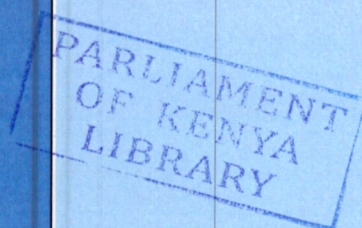


REPUBLIC OF KENYA



Paper Laid
By Hon. Aden Duale, MP
(L.O.M) on 12.10.2017/pm)
[Signature]

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF

LAIKIPIA UNIVERSITY

FOR THE YEAR ENDED

30 JUNE 2016

LAIKIPIA

P.O. Box 1100-20300,
NYAHURURU,
KENYA



UNIVERSITY

TEL: +254-(0) 20 2696596;
Cell: +254 713-552761/ (0)736-299961
www.laikipia.ac.ke

*ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30TH JUNE, 2016*

Laikipia University is ISO 9001:2008 Certified



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VISION AND MISSION

Our Corporate Vision

A University for valued transformation of society

Our Corporate Mission

To serve the students and society through research, education scholarship, training, outreach and consultancy

Our Core values

The key values that underpin what Laikipia University does are:

- ❖ Quality
- ❖ Integrity
- ❖ Respect

GENERAL INFORMATION

Establishment

Laikipia University is a body corporate established through the Laikipia University Charter of 19th February 2013.

Registered Office and principal place of Business

Laikipia University
P. O. Box 1100

Nyahururu

Along Nyahururu -Nakuru Road

Bankers

- | | |
|--|---|
| 1. Kenya Commercial Bank
Nyahururu Branch
P.O.Box 64-20300
NYAHURURU | 2. Kenya Commercial Bank
Nakuru Branch
P.O. Box 18-20100
NAKURU |
| 3. Co-operative Bank of Kenya
Nyahururu Branch
P.O.Box 307-20300
NYAHURURU | 4. Co-operative Bank of Kenya
Nakuru Branch
P.O.Box 2982-20100
NAKURU |
| 5. Equity Bank
Nyahururu Branch
P.O. Box 1048-20300
NYAHURURU | |

Independent Auditors

The Auditor General
Kenya National Audit Office
P.O.Box30084-00100
NAIROBI

Principal Legal Adviser

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

LOCATION

Laikipia University is located 11KMs from Nyahururu along the Nyahururu-Nakuru Road.

MEMBERS OF THE UNIVERSITY COUNCIL



Prof. Abdullah N. Said, PhD.

Chairman



Ms. Margery W. Kabuya

Member



Prof. Samuel K. Katia , PhD.

Member



Ms. Joyce N.I. Ekuam

Member



Mr. Moses Gakuru

Rep. PS National Treasury



Mr. Milton Njuki

Rep. PS MoE



Prof. Francis K. Lelo, PhD.

**Vice Chancellor
(Secretary)**

UNIVERSITY COUNCIL MEMBERS' PROFILES

S/No	Name	Date of Birth	Date of Appointment	Qualifications	Experience
1.	Prof. Abdullah N. Said, PhD. (Chairman)	1942	27.02.2013	❖ PhD. Veterinary Medicine (UoN) ❖ Bachelor of Veterinary Science	➤ Animal nutritionist – ILCA ➤ CoD & Researcher UoN. ➤ Dean Faculty of Agriculture & Veterinary Sciences –UoN ➤ Consultant
2.	Ms. Margery W. Kabuya (Member)	1954	27.02.2013	❖ Masters in Sociology (California) ❖ Bachelor of Arts (UoN)	Regional Rep., National Director, Programme Manager, Project Relations Officer (Christian Children Fund)
3.	Prof. Samuel K. Katia (Member)	1949	27.02.2013	❖ PhD. Physics (University of Connecticut) ❖ Msc Physics (UoN) ❖ Bed. Science (UoN)	➤ DVC (AR) – Daystar University ➤ Lecturer Kenyatta University ➤ CoD Physics Department (Egerton) ➤ Director Graduate School (Egerton) ➤ DVC – African International University
4.	Ms. Joyce N. I. Ekuam (Member)	1972	27.02.2013	❖ M. ed Education Mgt (Egerton) ❖ Bed. Arts (KU)	➤ Manager IEBC (2015) ➤ Nakuru Regional Coordinator - IEBC ➤ Assistant Deputy Director Staffing – TSC ➤ Senior Principal Staffing Officer – TSC ➤ Chief Staffing Officer, TSC (Molo)
5.	Mr. Moses M. Gakuru (Rep. PS National Treasury)	1959	14.10.2015	❖ MBA (KeMU) ❖ BBA (KeMU) ❖ CPA(K) ❖ Dip. in Project Management (KIM)	➤ Chief Accountant - National Treasury
6.	Mr. Milton Njuki (Rep. PS Ministry of Education)		27.02.2013	❖ MBA Strategic Mgt ❖ Bed Economics and Geography	➤ Ag CEO, Universities Funding Board ➤ Assistant Director -University Education(Ministry of Education) ➤ Senior Lecturer, Kenya Institute of Surveying & Mapping ➤ Senior Graduate Teaching (TSC)
9.	Prof. Francis K. Lelo (VC/Council Secretary)	1952	20.05.2013	❖ Ph. D. (Clark University- USA) ❖ MES (York university) ❖ Bed (UoN)	➤ Ag. Principal, Kisii University College ➤ Dean – Environment & Resources Dev. (Egerton) ➤ CoD – Environmental science (Egerton) ➤ Coordinator, Participatory Rural Appraisal (PRA)

NB: During the year under review, the following members left the University Council:

S/No.	Name	Date Left
1.	Fredrick Ogana	23.09.2015
2.	Daniel Mutua	14.10.2015
3.	Betty Maina	18.12.2015

UNIVERSITY MANAGEMENT BOARD



Prof. Francis K. Lelo, PhD.
(B.Ed, MES, PhD.)
Vice Chancellor



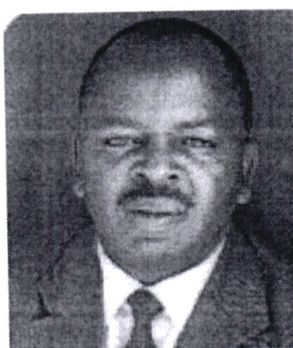
Prof. L. Wanjiku. Chiuri, PhD
(BA, MES, PhD.)
**Deputy Vice-Chancellor,
(Academic & Research)**



Prof. Isaac S. Kosgey, PhD
(Dip. Animal Husbandry, BSc, MSc, MBA, PhD.)
**Deputy Vice-Chancellor,
(Administration, Finance & Development)**



Dr. Raphael Kiugu, PhD.
(BEd, MEd, MSc, PhD.)
Registrar, (Academics Affairs)



Mr. Joseph K. Kairu
(BA, MBA)
Registrar, (Administration)



