherals | 30%    |
| Library Books                   | 20%    |

**e) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) Intangible assets**

Intangible assets 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 and accumulated impairment losses. 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. The useful life of the intangible assets is assessed as either finite or indefinite. Computer software is amortized on straight line basis at the rate of 30%.

**g) Research and development costs**

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses.

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Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**h) Financial instruments**

*i) Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Chuka University determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. 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. Losses arising from impairment are recognized in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

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. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The Entity 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, and only 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. Evidence of impairment may include the following indicators:

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***ii) Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

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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.

**i) Inventories**

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

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

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

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

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

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

**j) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

**Contingent liabilities and Contingent assets**

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

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

The University is a party to various legal actions and other claims in the ordinary course of business. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

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**k) Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity 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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

After University inherited the former Eastern Campus of Egerton University, the staff opted to remain in the Egerton University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 10% and 20% respectively. The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Ksh 200.00 per employee per month, while the employer contributes Ksh 200.00 per month.

**m) Foreign currency transactions**

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

**n) 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 borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**p) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) Cash and cash equivalents**

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

**r) Comparative figures**

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

**s) 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, 2019.

**5) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION**

**UNCERTAINTY**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### **Useful lives and residual values**

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Chuka university management has provided for a provision for bad debts at the rate of 1% of the Receivables.

**OTHER NOTES TO THE FINANCIAL STATEMENTS**

**6) Exchequer Recurrent Grants**

| <b>Description</b>           | <b>2018-2019</b>     | <b>2017-2018</b>     |
|------------------------------|----------------------|----------------------|
|                              | <b>Kshs</b>          | <b>Kshs</b>          |
| <b>Ministry of Education</b> |                      |                      |
| July                         | 100,541,113          | 229,504,334          |
| Aug                          | 100,541,113          | 82,150,150           |
| Sept                         | 100,541,111          | 82,150,148           |
| October                      | 100,541,113          | 82,150,150           |
| November                     | 94,508,646           | 82,150,150           |
| December                     | 94,508,646           | 122,538,342          |
| January                      | 98,530,290           | 88,881,516           |
| February                     | 98,530,290           | 88,881,516           |
| March                        | 92,497,823           | 87,214,847           |
| April                        | 100,541,113          | 90,548,183           |
| May                          | 100,541,113          | 88,881,516           |
| June                         | 179,970,581          | 88,881,515           |
| Tharaka University college   | -                    | 20,000,002           |
| <b>Total</b>                 | <b>1,261,792,952</b> | <b>1,233,932,369</b> |

**7) Other Revenue from Non-exchange transactions**

| <b>Description</b> | <b>2018-2019</b> | <b>2017-2018</b> |
|--------------------|------------------|------------------|
| Donations          | 111,600          | -                |
| Surcharges & Fines | 261,340          | 188,290          |
| <b>Total</b>       | <b>372,940</b>   | <b>188,290</b>   |

**8) Tuition and Related Income**

| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>                     | <b>2018-2019</b>   | <b>2017-2018</b>   |
|---|--------------------|--------------------|
| <b>Description</b>  |                    |                    |
| Income from Diploma & Certificates courses                    | 231,706,684        | 148,740,564        |
| Income from Government sponsored students                     | 349,848,915        | 330,488,832        |
| Income from Self Sponsored Undergraduate Students             | 290,889,739        | 369,940,963        |
| Income from Bridging Courses                                  | -                  | 1,857,500          |
| Income from Self Sponsored Postgraduate students              | 50,506,680         | 39,978,030         |
| May intake 2018 apportionment                                 | 7,098,750          | 4,943,751          |
| <b>Total Income Earned</b>                                    | <b>930,050,768</b> | <b>895,949,640</b> |
| <b>Less: Non tuition income included in the income Earned</b> |                    |                    |
| Caution money   | (5,978,000)        | (8,060,000)        |
| Medical fees  | (19,490,000)       | (17,656,000)       |
| Accommodation Charges   | (5,421,300)        | (4,994,000)        |
| Application fees  | (4,270,000)        | (5,272,800)        |
| Fines for Damages   |                    | (188,290)          |
| Student Union   | (4,307,300)        | (5,081,700)        |
| Alumni collections  | (3,592,000)        | (2,352,000)        |
| <b>Less:</b>  |                    |                    |
| Tuition Fees prepaid  | (91,732,264)       | (88,116,444)       |
| May intake tuition fees apportionment (July-August 2019 fees) | (6,659,250)        | (7,098,750)        |
| Tuition Fees refund   | (1,149,035)        | (1,431,200)        |

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|  |                      |                      |
|--|----------------------|----------------------|
|  | <b>(142,599,149)</b> | <b>(140,251,184)</b> |
| <b>Add:</b>  |                      |                      |
| Tuition Fees receivable                                | 57,902,951           | 64,894,781           |
| <b>Total Tuition &amp; related income for the year</b> | <b>845,354,570</b>   | <b>820,593,237</b>   |

**9) Income Generating Activities**

| <b>Description</b>  | <b>2018-2019</b>  | <b>2017-2018</b>  |
|---------------------|-------------------|-------------------|
| IGU Income Catering | 4,819,165         | 3,050,982         |
| IGU Income Medical  | 16,250,543        | 14,456,915        |
| IGU Income Farm     | 503,098           | 171,781           |
| Hillside Hotel      | 6,093,602         | 3,678,942         |
| <b>Total</b>        | <b>27,666,408</b> | <b>21,358,620</b> |

**10) Investments Income**

| <b>Description</b>                            | <b>2018-2019</b> | <b>2017-2018</b>  |
|---|------------------|-------------------|
| Interest earned on Family Bank fixed deposits | -                | 7,302,548         |
| Interest earned on Equity fixed deposits      | -                | 36,712,319        |
| Interest earned on Co-op fixed deposits       | -                | 10,651,781        |
| Treasury bill                                 | 267,250          | -                 |
| <b>Total</b>                                  | <b>267,250</b>   | <b>54,666,648</b> |

**11) Other miscellaneous income from exchange transactions**

| <b>Description</b>              | <b>2018-2019</b>   | <b>2017-2018</b>  |
|---------------------------------|--------------------|-------------------|
| Wear and Tear                   | 146,750            | 188,375           |
| Hire of facilities              | 73,740             | 1,998,760         |
| Disposal of miscellaneous items | -                  | 84,670            |
| Accommodation Charges           | 5,421,300          | 4,994,000         |
| Application fees                | 4,270,000          | 5,272,800         |
| Charges for A.I. Services       | 42,000             | 5,000             |
| Conferences & Seminars          | 30,500             | 155,500           |
| Library Subscription            | 2,000              | 1,200             |
| Research funds                  | 70,894,458         | 8,089,018         |
| Rental Income                   | 12,424,246         | 12,924,612        |
| Advertising income              | 7,000              | -                 |
| Sale of Water                   | 1,000,000          | 804,582           |
| Interest on bank deposit        | 7,246,964          | -                 |
| interest on Letter of credit    | 4,264,333          | -                 |
| <b>Total</b>                    | <b>105,823,291</b> | <b>34,518,517</b> |