Ms. Sophia W. Muchiri
(BBA, MBA, CPAK)
Finance Officer

UNIVERSITY MANAGEMENT BOARD MEMBERS' PROFILES

S/No	Name	Date of Birth	Date of Appointment	Qualifications	Experience
1.	Prof. Francis K. Lelo, PhD. Vice Chancellor	1952	20.05.2013	❖ PhD. (Clark University- USA) ❖ MES (York university - Canada) ❖ Bed (UoN)	➤ Principal Laikipia University College ➤ Principal Laikipia Campus ➤ Ag. Principal, Kisii University College ➤ Dean – Environment & Resources Dev. (Egerton) ➤ CoD – Environmental science (Egerton) ➤ Coordinator, Participatory Rural Appraisal (PRA) ➤ Consultant, UNDP/FAO
2.	Prof. L. Wanjiku Chiuri, PhD Deputy Vice Chancellor (Academic & Research)	1958	25.11.2015	❖ PhD. (University of Waterloo, Canada) ❖ MES, (York University – Canada) ❖ BA – Sociology (UoN)	➤ Associate Professor (Egerton) ➤ Dean-Faculty of Education (Egerton – Laikipia Campus College) ➤ CoD – Curriculum & Instruction Department (Egerton – Laikipia Campus College) ➤ Lecturer– Curriculum & Instruction Department (Egerton – Laikipia Campus College) ➤ Lecturer Development Studies (Kenyatta University)
3.	Prof. Isaac S. Kosgey, PhD. Deputy Vice Chancellor (Administration, Finance & Development)	1961	18.06.2013	❖ PhD. Wageningen, Netherlands) ❖ MSc. Wageningen, Netherlands) ❖ MBA (Kenyatta university) ❖ BSc. (Egerton) ❖ Dip. Animal Husbandry (Egerton) ❖ Dip. Law (MKU)	➤ Deputy Principal - APD, Laikipia Univ. College ➤ Dean Faculty of Agriculture (Egerton) ➤ CoD, Animal Science (Egerton) ➤ Lecturer, Kassel University ➤ Livestock Officer II - Nyeri
4.	Dr. Raphael Kiugu Registrar (Academics Affairs)	1962	16/05/2011	❖ PhD (State Univ. –New York) ❖ MSc. Educ. Administration & Policy (Univ. of New York) ❖ Med. Econ & Planning (Kenyatta University) ❖ Bed. (Kenyatta University)	➤ Registrar AA (African Nazarene Univ.) ➤ Lecturer, (UoN) ➤ Assistant Lecturer (Egerton)
5.	Mr. Joseph K. Kairu Registrar (Administration)	1960	16/05/2011	❖ MBA (Egerton) ❖ BA (UoN)	➤ Deputy Registrar Admin. (Egerton) ➤ Human Resource Officer (Civil Service)
6.	Ms. Sophia W. Muchiri Finance Officer	1973	16/05/2011	❖ CPA(K) ❖ MBA (Kenya Methodist University) ❖ BBA (Kenya Methodist University)	➤ Ag. Finance Officer (Kimathi University College) ➤ Ag. Deputy Finance Officer (Kimathi University College) ➤ Senior Accountant (JKUAT)

CORE BUSINESS OF LAIKIPIA UNIVERSITY

The main objectives of the University are stipulated in the Laikipia University Charter of 19th February 2013. Part II Sec 7(1) of the Charter provides the functions and objectives of the University which are;

- a) To provide directly, or in collaboration with other institutions, integration of teaching, research and effective application of knowledge and skills;
- b) Participate in scholarly work, discovery, transmission, utilization, preservation and enhancement of knowledge with a view to stimulating intellectual participation of students in the economic, social, cultural, scientific and technological development of Kenya;
- c) Establish centers of excellence, colleges, schools, faculties, institutes, departments, and other resource and administrative units as may be appropriate;
- d) Facilitate student and staff mobility between programmes of study at local, regional, and international universities and institutions;
- e) Participate in commercial ventures and activities that promote the objectives of the institutions;
- f) Foster the general welfare of staff and students;
- g) Develop and provide educational, cultural and professional services that foster corporate social responsibility in the University and collaborating institutions;
- h) Promote equity and social justice;
- i) Offer continuing professional development opportunities;
- j) Conduct examinations for and to grant and confer such academic awards as may be provided for in the Act and the Statutes;
- k) Establish a High Altitude International Sports Training Centre for training, teaching, research, and recreation;
- l) Contribute to sustainable development of Arid, and Semi-Arid Lands resources of Kenya;
- m) Engage in action research, extension and outreach; and
- n) Establish an Information, Communication and Technology hub in teaching, research, training, outreach and consultancy in the region and globally.

STATEMENT FROM THE CHAIRMAN OF COUNCIL

I feel honored to present to our stakeholders the Annual Report and Financial Statements of Laikipia University for the financial year ended 30th June, 2016. This annual report helps us to reflect on our performance for the year giving us an opportunity to celebrate our success and at the same time identify areas of improvement.

The demand for higher education in the country has continued to rise prompting the University to continually review its programmes in line with the market demand. The University will continue to reposition its main brands within the context of market requirements, customer satisfaction and cost rationalization. The need to meet this objective over years has remained the central focus of the University Council. Our current management focuses on expansion of the University while maintaining quality in line with our vision. In line with the GOK policy, the University has increased access to higher education through additional admission of students. This in effect has led to increase in operation costs and need for more physical facilities.

Future Outlook

Going forward, we will continue our growth strategy by expanding our business to transform the society. We will continue to support our satellite campuses to increase students' enrollment. In this regard, the University will continue to expand its facilities to accommodate more students.

Conclusion

The University Council will continue working closely with University Management Board especially in the next strategic planning cycle. The University will be operating on a five-year strategic plan that will be reviewed after every five years. The current five years plan will come to an end in the year 2021 and the Council is bracing itself for the next planning cycle that we believe will take Laikipia University to the next level of academic excellence and continue playing a significant role in serving society.

Prof. Abdullah N. Said, PhD

CHAIRMAN UNIVERSITY COUNCIL

STATEMENT FROM THE VICE CHANCELLOR

I am delighted to see our institution come to the end of another successful financial year. Just like any other year, the year 2015/2016 F.Y. had its own unique challenges but with dedicated members of the University Council, the Management Board and the entire staff of the University, the challenges were surmountable.

The 2015/2016 Annual Report captures the events of the year including physical infrastructure development and finances. The Report reflects the commitment and determination of the University to achieve world class excellence, despite the hurdles occasioned by economic downturn and its impact on recurrent funding from the Exchequer.

The University continued to offer education and training to meet the needs and aspirations of the Kenyan people, as evident in the highlights of academic programmes undertaken in the Schools and units of the University. Our programmes remain critical in the wake of global economic crisis that threatens the socio-economic growth of any developing nation.

Further, as part of world trends and practices, the Report carries detailed information on the University's financial performance during the year, providing a summary of the state of health of the University as a corporate entity. The Report notes that while there was prudent management of the human, material and financial resources; the loyalty and commitment of staff was critical in enabling the University to discharge its mandate.

Financial Review

The University relies heavily on the Government financial support in form of capitation. This is mainly because over seventy percent of our students are Government supported and their direct fees are still low compared to the differentiated unit costs for the various programmes. In expansion of teaching facilities, the Government had promised to give Ksh. 159 million in 2015/2016 F.Y. However, this was decreased to Ksh. 100,446,356. The available funds have been used in the completion of Lecture Theatres, construction of New Library and Administration block, Tuition block, setting up the University Gate, Science Laboratories and Sewerage Treatment Ponds. These facilities will provide the much needed lecture rooms for the smooth running of the institution. The University also received a total of Ksh. 547,335,522 from the Government to finance its recurrent expenditure.

A-I-A increased from Ksh. 364,686,591 in 2014/2015 to Ksh. 519,401,945 in 2015/2016. Subsequently, the deficit reduced from Ksh. 119,671,291 in 2014/2015 to Ksh. 49,113,129 in 2015/2016

Business Environment

In our endeavour to meet customer expectations and deliver quality service, the University finalized the development of its 5 year Strategic Plan 2016 – 2021. I take this opportunity on behalf of the University Management to thank all stakeholders who participated towards the realization of the plan.

The University is currently in the process of upgrading itself to be a state-of-the-art institution. In line with this, the Vision 2030 Flagship is on-going and several buildings are under construction to accommodate more students and staff. The University's key undertakings include:

- ❖ **Tuition Blocks:** These are expected to provide more spaces to students once they are complete
- ❖ **Administration and Library Block:** The Administration and new Library block is currently under construction. On completion, the university central offices will be relocated to this state-of-the-art building. The library will also be relocated there.
- ❖ **Science Laboratories:** The University is currently facing challenges in Science based courses. Conversion of C2 to Science Laboratories is in progress as one of the high priority projects.

Appreciation

I take this opportunity to thank the University Council for their support to the University. I would also like to thank the Government for its support throughout the year under review and also appeal for more support especially for purposes of establishing suitable facilities required by the University. Lastly, I would like to thank staff and students for their continued cooperation in this difficult task of building the University.



Prof. Francis K. Lelo, Ph.D

VICE- CHANCELLOR

CORPORATE GOVERNANCE AND ETHICS

The University Council is responsible for the governance of the University and is accountable to the citizens of this country for ensuring that the University complies with the Law and maintains the highest standard of corporate governance, academic standards and ethics. Accordingly the council attaches great importance to the generally accepted corporate governance practices and the need to conduct the activities and operations of the University with integrity, quality and respect.

University Council

The University Council defines the University strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over financial, strategic, operations and compliance issues.

Council Meetings

The Council holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so.

Committees of the Council

The Council has set up five principal committees and one adhoc committee which meet under well defined terms of references as set up in Laikipia University Statutes. This is intended to facilitate efficient decision making of the Council. The committees are; Finance Investment & General Purposes, Audit Governance and Risk Management, Human Resource Management, Academic Research and Sealing, Staff Appointment's and Appeals and Grievances Handling which is an adhoc committee

Audit Governance and Risk Management Committee

The committee assists the University Council to fulfil its corporate governance responsibilities and in particular to:

- ❖ Review financial statements before submission to the University Council focusing on changes of accounting policies, compliance with the International Public Sector Accounting Standards and legal requirements and the going concern assumption.
- ❖ Strengthen the effectiveness of the internal audit function.
- ❖ Maintain oversight on internal control systems
- ❖ Review and make recommendations regarding the University's budgets, financial plans and risk management.

Finance, Investment and General Purposes Committee of Council

Laikipia University has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all

Laikipia University

transactions and ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the University Council takes into account the results of work carried out to audit and review the University activities. The University Council also considers the management accounts for each quarter, reports from each council committee, annual budgetary proposals, major issues and strategic opportunities for the University.

Human Resource Management Committee

The Committee reviews and recommends on issues relating to training needs, staff recruitments, promotions, discipline, and staff welfare.

Academic and Research Committee

The Committee reviews and recommends on issues relating to academic and research. The committee provides direction on scholarly work; establish centres of excellence, schools, faculties, institutes and departments as may be appropriate.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Laikipia University's Corporate social responsibility is based on the fact that, as part of the Kenyan society, we have responsibilities that go beyond our legal obligations for the benefit of the society at large. Our corporate social responsibility (CSR) entails community engagement, supporting community activities, responding to emerging challenges, donating to charities, helping the needy and application of ethical conduct and participating in matters of topical national interest in Kenya. Our CSR involves building relationships and partnerships and working together with organizations that we believe advance the wellbeing of Kenyans.

Laikipia University endeavors to support the less fortunate students in the University. The University awarded Ksh. 700,000 as bursaries to the needy students during the year.

In 2015/2016, a total of Ksh 925,900 was also paid under the work study programme to assist the needy students.

The environmental committee organized tree planting during the environmental conservation week in various primary schools in the neighborhood. The University has also opened her medical facility to the community

REPORT OF THE COUNCIL

The University Council submits this report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Laikipia University's affairs.

a. Principal activities

The principal activities of Laikipia University is teaching, training, research and outreach

b. Results for the Year

The results of Laikipia University for the year ended June 30, 2016 are set out on pages 17-20.

c. Directors

The members of the University Council who served during the year are shown on page 5.

d. Auditors

The Auditor General is responsible for the statutory audit of Laikipia University in accordance with the Section 15(2) of the Public Audit Act, 2003.

By Order of the Council



Vice Chancellor

Laikipia University

Date: 3/6/2017

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Laikipia University Council members are responsible for the preparation and presentation of the financial statements set out on pages 17 to 20 which comprise the statement of financial position for the year ended 30th June, 2016, statement of financial performance, statement of cash flow, statement of changes in reserves for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Council members responsibility includes: determining that the basis of accounting described in note 1, is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Laikipia University Charter requires the University Council to prepare statements for each financial year, which give a true and fair view of the state of affairs of the University at the end of the financial year and its operating results for that year. It also requires the council to ensure that the University keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the University. The University Council is also responsible for safeguarding the Assets of the University.

The University Council accepts the responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards. The University Council is of the opinion that the statements give a true and fair view of the state of the financial affairs of the University as at 30th June 2016 and of its operating results.

The University Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statement, as well as adequate systems of Internal Financial Controls.

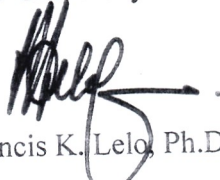
The Council has made an assessment of the University's ability to continue as a going concern and nothing has come to their attention to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The financial statements, as indicated above were approved by the University Council and were signed on its behalf by

Prof. Abdullah N. Said, PhD

CHAIRMAN OF COUNCIL


Prof. Francis K. Lelo, Ph.D

VICE- CHANCELLOR

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Laikipia University set out on pages 17 to 45, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

Report of the Auditor-General on the Financial Statements of Laikipia University for the year ended 30 June 2016

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

As previously reported, property, plant and equipment balance of Kshs.1,229,081,772 as at 30 June 2016, included an amount of Kshs.194,835,000 representing the value of eighteen (18) parcels of land measuring a total of 949,519 acres. According to the ownership documents presented for audit verification, sixteen (16) of these parcels of land are still registered in the name of Egerton University, while ownership documents for the other two namely, land reference numbers 8808/1 and 2912/12 were under process by the authorities. Further, the University has been allocated five (5) acres of land by the defunct Municipal Council of Nyahururu, 100 acres by the defunct Town Council of Rumuruti and 600 acres by the defunct County Council of Samburu. However, ownership documents for these parcels of land were not made available for audit verification and their values have not been determined nor included in the financial statements.

In the circumstances, it has not been possible to confirm the ownership, accuracy and completeness of the plant, property and equipment valued at Kshs.1,229,081,772 as at 30 June 2016.