**12) Employment Expenses**

| <b>Description</b>           | <b>2018-2019</b> | <b>2017-2018</b> |
|------------------------------|------------------|------------------|
| <b>Personnel Emoluments:</b> |                  |                  |
| July                         | 63,870,411       | 204,240,295      |
| August                       | 63,248,954       | 68,417,051       |
| September                    | 63,223,224       | 61,855,450       |
| October                      | 78,031,124       | 61,487,746       |
| November                     | 64,112,178       | 63,238,517       |

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|------------------------------------|--------------------|--------------------|
| December                           | 63,722,823         | 63,429,469         |
| January                            | 70,692,573         | 67,980,127         |
| February                           | 64,850,026         | 63,455,863         |
| March                              | 88,763,602         | 63,169,291         |
| April                              | 66,106,061         | 62,717,043         |
| May                                | 65,792,805         | 62,895,846         |
| June                               | 68,612,179         | 62,750,123         |
| <b>Total</b>                       | <b>821,025,961</b> | <b>905,636,821</b> |
| Casual Labour Expenses             | 9,607,768          | 7,394,686          |
| Gratuity expense                   | 18,081,140         | 12,112,090         |
| Hospitalization & Medical Expenses | 7,448,339          | 5,880,194          |
| <b>Total employment expenses</b>   | <b>856,163,208</b> | <b>931,023,791</b> |

**13) Council Expenses**

| Description                                      | 2018-2019         | 2017-2018         |
|--|-------------------|-------------------|
| Sitting Allowance, Lunch Accommodation & Mileage | 12,696,895        | 10,266,704        |
| <b>Total</b>                                     | <b>12,696,895</b> | <b>10,266,704</b> |

**14) Establishment Expenses**

| Description                               | 2018-2019        | 2017-2018      |
|---|------------------|----------------|
| Teaching Demonstration and watering units | 1,441,189        | 410,116        |
| <b>Total</b>                              | <b>1,441,189</b> | <b>410,116</b> |

**15) Repairs and Maintenance Expenses**

| Description                                  | 2018-2019         | 2017-2018         |
|--|-------------------|-------------------|
| Vehicle repairs/transport operating expenses | 5,599,479         | 5,418,858         |
| Fuel & oils-generator                        | 610,000           | 475,000           |
| Grounds maintenance                          | 1,817,898         | 2,169,172         |
| Computer maintenance                         | 646,772           |                   |
| Plant & equip                                | 2,562,905         | 1,045,327         |
| Furniture                                    | 743,430           | 1,202,000         |
| Buildings                                    | 5,695,049         | 2,983,102         |
| <b>Total</b>                                 | <b>17,675,533</b> | <b>13,293,459</b> |

**16) Academic Expenses**

| Description                                    | 2018-2019          | 2017-2018          |
|--|--------------------|--------------------|
| Part- Time Lect. Expenses                      | 100,774,468        | 94,812,214         |
| Graduation Expenses                            | 22,924,878         | 10,987,326         |
| Teaching Practice & Field Attachment All.      | 15,671,650         | 9,703,908          |
| Academic Field Trips                           | 5,135,446          | 4,484,794          |
| Teaching materials                             | 3,142,079          | 4,689,496          |
| Exam supervision                               | 4,702,110          | 3,357,030          |
| Travelling & Subsistence (part time lecturers) | 25,285,625         | 31,900,763         |
| Other Research Expenses                        | 6,259,849          | 4,040,981          |
| <b>Total Academic Expenses</b>                 | <b>183,896,105</b> | <b>163,976,512</b> |

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**17) Students and Alumni expenses**

| <b>Description</b>          | <b>2018-2019</b>  | <b>2017-2018</b>  |
|-----------------------------|-------------------|-------------------|
| Student Welfare Expenses    | 12,192,162        | 9,646,892         |
| Student Work Study Expenses | 482,650           | 592,825           |
| <b>Total</b>                | <b>12,674,812</b> | <b>10,239,717</b> |

**18) Staff Welfare & Development expenses**

| <b>Description</b>                  | <b>2018-2019</b> | <b>2017-2018</b> |
|-------------------------------------|------------------|------------------|
| Staff Development -                 | 738,380          | -                |
| Staff welfare expenses              | 1,927,204        | 523,584          |
| Staff Education Fund-tuition waiver | -                | 2,715,500        |
| <b>Total</b>                        | <b>2,665,584</b> | <b>3,239,084</b> |

**19) Finance Costs**

| <b>Description</b>        | <b>2018-2019</b> | <b>2017-2018</b> |
|---------------------------|------------------|------------------|
| Bank charges interest     | 1,686,892        | 1,341,709        |
| <b>Total Finance Cost</b> | <b>1,686,892</b> | <b>1,341,709</b> |

**20) Depreciation and Amortization**

| <b>Description</b>                  | <b>2018-2019</b>   | <b>2017-2018</b>  |
|-------------------------------------|--------------------|-------------------|
| Buildings                           | 32,160,013         | 41,160,013        |
| Plant & Equipment                   | 16,384,652         | 19,498,225        |
| Motor Vehicles                      | 31,910,540         | 15,136,790        |
| Furniture & Fittings                | 9,985,025          | 8,085,864         |
| Computer Hardware                   | 8,308,912          | 8,460,019         |
| Library Books                       | 1,970,428          | 1,880,319         |
| Amortization of Computer Software   | 1,191,012          | 1,736,522         |
| <b>Total Dep &amp; Amortization</b> | <b>101,910,583</b> | <b>95,957,752</b> |

**21) Audit Fees**

| <b>Description</b>      | <b>2018-2019</b> | <b>2017-2018</b> |
|-------------------------|------------------|------------------|
| Audit Fees              | 696,000          | 696,000          |
| <b>Total Audit fees</b> | <b>696,000</b>   | <b>696,000</b>   |