2.0 Trade and other receivables

The statement of financial position as at 30 June 2016 reflects receivables from exchange transactions totalling Kshs.192,123,544 net of provision for bad and doubtful debt of Kshs.21,347,060 as detailed under Note 19(i) to the financial statements. However, the provision seems inadequate since debts amounting to Kshs.55,191,017 consisting of Kshs.2,783,368 and Kshs.52,407,649 for other debtors and uncollected income from collaboration with colleges debts respectively, have remained outstanding for a considerable long period of time. Consequently, the recoverability and valuation of the whole of the receivables from exchange transactions balance of Kshs.192,123,544 as at 30 June 2016 is doubtful.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Laikipia University as at 30 June 2016, and of its financial performance

and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Universities Act, 2012.

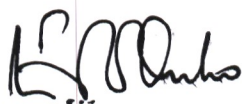
Other Matter

1. Going-concern

The University during the financial year 2015/2016 recorded a loss of Kshs.49,113,129 compared to deficit of Kshs.121,353,780 reported in 2014/2015, which increased accumulated losses from Kshs.172,505,099 to Kshs.221,618,228 as at 30 June 2016. Further, the current liabilities balance of Kshs.379,367,147 as at 30 June 2016 exceeds total current assets of Kshs.226,212,443 of the same date resulting to a negative working capital of Kshs.153,154,704, an indication that the University may be experiencing difficulties in settling maturing obligations as they fall due. However, the financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and creditors.

2. Delay in implementation of ERP software

As reported in the previous year, the University entered into a contract with a consulting firm, World Systems Limited, to develop an enterprise resource planning (ERP) Software system at a cost of Kshs.14,949,200. The University paid Kshs.9,329,220 to the firm during the 2013/14 financial year which was 62% of the contract price. Although no payments were made to the consultants in 2014/2015 and 2015/2016 financial years the contract with the consultant has since expired. The implementation period was to run for one year starting 22 May 2012 to 22 May 2013 yet the project is yet to be completed four years after the lapse of the contract period. According to the contract document signed between Laikipia University and World Systems Limited, the agreement was to have five (5) developers working on the ERP but only two (2) developers were appointed by the consultants to develop the system. In the circumstances, the full implementation and functionality of the ERP software is uncertain and it is doubtful whether the University will obtain value-for-money from the project whose completion has been delayed for too long.



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

Nairobi

24 July 2017

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE, 2016**

		2016 (Restated) Kshs.	2015 (Restated) Kshs.
REVENUE	Notes		
Revenue from Non-exchange Transactions			
Government Grants (Recurrent)	3	547,335,522	516,328,950
Grants & Donations	4	16,500	1,241,500
		547,352,022	517,570,450
Revenue from Exchange Transactions			
Students' Fees	5	457,695,249	358,499,837
Other Incomes	6	62,058,596	6,186,754
		519,753,845	364,686,591
Total Revenue		1,067,105,866	882,257,041
EXPENDITURE			
Staff Costs	7	766,420,213	642,791,575
Administrative Expenses	8	118,466,546	114,618,367
Academic & Research Expenses	9	174,830,510	178,518,421
Students Welfare	10	12,286,294	15,369,989
Council Expenses	11	8,979,747	9,384,096
Finance Charge	12	1,862,025	1,862,004
Depreciation	13	24,467,732	25,430,323
Bad Debts	14	6,693,066	14,653,995
Total		1,114,006,132	1,002,628,770
Operating Surplus/(Deficit)		(46,900,265)	(120,371,729)
Other Service Units			
Farm Profit/(Loss)	15	250,186	143,002
Catering Profit/(Loss)	16	(2,271,855)	16,552
Bookshop Profit/(Loss)	17	(191,196)	540,885
Total Surplus/(Deficit)		(49,113,129)	(119,671,291)

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2016

	NOTES	2016 (Restated) Kshs.	2015 (Restated) Kshs.
ASSETS			
Current Assets			
Cash & Cash Equivalents	18	14,324,339	19,564,380
Receivables from Exchange Transactions	19(i)	192,123,544	131,885,953
Receivables from Non-exchange Transactions	19(ii)	0	43,027,413
Inventories	20	19,764,559	15,272,741
Total Current Assets		226,212,443	209,750,487
Non- Current Assets			
Property, Plant and Equipment	21	1,229,081,772	1,184,779,229
Library Books	22	798,972	1,808,254
Intangible Assets (ERP Software)	23	9,329,220	9,329,220
Biological Assets	24	6,043,500	6,954,000
Total Non- Current Assets		1,245,253,464	1,202,870,703
Total Assets		1,471,465,907	1,412,621,190
LIABILITIES			
Current Liabilities			
Bank Overdraft	25	14,482,987	56,383,338
Accounts Payables	26 (i)	364,884,160	311,672,315
Total Current Liabilities		379,367,147	368,055,653
Non-Current Liabilities			
Long Term Liabilities	26(ii)	6,333,328	10,133,332
Total Non- Current Liabilities		6,333,328	10,133,332
Total Liabilities		385,700,475	378,188,985
NET ASSETS		1,085,765,432	1,034,432,205
Financed By:			
Capital Reserve		1,307,383,660	1,206,937,304
Revenue Reserves (Surplus/(Deficit))		(221,618,228)	(172,505,099)
Revaluation Reserve		0	0
Total		1,085,765,432	1,034,432,205

Prof. Abdullah N. Said, PhD.
CHAIRMAN OF COUNCIL

Prof. Francis K. Lelo, PhD.
VICE CHANCELLOR


Sophia W. Muchiri
FINANCE OFFICER

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30TH JUNE, 2016**

	Capital Reserve	Revenue Reserve (Restated)	Total
	Ksh.	Ksh.	Ksh.
As at 1st July, 2014	1,018,770,644	(52,833,808)	965,936,836
Government Development Grants	188,166,660		188,166,660
Total Surplus/(Deficit)	0	(119,671,291)	(119,671,291)
As at 30th June, 2015	1,206,937,304	(172,505,099)	1,034,432,205
As at 1st July, 2015	1,206,937,304	(172,505,099)	1,034,432,205
Government Development Grants	100,446,356		100,446,356
Total Surplus/(Deficit)		(49,113,129)	(49,113,129)
As at 30th June, 2016	1,307,383,660	(221,618,228)	1,085,765,432

STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30TH JUNE, 2016

	2016 (Restated)	2015 (Restated)
	Kshs.	Kshs.
Operating Activities:		
Surplus/Deficit	(49,113,129)	(119,671,291)
Revaluation of Assets	0	0
Gain on Disposal of Assets	0	0
Adjustment for Depreciation	24,467,732	25,430,323
Operating surplus before working capital changes	(24,645,398)	(94,240,968)
Changes in Working Capital		
Increase/Decrease in Receivables	(17,210,182)	18,318,130
Increase/Decrease in Inventories	(4,491,818)	2,565,309
Increase/Decrease in Payables	53,211,845	18,897,390
Increase/Decrease in Biological Assets	910,500	1,042,500
Net changes in Working Capital	32,420,345	40,823,329
Net cash generated from operating Activities	7,774,947	(53,417,639)
Cash flows from Investing Activities		
Purchase of Non-Current Assets	(7,364,844)	(3,578,667)
Work in Progress	(60,396,149)	(128,292,878)
Proceeds from sale of Non-Current Assets	0	0
Net cash used in investing Activities	(67,760,993)	(131,871,545)
Cash Flows from Financing Activities:		
Government Development Grants	100,446,356	188,166,660
Proceeds from Long Term Liabilities		
Repayments of Long Term borrowings	(3,800,000)	(3,800,000)
Net cash generated from Financing Activities	96,646,356	184,366,660
Increase/(decrease) in cash and Cash Equivalents	36,660,310	(922,524)
Cash & Cash Equivalents at Beginning of the Year	(36,818,958)	(35,896,434)
Cash & Cash Equivalents at the end of the period	(158,648)	(36,818,958)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2016**

	Approved Budget 2015/2016	Virement (Adjustments) 2015/2016	Revised Budget 2015/2016	Actual on Comparable Basis 2015/2016 Kshs.	Performance Difference 2015/2016
REVENUE					
Government Grants (Recurrent)	555,328,950	0	555,328,950	547,335,522	(7,993,429)
Grants & Donations	13,000,000	0	13,000,000	16,500	(12,983,500)
Students' Fees	545,511,000	0	545,511,000	457,695,249	(87,815,751)
Other Incomes	9,256,000	0	9,256,000	62,058,596	52,802,596
Total	1,123,095,950	0	1,123,095,950	1,067,105,866	(55,990,084)
EXPENDITURE					
Staff Costs	761,963,153	(11,489,413)	750,473,740	766,420,213	(15,946,473)
Administrative Expenses	144,584,000	1,183,413	145,767,413	118,466,546	27,300,867
Academic & Research Expenses	163,675,000	(25,694,000)	137,981,000	174,830,510	(36,849,510)
Students Welfare	21,189,965	(5,000,000)	16,189,965	12,286,294	3,903,671
Council Expenses	11,000,000	0	11,000,000	8,979,747	2,020,253
Finance Charge	1,862,000		1,862,000	1,862,025	(25)
Depreciation	27,801,572		27,801,572	24,467,732	3,333,840
Bad Debts	4,000,000		4,000,000	6,693,066	(2,693,066)
Total	1,136,075,690	(41,000,000)	1,095,075,690	1,114,006,132	(18,930,442)
Operating Deficit	(12,979,740)	41,000,000	28,020,260	(46,900,265)	(37,059,642)
Other Service Units					
Farm Profit	0	0	0	250,186	250,186
Catering Profit/Loss	0	0	0	(2,271,855)	(2,271,855)
Books,shop Profit	0		0	(191,196)	(191,196)
Total Surplus/(Deficit)	(12,979,740)	41,000,000	28,020,260	(49,113,129)	(39,272,506)
ADD: Other Receipts (Non P&L)					
Government Grants (Capital)	159,000,000		159,000,000	100,446,356	(58,553,644)
Receipts from Debtors	61,700,000		61,700,000	27,734,814	(33,965,186)
LUIS	5,000,000		5,000,000	0	(5,000,000)
Deficit Financing- Bank Loan	0		0	0	0
	225,700,000	0	225,700,000	128,181,170	(97,518,830)
LESS: Other Payments (Non P&L)					
Plant & Equipment	39,803,046	(15,000,000)	24,803,046	7,352,514	17,450,532
Capital Development	159,000,000		159,000,000	60,396,149	98,603,851
Debt Management	108,085,186	56,000,000	164,085,186	164,352,001	(266,815)
LUIS Expenditure	32,000,000		32,000,000	0	32,000,000
	338,888,232	41,000,000	379,888,232	232,100,664	147,787,568
Surplus/(Deficit) for the Year	(126,167,972)	0	(126,167,972)	(153,032,623)	(26,864,651)

Notes to the Financial Statements
For the Year Ended 30th June, 2016.

1. Statement of Compliance and Basis of Preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) Accrual. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of Significant Accounting Policies

a. Revenue Recognition

Revenue has been accounted for using the accrual concept of accounting. Income is recognized in the period in which it is earned. The revenue recognition is as follows:

i) Revenue from non-exchange transactions – IPSAS 23

❖ **Government Grants**

Government grants are recognized as income in the period when received. Government grant is recognized only when there is a reasonable assurance that the entity will comply with any condition attached to the grant and that the grant will be received

❖ **Grants & Donations**

Grants and donations in form of research grants and donations from Constituency Development Funds (CDFs) are recognized as income in the period it is received. The entity does not accrue un-received grants and donations unless there is a reasonable assurance to receive the funds.

ii) Revenue from exchange transactions – IPSAS 9

❖ **Tuition and Fees**

Revenue from tuition and fees are recognized prorata over the relevant period. The entity applies accrual concept in relation to tuition and fees receivable in a particular year

❖ **Other incomes**

Revenue from other sources are recognized when the amount of revenue can be measured reliably. Income from campuses is treated the same way tuition and fees are treated.

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

b. Budget Information – IPSAS 24

The annual budget is prepared on cash basis while the actual have been prepared on accrual basis. This explains the huge variances on the statement of comparison of budget and actual amounts.

During the year under review, there were performance differences between the actual and budgeted amounts. These variances are explained as follows:

- Government Grants (Recurrent) – The item had a variance of Ksh. 7,993,429 being the amount of government capitation that was not disbursed during the year
- Grants & Donations – These includes Constituency Development Funds (CDFs) from county governments. In 2015/2016, the University did not receive the promised donations by the county governments of Samburu and Laikipia.
- Students Fees – The University did not meet the target on students' fees. This was mainly because a lower number of students than expected reported during the year. There has also been a decline on the number of self sponsored students in the University
- Staff Costs – The staff costs variation is as a result of implementation of a new Collective Bargaining Agreement (CBA). The new CBA mainly affected the hardship, commuting and medical allowances
- Academic & Research – The variation on this line item was as a result Commission for University Education (CUE) requirements requiring that all University Students must attend teaching practice and field attachments. The expenditure variation was also affected by the increase in the bandwidth on the University internet networks.
- Bad Debts – The variation resulted from an increase in receivables hence increasing the provision for bad and doubtful debts
- Other Service Units – Sales at the University service units are at subsidized prices and therefore had been budgeted at breakeven. However the cost of production went up than expected thus increasing cost of output and leading to losses.
- Government Grants –Development – The variance was as a result of the Government through the Ministry of Education failing to disburse all development grants as approved in the 2015/2016 budget

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016**c. Property, Plant and Equipment – IPSAS 17**

Property, plant and equipment are stated at cost less accumulated depreciation and recognized impairment loss. Land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the assets during the estimated useful life, using the straight line method. Assets acquired during the year will attract full year depreciation while assets disposed during the year will not be charged the depreciation.

The annual rates used are as follows:-

Buildings	-	2.5%
Office Equipment	-	20%
Furniture & Fittings	-	12.5%
Plant, Machinery & Tractors	-	10%
Motor Vehicles & Motor Bikes	-	25%
Computer & Accessories	-	20%
Library Books	-	20%

d. Intangible Assets – IPSAS 31

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.

e. Inventories – IPSAS 12

Inventories are stated at the lower of cost or net realizable value. Costs of issues are calculated using 'First in First Out' (FIFO) method. Net realizable value represents the estimated selling price less any estimated cost of disposal. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

f. Provisions – IPSAS 19

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The 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.