**22) General Operating Expenses**

| <b>Description</b>                 | <b>2018-2019</b> | <b>2017-2018</b> |
|------------------------------------|------------------|------------------|
| General Insurances                 | 12,492,589       | 9,578,615        |
| Property Insurances                | 833,156          | 1,815,286        |
| Travelling & Subs. Staff           | 13,103,347       | 13,725,020       |
| External travelling                | 2,417,014        | 4,984,775        |
| University Committees' Expenses    | 2,231,394        | 2,307,056        |
| Animal breeding Expenses           | 241,750          | 30,000           |
| Postage & Telephone                | 3,882,558        | 2,465,675        |
| Electricity Expenses               | 9,639,155        | 11,477,178       |
| Honorarium                         | 295,600          | 612,000          |
| Water Supply and Sewerage Expenses | 1,106,802        | 1,085,916        |

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|  |                    |                    |
|--|--------------------|--------------------|
| Staff Uniforms                           | 303,376            | 447,556            |
| Newspapers Journals & Videos             | 968,310            | 915,510            |
| Printing & publishing                    | 3,191              | 400                |
| Office Stationery                        | 15,822,975         | 10,757,573         |
| Subscriptions to Nursing council         | 235,000            |                    |
| General Subscription                     | 1,560,158          | 3,727,050          |
| Campuses expenses                        | 5,485,769          | 5,735,262          |
| Professional Services- ISO               | 320,800            | 2,825,892          |
| Hire of Security Services                | 15,930,410         | 11,626,343         |
| Hire of Cleaning services                | 9,744,870          | 8,504,553          |
| Internet Expenses                        | 17,226,815         | 17,202,042         |
| Legal Fees                               | 7,970,265          | 12,862,327         |
| Chancellor's expenses                    | 22,000             | 159,000            |
| Professional Services                    | 88,413             |                    |
| Official Entertainment                   | 1,148,926          | 974,572            |
| Conferences & Seminars                   | 8,796,436          | 6,928,616          |
| Cleaning Materials                       | 1,206,146          | 509,710            |
| Corporate Social Responsibility          | 929,620            | 1,466,218          |
| Quality Assurance fees -CUE Subscription | 3,352,000          | 14,221,000         |
| Farm general expenses                    | 3,161,900          | 1,700,205          |
| Advertisement & Publicity                | 25,735,791         | 14,719,158         |
| Exhibitions and Local Shows              | 1,982,640          | 2,044,775          |
| Property/Land rates                      | -                  | 554,504            |
| KUCCPS Placement fees                    | 3,051,000          | 4,681,000          |
| Landscaping of University Grounds        | 379,459            | 3,321,746          |
| Tharaka University College Expenses      | 17,041,567         | 2,786,739          |
| Tagging of University Assets             | -                  | 4,654,100          |
| Nairobi Campus expense                   | 202,356            | -                  |
| <b>Total</b>                             | <b>188,913,557</b> | <b>181,407,372</b> |

**23) Provision for Doubtful Debts**

| Description                              | 2018-2019      | 2017-2018      |
|--|----------------|----------------|
| Bal B/F 1st July 2018                    | 775,768        | 739,275        |
| Increase/Decrease during the year period | (56,278)       | 36,493         |
| <b>Balance as at 30th June 2019</b>      | <b>719,490</b> | <b>775,768</b> |

**24) Cash and Cash Equivalents**

| Description                                      | 2018-2019   | 2017-2018   |
|--|-------------|-------------|
| KCB - Fees Collection A/C - 1103755439           | 516,029,593 | 151,646,688 |
| KCB - Operations A/C 1113791985                  | 284,264,982 | 66,146,010  |
| Equity IGU a/c 0293981713                        | 10,098,584  | 6,268,817   |
| Equity - Catering Dept. A/C 0210298189098        | 2,916,883   | 5,122,692   |
| Equity fees collection A/C 0210261453469         | 271,147,704 | 518,088,698 |
| Equity Research Fund-KEPAP 0210262271525         | 67,328,640  | 228,956     |
| Equity TOWA A/C 0210298770822                    | 10,980,978  | 7,214,439   |
| Cooperative Bank -Development A/C 01120058189900 | (1,945,264) | 10,761,859  |
| Cooperative- Fees Collection A/C 01129058189900  | 14,393,626  | 94,672,304  |
| Family Bank- Fees Collection A/C 054000002641    | 174,524,798 | 175,443,832 |
| Barclays Bank A/C 2035727666                     | 24,687,376  | 13,752,882  |
| Standard Chartered Bank A/C 0102024755200        | 17,982,099  | 11,088,708  |

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|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Equity Operations A/C 0210261453459 | 24,534,300           | 31,610,500           |
| Equity Gratuity 0210263739640       | 14,775,708           | 31,702,398           |
| Equity Retention 0210263739666      | 213,894,694          | 72,747,801           |
| Equity Fixed deposit                | -                    | 100,000,000          |
| <b>Total</b>                        | <b>1,645,614,700</b> | <b>1,296,496,584</b> |

**25) Receivable from Exchange Transactions**

| <b>Description</b>                                  | <b>2018-2019</b>  | <b>2017-2018</b>  |
|---|-------------------|-------------------|
| Students Fees Receivable                            | 57,902,951        | 64,894,781        |
| IGU: Catering                                       | 6,452,820         | 383,755           |
| Medical   | 4,070             | -                 |
| Hill side hotel                                     | 393,120           | 51,640            |
| Imprest Debtors                                     | -                 | 6,803,085         |
| Rental Income receivable                            | 7,196,071         | 2,886,787         |
| Insurance Income receivable                         | -                 | 500,000           |
| <b>Total Receivables</b>                            | <b>71,949,032</b> | <b>75,520,048</b> |
| <b>Add:</b> Investment income receivable            | -                 | 2,056,767         |
| <b>Total Receivables from exchange transactions</b> | <b>71,949,032</b> | <b>77,576,815</b> |
| Less: Impairment/Provision for Doubtful Debts       | (719,490)         | (775,768)         |
| <b>Net Receivables from Exchange Transactions</b>   | <b>71,229,542</b> | <b>76,801,047</b> |

**26) Receivable from non-Exchange Transaction**

| <b>Description</b>        | <b>2018-2019</b>   | <b>2017-2018</b>  |
|---------------------------|--------------------|-------------------|
| Exchequer recurrent grant | 79,429,469         | -                 |
| <b>Total Receivables</b>  | <b>150,659,011</b> | <b>76,801,047</b> |

**27) Inventory**

| <b>Description</b>                       | <b>2018-2019</b>  | <b>2017-2018</b> |
|--|-------------------|------------------|
| Main Stores                              | 15,338,352        | 6,866,247        |
| Medical supplies                         | 729,150           | 787,819          |
| Farm supplies & consumables              | 38,900            | 33,300           |
| Hill side Hotel Supplies and consumables | 103,983           | 71,781           |
| Catering supplies & consumables          | 489,530           | 284,765          |
| <b>Total</b>                             | <b>16,699,914</b> | <b>8,043,912</b> |