Contingent assets

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.

g. Reserves – IPSAS 1

Laikipia University maintains two types of reserves as indicated on the Statement of changes in reserves of the financial statements. The reserves are capital and revenue reserves. During the financial year under review, the University had capital and revenue reserves' balance of Ksh. 1,307,383,660 and Ksh. (221,618,228) respectively.

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

h. Employee Benefits – IPSAS 25

Retirement Benefit Costs

Laikipia University provides retirement benefits for its employees. 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.

Laikipia University, jointly with Egerton, Kisii and Chuka Universities operates a contributory pension scheme for eligible employees. The assets of the scheme are held separately in a trustee administered fund that is funded by both employees and the University. The University also contributes to the National Social Security Fund (NSSF). Contributions to this fund are determined by the local statutes.

The contributions made to the above schemes by the University are charged to the income statement during the year in which they relate.

i. Related Parties – IPSAS 20

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 the University Management Board (UMB) are regarded as related parties and comprise of the Vice Chancellor, Deputy Vice Chancellor (AF&D), Deputy Vice Chancellor (A&R), Registrar (Administration), Registrar (Academic) and Finance Officer. Their remuneration in terms of emoluments during the year under review was as follows:

University Management Board Remuneration

	2015/2016	2014/2015
	Ksh.	Ksh.
Vice Chancellor	19,876,847.20	11,377,856.00
Deputy Vice Chancellor - A&R	6,498,940.20	8,642,374.00
Deputy Vice Chancellor - AFD	11,452,279.00	8,613,572.00
Registrar A&R	6,178,267.80	5,443,912.00
Registrar Adm.	6,178,267.80	5,443,912.00
Finance Officer	6,234,111.00	5,490,472.00
Total	56,418,713.00	45,012,098.00

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

Laikipia University Council is the governing body of the University and therefore a related party to the University. In 2015/2016 financial year, the University Council held various meetings in line with their mandate as stipulated in the University statutes and the Charter. The allowances paid to the members were as follows:

Summary of Council Expenses for 2015/2016 F.Y.

Council Member	Sitting Allowance	Mileage Allowance	Accommodation	Lunch Allowance	Honorarium	Total
Prof. Raphael M. Munavu	60,000	19,005	18,200	4,000	1,200,000	1,301,205
Prof. Abdullah N. Said	660,000	899,410	909,800	42,000	1,044,000	3,555,210
Margery W Kabuya	360,000	81,122	72,800	26,000	0	539,922
Joyce Ekuam	500,000	101,224	91,000	22,000	0	714,224
Milton Njuki	620,000	86,030	72,800	30,000	0	808,830
Moses Gakuru	240,000	11,000	0	22,000	0	273,000
Prof. Samuel Katia	700,000	218,184	127,400	38,000	0	1,083,584
Fredrick Ogana	140,000	26,393	0	10,000	0	176,393
Betty Maina	120,000	9,769	72,800	4,000	0	206,569
Daniel Mutua	200,000	40,011	72,800	8,000	0	320,811
Total	<u>3,600,000</u>	<u>1,492,147</u>	<u>1,437,600</u>	<u>206,000</u>	<u>2,244,000</u>	<u>8,979,747</u>

The Government of Kenya is also a related party to the University especially in terms of financing and policies. During the year under review, the National Government through the Ministry of Education, Science and Technology disbursed Ksh. 547,335,522 for recurrent expenditure and Ksh. 100,446,356 for capital expenditure

j. Financial Risk Management – IPSAS 30

The University's activities expose it to a variety of financial risks including credit and liquidity risks. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University's financial risk management objectives and policies are detailed below:

❖ Credit risk Management

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

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The University's policy is payment on registration and thus students' receivables are categorized as either past due or impaired.

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

Credit risk Analysis

Details	Fully Performing Kshs.	Past due Kshs.	Impaired Kshs.	Total Kshs.
As at 30 June, 2016				
Students Receivables		139,436,705		139,436,705
Other Receivables		74,033,899		74,033,899
Bank Balances	14,301,371			14,301,371
	<u>14,301,371</u>	<u>213,470,604</u>	<u>0</u>	<u>227,771,975</u>
As at 30 June, 2015				
Students Receivables		129,731,778		129,731,778
Other Receivables	43,027,413	16,808,170		59,835,583
Bank Balances	19,538,079			19,538,079
	<u>62,565,492</u>	<u>146,539,948</u>	<u>0</u>	<u>209,105,440</u>

❖ **Liquidity risk management**

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

Prudent liquidity risk management includes maintain sufficient cash to meet the University's obligations. The university Management Board reviews the cash forecasts regularly and determines the University's cash requirement

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

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

Liquidity risk Analysis

Details	Less than one Month Kshs.	Between 1-12 Months Kshs.	Over 12 Months Kshs.	Total Kshs.
As at 30 June, 2016				
Trade Payables		53,683,691	13,386,981	67,070,672
Contractors		5,389,087	49,466,695	54,855,781
SSP Claims		84,648,732	17,935,566	102,584,298
Prepaid Fees		24,677,896	230,409	24,908,305
Borrowings			6,333,328	6,333,328
Other Payables	187,000	80,537,454	18,615,649	99,340,103
Caution Money		4,607,000	11,518,000	16,125,000
	<u>187,000</u>	<u>253,543,860</u>	<u>117,486,627</u>	<u>371,217,487</u>
As at 30 June, 2015				
Trade Payables	6,808,192	25,822,121	8,446,492	41,076,805
Contractors		51,096,220	5,677,358	56,773,578
SSP Claims		91,774,730	3,024,420	94,799,150
Prepaid Fees		25,049,797		25,049,797
Borrowings			10,133,332	10,133,332
Other Payables	187,000	84,829,744	4,497,589	89,514,333
Caution Money		4,743,000	11,553,000	16,296,000
	<u>6,995,192</u>	<u>283,315,612</u>	<u>43,332,191</u>	<u>333,642,995</u>

k. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalent consist of cash, bank balances and short term investments. Bank account balances include amounts held at various commercial banks at the end of the financial year. The Cash at hand and Bank balances at the close of 2015/2016 F.Y. was Ksh. 14,324,339 which is reconciled as follows:

Cash and cash equivalents as per Cash flow Statement	(158,648)
ADD: Overdrawn Accounts	<u>14,482,987</u>
Total Cash and cash equivalents	<u>14,324,339</u>

l. Comparative figures

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

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2015**m. Receivables**

Receivables are recognized at their nominal value as reduced by appropriate allowances

n. Biological Assets

Livestock are valued at the prevailing market rates.