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**28) Tangible Assets, Property, Plant and Equipment Schedule**

| PPPE Schedule Particulars                   | Land               | Buildings            | 2.50%                | Plant & Equipment  | 20%                | Motor Vehicle     | 2.5%               | Furniture & Fittings | 12.50%               | Comp Hardware | 30%         | Comp Software | 30%       | Library Books | 20%           | Work In Progress | Totals        |
|---|--------------------|----------------------|----------------------|--------------------|--------------------|-------------------|--------------------|----------------------|----------------------|---------------|-------------|---------------|-----------|---------------|---------------|------------------|---------------|
| Cost/Value as at 1.7.17                     | 220,950,000        | 1,565,903,091        | 130,225,850          | 72,473,088         | 75,441,320         | 73,879,131        | 2,153,567          | 22,794,836           | 1,364,574,860        | 3,526,242,176 | 618,678,856 | 548,687,685   | 2,355,237 | 28,730,723    | 1,841,345,676 | 4,151,033,477    | 3,643,723,615 |
| Additions                                   |                    | 18,146,033           | 35,949,161           |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| W I P Capitalized                           |                    | 100,647,592          |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| W I P Tharaka University College Adjustment |                    | -20,400,150          |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| <b>Cost At 30th June 2018</b>               | <b>220,950,000</b> | <b>1,646,150,533</b> | <b>148,371,883</b>   | <b>108,422,249</b> | <b>86,828,493</b>  | <b>76,032,698</b> | <b>25,150,073</b>  | <b>1,841,345,676</b> | <b>4,151,033,477</b> |               |             |               |           |               |               |                  |               |
| Depreciation and impairment                 |                    |                      |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| Acc. Depreciation At 1 July 2017            |                    | 132,439,262          | 123,031,680          | 43,826,961         | 41,259,553         | 73,169,709        | 950,626            | 22,163,982           | 436,841,773          |               |             |               |           |               |               |                  |               |
| Acc. Depreciation (adjustment)              |                    | 19,046,118           | (29,574,474)         | 4,071,127          | (2,764,090)        | (9,975,407)       | (3,605,789)        | (3,753,141)          | (23,753,141)         |               |             |               |           |               |               |                  |               |
| Depreciation charge for the year            |                    | 41,160,013           | 19,498,225           | 15,136,790         | 8,085,864          | 8,460,019         | 1,880,319          | 1,880,319            | 94,221,230           |               |             |               |           |               |               |                  |               |
| <b>Depreciation as at 30 June 2018</b>      |                    | <b>192,645,393</b>   | <b>112,955,431</b>   | <b>63,034,878</b>  | <b>46,581,327</b>  | <b>71,654,321</b> | <b>20,438,512</b>  | <b>1,841,345,676</b> | <b>507,309,862</b>   |               |             |               |           |               |               |                  |               |
| <b>Net Book Value as at 30th June 2018</b>  | <b>220,950,000</b> | <b>1,453,505,140</b> | <b>35,416,452</b>    | <b>45,387,371</b>  | <b>40,247,166</b>  | <b>4,378,377</b>  | <b>2,218,128</b>   | <b>1,841,345,676</b> | <b>3,643,723,615</b> |               |             |               |           |               |               |                  |               |
| <b>Net Book Value as at 30th June 2017</b>  | <b>220,950,000</b> | <b>1,433,463,829</b> | <b>7,194,170</b>     | <b>28,646,127</b>  | <b>34,181,767</b>  | <b>709,422</b>    | <b>630,854</b>     | <b>1,364,574,860</b> | <b>3,092,569,157</b> |               |             |               |           |               |               |                  |               |
| Cost/Value as at 1.7.18                     | 220,950,000        | 1,646,150,533        | 148,371,883          | 108,422,249        | 86,828,493         | 76,032,698        | 25,150,073         | 1,841,345,676        | 4,153,251,605        |               |             |               |           |               |               |                  |               |
| Adjustment to total cost (Note 33)          |                    | 250,000              |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| Cost Adjustment-Hill side (Note 37)         |                    | (3,000,000)          |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| Cost adjustment-Elimu Plaza (Note 38)       |                    | 357,000,000          |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| <b>Adjusted Cost as at 1.7.18</b>           | <b>580,950,000</b> | <b>1,286,400,533</b> | <b>148,371,883</b>   | <b>108,420,249</b> | <b>86,828,493</b>  | <b>76,332,698</b> | <b>25,150,073</b>  | <b>1,841,345,676</b> | <b>4,153,799,605</b> |               |             |               |           |               |               |                  |               |
| Additions                                   |                    | 42,000,000           | 13,000,000           | 25,498,704         | 55,140,000         | 8,113,610         | 14,232,168         | 413,064              | 715,612,529          | 874,010,075   |             |               |           |               |               |                  |               |
| Additions-TUC                               |                    | 32,000,000           |                      | 440,800            |                    | 4,591,920         | 2,334,320          |                      | 37,803,318           | 77,170,358    |             |               |           |               |               |                  |               |
| W I P Capitalized                           |                    |                      | 29,560,238           | 43,958,232         |                    |                   |                    |                      | (73,518,470)         |               |             |               |           |               |               |                  |               |
| <b>Cost At 30th June 2019</b>               | <b>654,950,000</b> | <b>1,328,960,771</b> | <b>218,269,619</b>   | <b>163,560,249</b> | <b>99,534,023</b>  | <b>92,899,186</b> | <b>25,563,137</b>  | <b>2,521,243,053</b> | <b>5,104,980,038</b> |               |             |               |           |               |               |                  |               |
| Depreciation and impairment                 |                    |                      |                      |                    |                    |                   |                    |                      |                      |               |             |               |           |               |               |                  |               |
| Acc. Depreciation At 1 July 2018            |                    | 192,645,393          | 112,955,431          | 63,034,878         | 46,581,327         | 71,654,321        | 20,438,512         | 1,841,345,676        | 507,309,862          |               |             |               |           |               |               |                  |               |
| Acc. Depreciation Adjustment (Note 39&40)   |                    | (18,000,000)         |                      |                    |                    |                   |                    |                      | (18,000,000)         |               |             |               |           |               |               |                  |               |
| Depreciation charge for the year            |                    | 32,160,013           | 16,384,652           | 31,910,540         | 9,985,025          | 8,308,912         | 1,970,428          | 1,970,428            | 100,719,571          |               |             |               |           |               |               |                  |               |
| <b>Depreciation as at 30 June 2019</b>      |                    | <b>206,805,406</b>   | <b>129,340,083</b>   | <b>94,945,418</b>  | <b>56,566,352</b>  | <b>79,963,233</b> | <b>22,408,340</b>  | <b>3,154,797</b>     | <b>2,521,243,053</b> |               |             |               |           |               |               |                  |               |
| <b>Net Book Value as at 30th June 2019</b>  | <b>654,950,000</b> | <b>1,122,155,365</b> | <b>88,929,555</b>    | <b>68,614,831</b>  | <b>42,967,671</b>  | <b>12,935,953</b> | <b>17,113,064</b>  | <b>1,841,345,676</b> | <b>5,550,693,142</b> |               |             |               |           |               |               |                  |               |
| Revaluations as at 30th June 2019           |                    | <b>1,087,500,000</b> | <b>1,480,920,238</b> | <b>173,758,053</b> | <b>142,990,000</b> | <b>64,802,626</b> | <b>62,366,108</b>  | <b>17,113,064</b>    | <b>2,521,243,053</b> |               |             |               |           |               |               |                  |               |
| <b>Net Book Value as at 30th June 2018</b>  | <b>220,950,000</b> | <b>1,453,505,140</b> | <b>35,416,452</b>    | <b>45,387,371</b>  | <b>40,247,166</b>  | <b>4,378,377</b>  | <b>(2,218,128)</b> | <b>1,841,345,676</b> | <b>3,643,723,615</b> |               |             |               |           |               |               |                  |               |