Crops are valued at fair value less estimated point of sale costs. Formula for calculating the value of crops in the field is as follows:

$$V_c = \frac{D \times A \times YP \times SP}{MP}$$

Where:

V_c – Value of crop	YP – Yield Potential of the crop
D – Age in Days	SP – Selling Price per 90-Kg Bag
A – Area in Acres	MP – Maturity Period

o. Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps taken to recover them are without success. In 2015/2016, a general provision for bad debts was provided amounting to Kshs. 20,741,971.

p. Research and Development

Research and development expenditure is charged to income statement in the year it is incurred

q. Interest on Loans

Interest on loan has been charged as expenses in the year they have been incurred. The policy is to accrue all un-paid interest relating to the year under review.

r. Tax Exemption

The entity by virtue of being a public university and classified under the Public Benefit Organizations (PBOs) have been exempted from income tax. PBOs are exempted from income tax on income received from the activities of the organization, if the income is wholly used to support the public benefit purposes for which the organization was established and in this case to advance education by Public Universities

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

3	Government Grants	2016	2015
	Code Description	Kshs.	Kshs.
	50050 GOK Recurrent	547,335,522	516,328,950
	Sub-Total	547,335,522	516,328,950
4	Grants & Donations	2016	2015
	Code Description	Kshs.	Kshs.
	50650 Grants & Donations	16,500	1,241,500
	Sub-Total	16,500	1,241,500
5	Students' Fees	2016	2015
	Code Description	Kshs.	Kshs.
	50010 Students ID	1,187,535	1,095,800
	50060 Examination Fee	17,958,700	17,501,730
	50065 Application Fee	2,075,650	2,240,500
	50070 Registration	5,652,475	4,784,250
	50072 Activity Fee	5,760,530	5,445,150
	50075 Convocation Fee	8,598,678	4,405,302
	50085 Academic Transcripts	122,900	76,754
	50200 Library Fee	11,284,164	9,924,013
	50290 Accommodation	4,097,200	5,868,579
	50600 Tuition	327,800,837	272,980,429
	50615 Conference Charges	289,452	108,000
	50620 Students Medical Fee	9,783,810	8,064,706
	50625 Computer Charges	5,162,420	216,400
	50630 Material Development	16,406,350	13,810,424
	50655 Students Supervision Fee	37,883,818	9,012,130
	50655 Laboratory Charges	3,235,200	2,657,500
	50940 Retakes	387,530	276,435
	50945 Remarking fees	8,000	31,735
	Sub-Total	457,695,249	358,499,837

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

6	Other Income		2016	2015
	Code	Description	Kshs.	Kshs.
	50015	Miscellaneous Income	437,354	652,739
	50030	Medical Charges - Guests	133,438	189,225
	50040	Campuses Income	56,533,053	2,675,973
	50045	Inter-Universities Transfers(CBAs)	133,702	1,144,051
	50087	Students' Damages	145,950	12,600
	50088	Exam. Cards Replacement	24,500	0
	50120	Hire of Furniture	15,000	0
	50160	Hire of Transport	310,950	0
	50180	Library Fines	55,871	27,426
	50185	LUC Marathon	568,080	608,700
	50610	Research Grants	354,382	120,000
	50640	Rent Income	755,400	684,850
	50645	Donor Project Income	12,000	0
	50660	Leasehold Rentals	340,000	0
	50715	Sale of Detergents	0	11,690
	50810	Tendering Income	8,200	53,200
	50930	Insurance Claim	2,224,378	0
	50935	Interest Income on Fixed Deposits	6,339	6,300
		Sub-Total	62,058,596	6,186,754

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

7	Staff Costs	2016 (Restated)	2015 (Restated)
Code	Description	Kshs.	Kshs.
70010	Basic salary	311,713,845	294,060,014
70020	NSSF (Employer)	723,400	735,000
70025	Medical Allowances	11,374,438	8,897,912
70030	Gratuity & Pension (Employer)	45,153,552	41,996,597
70040	House Allowance	162,652,947	154,288,511
70045	Other Personal Allow	49,736,851	49,345,404
70060	Leave Travel	4,650,780	2,584,919
70090	Commuting Allowance	59,980,952	48,883,221
70100	Casual Labour	3,261,654	3,785,391
70105	Hardship Allowance	72,688,900	6,466,800
70160	Passage & Baggage	406,631	3,469,105
70210	Staff Development/Training	439,612	1,073,906
70295	Group Life insurance	6,298,100	2,528,329
70380	Staff Funeral Expenses	688,950	122,800
70850	Staff (Dental & Optical) Expenses	835,020	1,137,366
71030	Staff Med Expenses (Hospitalization)	28,008,081	17,830,299
71620	Staff Welfare	0	0
71900	Staff Education Fund	0	0
71905	Tuition Fee Waiver	7,806,500	5,586,000
	Sub Total	766,420,213	642,791,575

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

8 Administrative Expenses	2016 (Restated)	2015 (Restated)
Code Description	Kshs.	Kshs.
70110 Travel & Subsistence	20,558,131	17,338,035
70120 Office Stationery	6,651,949	3,807,629
70125 Photocopying Expenses	1,998,786	834,725
70130 Publishing & Printing	0	177,020
70140 Advertising & Publicity	2,482,769	3,967,325
70150 Postage & Telephone	1,364,728	1,600,222
70170 Electricity Expenses	16,072,427	13,300,709
70180 Meeting Expenses	3,433,593	3,154,559
70190 General Repairs	4,578,699	8,602,927
70205 Revaluation of Assets	0	0
70230 Vehicles Insurance	1,096,038	910,257
70240 Cleaning Materials	365,439	502,675
70250 Staff Uniforms	2,048,421	273,530
70280 Bank Charges	7,205,254	7,296,165
70290 General Insurance -Property	355,499	271,431
70300 Legal Charges	3,436,700	4,307,394
70320 Computer charges & Stationery	2,843,829	3,394,801
70330 General Licenses	126,499	0
70350 Audit Fees	696,000	696,000
70420 Rents & Rates	25,105,229	28,743,853
70465 Security Infrastructure	192,680	0
70500 Vehicle repairs	3,337,012	2,520,658
70645 Transport operating Expenses	5,927,896	6,027,205
70655 Machinery repairs	1,636,490	803,968
70815 Tendering Expenses	234,700	343,972
70885 Quality Assurance	67,400	0
71055 Cleaning & Sanitary Services	440,000	753,440
71110 Maintenance of water & Sewerage	472,706	1,008,755
71152 Contracted Professional Services	1,155,713	700,684
71350 Office Running Expenses	1,484,692	1,396,839
71509 Strategic Plan/Charter Launch	18,360	0
71510 ISO Exp./Launch	1,275,721	745,873
71521 Detergent Expenses	0	147,631
71715 Performance Contracting	989,126	826,824
71790 Public Celebrations	95,000	61,500
72017 Automation Expenses	719,058	101,760
Sub Total	118,466,546	114,618,367

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

9	Academic & Research	2016	2015
Code	Description	Kshs.	Kshs.
70070	SSP Admin. Costs (Honorarium)	94,902,600	138,088,607
70145	Campuses Expenses	245,500	786,117
70310	Grants & Donations (Bursary)	700,000	928,000
70321	Internet Services	16,205,469	8,915,992
70355	Research Programmes	554,783	757,958
70375	Senate Expenses	711,792	22,600
70445	International Travel	222,281	773,309
70450	KUCCPS Expenses	2,510,500	0
70455	Conference & Seminars	3,195,050	888,473
70460	CUE Expenses	5,551,385	0
70480	Subscription to Journals & DSTV	694,032	527,418
70505	Teaching Materials	0	438,140
70510	Examination Stationery	6,793,691	3,484,624
70515	Laboratory Materials & Reagents	2,552,823	1,594,244
70520	Graduation Expenses	6,765,161	4,437,921
70535	Subsistence (External Examiners)	1,394,810	2,737,477
70565	Newspapers, Journals & Videos	8,373,044	1,294,220
70980	Teaching Practice & Field Attachment	19,169,880	8,574,370
71506	Academic Field Trips	3,146,965	3,373,403
71511	Academic Exhibitions	1,140,745	438,149
71805	Expenses of Boards & Comm.	0	457,400
	Sub Total	174,830,510	178,518,422