29) Intangible Assets, Computer Software Schedule

| Description                                 | Kshs.               |
|---|---------------------|
| <b>Year 2017/2018</b>                       |                     |
| Cost/Value at 1/7/2017                      | 3,168,754           |
| Additions/adjustments                       | 1,747,677           |
| Previous year Adjustments                   | 13,749,639          |
| <b>Cost/Value at 30/06/2018</b>             | <b>18,666,070</b>   |
|   |                     |
| <b>Year 2017/2018</b>                       |                     |
| Accumulated Amortization 1/07/2017          | 950,626             |
| Amortization Charge for the Period          | 1,736,522           |
| Previous years Adjustments                  | 14,003,023          |
| Accumulated Amortization 30/06/2018         | <b>16,690,171</b>   |
|   |                     |
| <b>Carrying amount as at 30 June 2018</b>   | <b>1,975,899</b>    |
| <b>Carrying amount as at 30 June 2017</b>   | <b>2,218,128</b>    |
|   |                     |
| <b>Year 2018/2019</b>                       |                     |
| Cost/Value at 1/7/2018                      | 18,666,070          |
| Additions/adjustments                       | 198,000.00          |
| <b>Cost/Value at 30/06/2019</b>             | <b>18,864,070</b>   |
|   |                     |
| <b>Year 2018/2019</b>                       |                     |
| Accumulated Amortization 1/07/2018          | 16,690,171          |
| Amortization Charge for the Period          | 1,191,011.63        |
| Accumulated Amortization 30/06/2019         | 17,881,182.63       |
|   |                     |
| <b>Carrying amount as at 30 June 2019</b>   | <b>982,887.37</b>   |
| <b>Revalued amount as at 30th June 2019</b> | <b>7,664,428.01</b> |
| <b>Carrying amount as at 30 June 2018</b>   | <b>1,975,899.00</b> |

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**30) Biological assets**

| Item               | Unit     | Qty    | Cost/unit | 2018/2019 | Qty   | Cost/unit | 2017/2018 |
|--------------------|----------|--------|-----------|-----------|-------|-----------|-----------|
| <b>Crops:</b>      |          |        |           |           |       |           |           |
| Maize              | Plots    |        |           |           | -     | -         | -         |
| Coffee             | Tree     | 500    | 55        | 27,500    | 500   | 55        | 27,500    |
| Bananas            | Sucker   | 700    | 200       | 140,000   | 200   | 250       | 50,000    |
| Trees              | plants   | 10,950 | 100       | 1,095,000 | 3,100 | 100       | 310,000   |
| Flowers            | plants   | 26,150 | 20        | 523,000   |       |           |           |
| Cow peas           | Plots    | 12     | 4,000     | 48,000    | 12    | 4,000     | 48,000    |
| Green grams        | Plots    | 13     | 800       | 10,400    | 13    | 8,000     | 104,000   |
| Napier grass       | Pick ups | 60     | 3,000     | 180,000   | 40    | 3,000     | 120,000   |
| Boma Rhodes        | Tons     | 90     | 6,000     | 540,000   | 40    | 6,000     | 240,000   |
| <b>Vegetables:</b> |          |        |           | 0         |       |           |           |
| Arrow Roots        | Plots    | 6      | 2,000     | 12,000    | -     |           |           |
| Spinach            | Plots    | 2      | 2,000     | 4,000     | 1     | 2,000     | 2,000     |
| Tomatoes           | Plots    | 4      | 1,000     | 4,000     | 2     | 1,000     | 2,000     |
| Kale               | Plots    | 4      | 1,000     | 4,000     | 2     | 1,000     | 2,000     |
| <b>LIVESTOCK</b>   |          |        |           | 0         |       |           |           |
| Exotics Cattle:    |          |        |           | 0         |       |           |           |
| Cows (Exotic)      | Number   | 16     | 180,000   | 2,880,000 | 13    | 220,000   | 2,860,000 |
| Calves             | Number   | 2      | 30,000    | 60,000    | 3     | 30,000    | 90,000    |
| Pedigree Heifers   | Number   | 2      | 240,000   | 480,000   | 1     | 230,000   | 230,000   |
| Cow in Milk        | Number   | 5      | 70,000    | 350,000   | 5     | 70,000    | 350,000   |
| Mature cow         | Number   | 6      | 75,000    | 450,000   | 5     | 70,000    | 350,000   |
| Steer              | Number   | 1      | 85,000    | 85,000    | 1     | 80,000    | 80,000    |
| Bull               | Number   | 3      | 60,000    | 180,000   | 1     | 60,000    | 60,000    |
| Young Heifer       | Number   | 3      | 40,000    | 120,000   | 3     | 40,000    | 120,000   |
| Young Bull         | Number   | 2      | 30,000    | 60,000    | 2     | 30,000    | 60,000    |
| Calf - Heifer      | Number   | 3      | 70,000    | 210,000   | 1     | 70,000    | 70,000    |
| Indigenous Cattle: |          |        |           | 0         |       |           |           |
| Males              | Number   | 7      | 60,000    | 420,000   | 4     | 60,000    | 240,000   |
| Females            | Number   | 34     | 55,000    | 1,870,000 | 35    | 55,000    | 1,925,000 |
| Calves             | Number   | 13     | 20,000    | 260,000   | 3     | 30,000    | 90,000    |
| <b>PIGS:</b>       |          |        |           | 0         |       |           |           |
| Boars              | Number   | 1      | 30,000    | 30,000    | 1     | 30,000    | 30,000    |

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|----------------------------|--------|-----|---------|-------------------|-----|---------|------------------|
| Sows                       | Number | 4   | 30,000  | 120,000           | 4   | 30,000  | 120,000          |
| Wearers                    | Number | 0   | 0       | 0                 | 13  | 3,500   | 45,500           |
| Piglets                    | Number | 11  | 3,000   | 33,000            | 9   | 3,000   | 27,000           |
| <b>GOATS:</b>              |        |     |         | 0                 |     |         |                  |
| Males                      | Number | 43  | 5,000   | 215,000           | 5   | 5,000   | 25,000           |
| Females                    | Number | 147 | 4,500   | 661,500           | 112 | 5,000   | 560,000          |
| Young goats - Males        | Number | 4   | 1,000   | 4,000             | 120 | 3,000   | 360,000          |
| Females                    | Number | 3   | 1,000   | 3,000             | 15  | 1,000   | 15,000           |
| Sheep:                     |        |     |         | 0                 |     |         |                  |
| Sheep                      | Number | 5   | 3,000   | 15,000            | 4   | 3,000   | 12,000           |
| Lambs                      | Number |     |         | 0                 | 3   | 1,000   | 3,000            |
| Llama:                     |        |     |         | 0                 |     |         |                  |
| <b>Llama - Males</b>       | Number | 2   | 100,000 | 200,000           | 1   | 100,000 | 100,000          |
| -                          |        |     |         |                   | 2   | 100,000 | 200,000          |
| Females                    | Number | 2   | 100,000 | 200,000           | 3   | 45,000  | 135,000          |
| -                          |        |     |         |                   |     |         |                  |
| Creoles                    | Number | 2   | 60,000  | 120,000           |     |         |                  |
| Tharaka University College | Number |     |         | <b>191,425</b>    |     |         |                  |
| Total                      |        |     |         | <b>11,805,825</b> |     |         | <b>9,063,000</b> |

**31) Payables / Accruals from exchange transactions**

| Description                                  | 2018-2019          | 2017-2018          |
|--|--------------------|--------------------|
| Accruals from General Creditors              | 6,857,563          | 12,059,509         |
| Part-time Lecturers-wages & salaries accrued | 18,574,544         | 20,985,934         |
| Part-time Lecturers-travel cost accrued      | 816,000            | 11,316,836         |
| Student Caution Money Payable                | 24,534,300         | 31,610,500         |
| Audit Fees Payable                           | 2,784,000          | 2,088,000          |
| Staff Gratuity Payable                       | 14,877,114         | 31,702,399         |
| Prepaid Tuition income                       | 91,732,264         | 65,140,200         |
|  | 160,175,785        | 174,903,378        |
| Add  |                    |                    |
| Retention for W.I.P payable                  | 124,469,554        | 72,747,801         |
| <b>Total</b>                                 | <b>284,645,339</b> | <b>247,651,179</b> |

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**32) Exchequer Capital Grants**

| Description           | 2018-2019          | 2017-2018         |
|-----------------------|--------------------|-------------------|
| Ministry of Education | Kshs               | Kshs              |
| 1st Disbursement      | 77,596,544         | 92,548,971        |
| 2nd Disbursement      | 223,556,850        | 3,251,000         |
| <b>Total</b>          | <b>301,153,394</b> | <b>95,799,971</b> |

**33) Adjustment to Prior year Assets**

|   |  |                |
|---|--|----------------|
| <b>Adjustment on Building</b>                                   |  |                |
| 2017/2018 Total Historical cost on Building (Reported)          |  | 1,646,150,533  |
| 2017/2018 Re-Casted Cost on Building                            |  | 1,646,400,533  |
| <b>Adjustment to historical cost(a)</b>                         |  | <b>250,000</b> |
| <b>Adjustment on Motor Vehicles</b>                             |  |                |
| 2017/2018 Total Historical cost on Motor Vehicle (Reported)     |  | 108,422,249    |
| 2017/2018 Re-casted cost on Motor vehicle                       |  | 108,420,249    |
| <b>Adjustment to historical cost(b)</b>                         |  | <b>(2,000)</b> |
| <b>Adjustment on Computer</b>                                   |  |                |
| 2017/2018 Total Historical cost on Computer hardware (Reported) |  | 76,032,698     |
| 2017/2018 Re-Casted cost on Computer Hardware                   |  | 76,332,698     |
| <b>Adjustment to historical cost(c)</b>                         |  | <b>300,000</b> |
| <b>Adjustment to Prior year Assets(a+b+c)</b>                   |  | <b>548,000</b> |

**34) Surplus on Revaluations**

| PPE Item                   | Net Book Value as at 30.06.2019 | Revalued amount as at 30th June 2019 | Revaluation surplus/deficit |
|----------------------------|---------------------------------|--------------------------------------|-----------------------------|
| Land                       | 654,950,000                     | 1,087,500,000                        | 432,550,000                 |
| Buildings                  | 1,122,155,365                   | 1,480,920,238                        | 358,764,873                 |
| Plant and Equipment        | 88,929,535                      | 173,758,053                          | 84,828,518                  |
| Motor vehicle              | 68,614,831                      | 142,990,000                          | 74,375,169                  |
| Furniture and fittings     | 42,967,671                      | 64,802,626                           | 21,834,955                  |
| Computer Hardware          | 12,935,953                      | 62,366,108                           | 49,430,155                  |
| Computer software          | 982,887                         | 7,664,428                            | 6,681,541                   |
| Library books              | 3,154,797                       | 17,113,064                           | 13,958,267                  |
| <b>Revaluation Surplus</b> | <b>1,994,691,039</b>            | <b>3,037,114,517</b>                 | <b>1,042,423,478</b>        |

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**35) Adjustment for Prior Year Retained Earnings**

| Description   | 2018-2019               | 2017-2018 |
|---|-------------------------|-----------|
| <b>Buildings</b>  |                         |           |
| Accumulated Depreciation on Hillside Building and Elimu plaza             | 28,630,399.4 (a)        | -         |
| Re-Computed Accumulated Depreciation on Hillside Building and Elimu plaza | 10,630,399.4 (b)        | -         |
| <b>Adjustment for Accumulated Depreciation in 2018/2019</b>               | <b>18,000,000 (a-b)</b> | -         |
|   |                         |           |
| <b>Library books</b>  |                         |           |
| 2017/2018 Total Accumulated Depreciation (Reported)                       | 20,438,512              | -         |
| 2017/2018 Re-Computed Accumulated Depreciation                            | 20,437,912              | -         |
| <b>Adjustment</b>   | <b>(600)</b>            | -         |

**36) land and building Donations**

| Description                     | 2018-2019         | 2017-2018 |
|---------------------------------|-------------------|-----------|
| Tharaka University College Land | 32,000,000        | -         |
| Igembe Campus Land              | 42,000,000        | -         |
| Building for Igembe Campus      | 13,000,000        | -         |
| <b>Total</b>                    | <b>87,000,000</b> |           |

**37) Hillside Adjustment**

| Description                          | Kshs               |
|--------------------------------------|--------------------|
| Total value(Building+Land)           | 40,000,000         |
| Total value of Building              | 37,000,000         |
| <b>Adjustment to historical cost</b> | <b>(3,000,000)</b> |

**38) Chuka University Elimu Plaza(Nairobi)**

| Description                          | kshs                 |
|--------------------------------------|----------------------|
| Total value(Building+Land)           | 531,990,408          |
| Total value of Building              | 174,990,408          |
| <b>Adjustment to historical cost</b> | <b>(357,000,000)</b> |

**39) Building**

| Description   | kshs                |
|---|---------------------|
| Accumulated Depreciation on Hillside Building and Elimu plaza             | 28,630,399          |
| Re-computed accumulated Depreciation on Hillside Building and Elimu plaza | 10,630,399          |
| <b>Adjustment for Accumulated Depreciation in 2018/2019</b>               | <b>(18,000,000)</b> |

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**40) Library books**

| Description   | kshs         |
|---|--------------|
| 2017/2018 Total Accumulated Depreciation (Reported) | 20,438,512   |
| 2017/2018 Re-Casted Accumulated depreciation        | 20,437,912   |
| <b>Adjustment to accumulated depreciation</b>       | <b>(600)</b> |

**41) Work in Progress**

| Description   | 2018-2019          | 2017-2018          |
|---|--------------------|--------------------|
| Male hostel   | 119,530,854        | 162,763,354        |
| Professional fees - Male hostel                         | 10,054,578         | 22,471,364         |
| Perimeter Fence Phase III                               | -                  | 640,402            |
| Science Complex -Remodeling                             | -                  | 1,744,620          |
| Renovation of Instruments Lab                           | -                  | 312,851            |
| Kairini Farm Master Plan                                | -                  | 1,382,000          |
| Reinforced Concrete Water Tank - Kairini                | -                  | 13,099,940         |
| Students' Recreation Centre                             | -                  | 10,278,916         |
| Data cabling in Media School                            | -                  | 2,056,900          |
| Television and Radio Broadcasting studio                | 1,584,882          | 5,174,175          |
| Professional fees Administration Block                  | 35,711,086         | 53,566,629         |
| Professional fees Science Research Park                 | 17,437,140         | 24,355,580         |
| Administration Block                                    | 273,627,614        | 117,613,378        |
| Food Technology Block                                   | 93,951,107         | 25,709,042         |
| Science Research Park                                   | 116,611,924        | 88,038,372         |
| Perimeter Fence Phase IV- Sec IV                        | 4,036,966          | 2,041,152          |
| Office Partitioning                                     | -                  | 3,509,718          |
| Construction of water tank Kairini                      | 2,916,500          | -                  |
| Tharaka University College                              | 37,803,318         | 28,730,723         |
| Installation Of Lifts                                   | 15,029,219         | 13,929,292         |
| Students' Recreation Centre Wall padding in VC's office | 1,592,017          | -                  |
| Jacuzzi & Steam Bath-Recreation Centre                  | 3,415,620          | -                  |
| Perimeter Fence Phase V and road levelling              | 2,485,103          | -                  |
| Renovation To Animal Science Lab                        | 903,385            | -                  |
| Proposed sauna bath in recreation center                | 2,001,640          | -                  |
| Proposed outdoor concrete Benches                       | 831,691            | -                  |
| Proposed 3000cm Reinforced concrete water reservoir     | 4,354,176          | -                  |
| Proposed High Mast flood lights contract                | 6,307,736          | -                  |
| Proposed installation of swimming pool equipment        | 3,229,291          | -                  |
|   | <b>753,415,847</b> | <b>577,418,408</b> |

#### **42) Financial Risk Management**

Chuka University has a financial risk management policy in place. The primary objective of this Policy is to maximize revenue, promote safety and liquidity as well as minimize potential adverse effects of financial risks on the university resources available to fund its activities.

In addition, the university has established an Audit Governance and risk management committee, which meets once in every quarter, to review the risk status and internal controls of the university processes. The risk management processes continue to identify and manage the major financial risks to the University. The university is exposed to Financial Risks classified as Credit risk, Liquidity risk and Market risk as follows:

##### **(i) Credit risk**

This is the possibility that third parties may not pay amounts due to the university;

The university operates imprest system of financing some of its activities. The management gives guidelines that establish the imprest authorization procedures and limits the amount of imprest that can be given to any staff, and includes minimum credit quality requirements.

The university investment guidelines require that the university to bank and place investment with high credit rated and financial institutions such as listed commercial banks. The cash and cash equivalents are distributed among leading commercial banks with huge asset base to diversify credit risk. Approved investments are limited to fixed income of Government instruments and of the high credit rating commercial banks. As at year end, there were no university investments held by any financial institution or the Government. The University had cash balances held on deposit with a major financial institution as indicated below:

For government and other grants, the financial regulations of university require that expenses be incurred after receipt of funds or when there is sufficient assurance that the funds have been disbursed, thereby significantly reducing the credit risk relating to grants receivable.

For Tuition income, students will not be allowed to attend classes or undertake any academic program without clearing the fees balances and getting authorization documents from the student finance section.

In addition, a large portion of the receivables is due from governments and tuition income which do not have significant credit risk.

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The university evaluates for impairment of receivables with respect to bad and doubtful debts at each reporting date. Impairment arises when there is adequate evidence that university will not collect the full amount due.

As at year end, the university had no impaired receivables, however, it is a university tradition to make a provision for doubtful debts.

**iii) Liquidity risk**

This is the possibility that the university might not have adequate funds to meet its obligations as they fall due. The University does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. In addition, the University's investment policy ensures that its investments are held primarily in liquid short-term deposits.

Before investments are made, an evaluation of liquidity requirements is carried out to determine the immediate cash needs. University Investments are made with due consideration to the cash requirements of for operating cash flow purposes. The investment approach of the university includes different investment maturity periods that consider the timing of future cash flow funding needs of the organization. The largest portion of the university investments is in short-term deposits and most of its current assets are held as cash and cash equivalents with a maturity of three months or less.

**iv) Market risk**

Market risk is the possibility that the institution might incur financial losses owing to unfavourable changes in interest rates, foreign currency exchange rates and/or prices of investment assets. The University does a market survey of various products before a budget is made to caution against market risk.

**a) Interest rate risk**

The university is to a limited extent exposed to the risk of falling interest rates, since only small per cent of its activities is financed from revenue derived from interest income. However, this risk is reducing by investing in Treasury bills. Significant portion of the investment portfolio of the university was in relatively short maturity periods and with minimal market fluctuations at the end of the financial year, all investments had matured. As a result, changes in interest rates do not have an impact on the carrying amounts of the assets.

**b) Foreign exchange risk**

The currency exposure to the university transactions is mitigated as receipts and payment are made in local currency. The University receives revenue from fees, grants and other sources and incurs expenses in functional currency and not any other currencies.

All the assets of the University were denominated in Kenya shillings. Therefore, for the year ended June 2016, Currency exposure has minimal impact on financial status of the university.

**RELATED PARTY BALANCES**

**a) Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to;

**i) The National Government;**

Chuka University gets funding from the national government through the national treasury of Kenya. The funding is separated in to two: Recurrent grant and capital grant which is used to finance part of the university budget.

**ii) The Principal Secretary, Ministry of Education;**

Chuka University is an independent public entity established through a charter as per the Universities Act, 2012. It is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University

**iii) The University management;**

The University management is mandated to make the day-to-day decisions on behalf of the University. They have a significant influence over the operating and financial decision.

**iv) The Council Members;**

As the governing body of the University, the Council, have a responsibility of maintaining a sound system of internal control that supports the achievement of policies, aims and objectives,

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Whilst safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012.

The Council is also the executive governing body responsible for the academic policy and strategic direction of the University, including its external relations, and for the Administration of the University.

The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

**v) The University Senate;**

This is the academic authority of the University. It is composed of the Vice - chancellor, Deputy vice chancellors, Deans, Directors Heads and Chairmen of the academic Departments, two students representatives Finance Officer and Faculty representatives. Its role is to discuss and approve student results as well as students' discipline. The Senate is chaired by the Vice - Chancellor.

**b) Related party transactions**

|                                 | <b>2018/2019</b>    | <b>2017/2018</b>    |
|---------------------------------|---------------------|---------------------|
| Transfers from related parties' |                     |                     |
| Recurrent                       | 1,261,792,952       | 1,233,932,369       |
| Capital                         | 301,153,394         | 95,799,971          |
| Transfers to related parties    | -                   | -                   |
| <b>Totals</b>                   | <b>1,562,946346</b> | <b>1,329,732340</b> |

**i) Key management remuneration**

|                             | <b>2018/2019</b>  | <b>2017/2018</b>  |
|-----------------------------|-------------------|-------------------|
| University Council          | 12,696,895        | 10,266,704        |
| Key management compensation | 27,288,221.40     | 27,981,096        |
| <b>Totals</b>               | <b>39,985,116</b> | <b>38,247,800</b> |

**1. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**2. Ultimate and Holding Entity**

The entity is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**3. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX II: Projects implemented by the entity

| Project   | Total project Cost | Total expended to date | Completion % to date | Sources |
|---|--------------------|------------------------|----------------------|---------|
| Proposed Male Hostel                                | 699,750,000.00     | 614,908,927.08         | 87.88                | GOK     |
| Students' Recreation Centre                         | 412,615,361.64     | 403,361,914.50         | 97.76                | GOK     |
| Proposed Food Technology Tuition                    | 292,164,909.00     | 119,660,149.00         | 40.96                | GOK     |
| Proposed Administration Block                       | 1,410,808,347.00   | 391,240,992.46         | 27.73                | GOK     |
| Proposed High Mast flood lights contract            | 12,124,900.00      | 6,307,736.00           | 52.02                | GOK     |
| Proposed Science Research Park Phase I              | 664,272,029.00     | 204,650,295.26         | 30.81                | GOK     |
| Television & Radio Broadcasting Studio              | 23,406,155.00      | 21,493,385.00          | 91.83                | GOK     |
| Reinforced Concrete Water Tank - Kairini            | 23,972,950.00      | 17,123,290.00          | 71.43                | GOK     |
| Proposed Installation & Commission of Lifts         | 41,831,225.75      | 33,684,231.00          | 80.52                | GOK     |
| Proposed 3000cm Reinforced concrete water reservoir | 42,498,342.30      | 4,354,176.00           | 10.25                | GOK     |

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APPENDIX III: Inter-entity transfers.

| Chuka University, breakdown of Transfers from the State Department of University Education for FY 2018/2019 |                            |                      |  |
|---|----------------------------|----------------------|--|
| a. Recurrent Grants   | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>FY to which the amounts relate</u>              |
|   | 02.08.18                   | 100,541,113          | 2018/2019  |
|   | 30.08.18                   | 100,541,113          | 2018/2019  |
|   | 01.10.18                   | 100,541,111          | 2018/2019  |
|   | 07.11.18                   | 100,541,113          | 2018/2019  |
|   | 03.12.18                   | 94,508,646           | 2018/2019  |
|   | 27.12.18                   | 94,508,646           | 2018/2019  |
|   | 01.02.19                   | 98,530,290           | 2018/2019  |
|   | 07.03.19                   | 98,530,290           | 2018/2019  |
|   | 28.03.19                   | 92,497,823           | 2018/2019  |
|   | 02.05.19                   | 100,541,113          | 2018/2019  |
|   | 06.06.19                   | 100,541,113          | 2018/2019  |
|   | 28.06.19                   | 100,541,112          | 2018/2019  |
|   | 09.07.19                   | 79,429,469           | 2018/2019  |
|   | <b>Total</b>               | <b>1,261,792,952</b> |  |
| b. Development Grants   | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>Indicate the FY to which the amounts relate</u> |
|   | 17.1.19                    | 77,596,544           | 2018/2019  |
|   | 22.3.19                    | 223,556,850          | 2018/2019  |
|   | <b>Total</b>               | <b>301,153,394</b>   |  |