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

10	Students Welfare	2016	2015
	Code Description	Kshs.	Kshs.
	70440 LUC Marathon	4,245,362	3,700,943
	70860 Students Medical Supplies	1,634,940	1,532,910
	70950 Students Miscellaneous A/c	3,406,712	7,364,985
	71498 Students Work-study	925,900	1,000,200
	71517 Drama Festivals & Cultural Week	690,730	261,600
	71519 Students' Counseling Expenses	673,500	330,000
	71560 Games Exp. (Inter Universities)	709,150	1,179,350
	Sub Total	12,286,294	15,369,989
11	Council Expenses	2016	2015
	Code Description	Kshs.	Kshs.
	71800 Sitting Allowance	3,600,000	4,020,000
	71800 Mileage Allowance	1,492,147	1,585,096
	71800 Accommodation Expenses	1,437,600	1,235,000
	71800 Lunch Allowance	206,000	300,000
	71800 Honorarium	2,244,000	2,244,000
	Sub Total	8,979,747	9,384,096
12	Finance Charge	2016	2015
	Code Description	Kshs.	Kshs.
	71520 Loan Interest	1,862,025	1,862,004
	Sub Total	1,862,025	1,862,004
13	Depreciation	2016	2015
	Code Description	Kshs.	Kshs.
	72018 Property, Plant & Equipment	23,446,120	24,189,320
	72018 Library Books	1,021,612	1,241,003
	Sub Total	24,467,732	25,430,323
14	Bad Debts	2016	2015
	Code Description	Kshs.	Kshs.
	70410 Provision for Bad Debts	6,693,066	14,653,995
	70415 Bad Debts Written Off	0	0
	Sub Total	6,693,066	14,653,995

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

**15 FARM TRADING, PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 2016**

Details	2016 Kshs.	2015 Kshs.
Sales	1,639,770	4,714,792
Cost of Sales	981,639	3,992,237
Gross Profit/(Loss)	658,130	722,556
Expenses	407,944	647,154
Net Profit/(Loss)	250,186	75,402

**16 CATERING TRADING, PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 2016**

Details	2016 Kshs.	2015 Kshs.
Sales	8,147,448	10,735,439
Cost of Sales	9,764,329	10,198,312
Gross Profit/(Loss)	(1,616,882)	537,127
Expenses	654,973	452,975
Net Profit/(Loss)	(2,271,855)	84,152

**17 BOOKSHOP TRADING, PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 2016**

Details	2016 Kshs.	2015 Kshs.
Sales	1,459,781	1,779,489
Cost of Sales	1,534,720	1,188,880
Gross Profit/(Loss)	(74,939)	590,609
Expenses	116,257	49,724
Net Profit/(Loss)	(191,196)	540,885

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

18 Cash & Cash Equivalents

	2016	2015
Bank Balances		
Account	Kshs.	Kshs.
KCB Nakuru A/c 9080	770,757	
KCB Farm A/c	281,246	310,942
KCB Catering A/c	146,015	401,251
KCB Bookshop Account	937,498	242,989
KCB Development A/c	761,372	15,738,987
KCB Research A/c	348,500	799,959
KCB - Mararal CDF Account	64,062	64,062
KCB - Mararal Fees Account	4,199,501	
Co-operative Bank Fees A/c 8000	1,334,704	848,595
Co-operative Bank Nyahururu Fees A/c 71600	1,995,492	
Co-operative Bank Naivasha Account 93400	1,625,690	
Co-operative Bank - Marathon Account	613,055	286,143
Co-operative Bank - Gratuity/Caution Money A/c	850,539	845,151
MPESA (Pay bill 829850)	372,940	
Total	14,301,371	19,538,079
 Cash in Hand	 22,968	 26,301
 Total	 14,324,339	 19,564,380

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

19 Accounts Receivable

	2016	2015
(i) Receivable from Exchange Transactions	(Restated)	(Restated)
Details	Kshs.	Kshs.
Students' Fee Balances	139,436,705	129,731,778
Fee Receivable Egerton University	1,862,823	1,862,823
Eldoret Campus (Elgon View)	7,272,800	0
Nakuru Campus	538,424	0
Embu Campus	44,596,425	0
Farm Debtors	345,387	364,687
Bookshop Debtors	30,098	40,290
Medical Debtors	409,049	629,150
Salary Advance	136,011	150,216
Leasehold	653,900	603,150
Un-surrendered Imprests	4,419,709	1,266,841
Deposits & Pre-payments	9,950,902	8,558,203
Prepaid Contractors (Capital Projects)	3,818,372	3,332,811
Total	213,470,604	146,539,948
Less Provision for Bad & Doubtful Debts @ 10%	21,347,060	14,653,995
Net Receivable from Exchange Transactions	192,123,544	131,885,953
(ii) Receivable from Non-exchange Transactions	2016	2015
Details	Kshs.	Kshs.
G.O.K. Capitation - Recurrent		43,027,413
	0	43,027,413
Total Net Receivables	192,123,544	174,913,366

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

20 Inventory Stores Summary By Classification As At 30th June 2016

Inventories	2016	2015
	Kshs.	Kshs.
Animal Feeds	2,849,082	0
Carpentry Materials	1,247,012	1,135,233
Chemicals & Fertilizers	165,249	349,630
Cleaning Materials	738,430	528,367
Diesel/ Lubricants	41,333	87,175
Dry Foodstuff	200,382	436,679
Electrical Appliances	478,992	430,360
Gift Shop Items	58,400	60,840
Harvested crop/Seeds	23,203	42,064
Laboratories Apparatus	1,734,754	1,402,646
Laboratory Reagents	1,000,133	943,822
Masonry Materials	430,713	456,538
Medical Drugs	1,895,521	2,050,909
Office Stationery	4,561,130	2,669,957
Painting Materials	382,190	553,580
Perishable Foodstuff	149,313	41,593
Plumbing Materials	601,433	751,969
Textbooks for Resale	394,416	447,491
Tools & Spare parts	952,985	1,312,385
Vet Drugs	30,054	42,371
Welding Materials	1,829,834	1,529,133
Total	19,764,559	15,272,741

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

21	PROPERTY, PLANT & EQUIPMENT									
	Cost/Valuation	Land	Buildings	Work-in-Process	Plant Machinery & Tractors	Motor Vehicles	Equipment	Furniture & Fittings	Computer & Accessories	Total
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July, 2014		194,835,000	259,113,430	672,000,757	10,795,223	40,240,312	56,099,003	22,594,436	36,944,138	1,293,622,299
Disposal										0
Additions		0	0	128,292,878	0	0	1,792,096	1,082,640	504,500	131,672,114
As at 30th June, 2015		194,835,000	259,113,430	800,293,635	10,795,223	40,240,312	57,891,099	23,677,076	37,448,638	1,424,294,413
Accumulated Depreciation										
As at 1st July, 2014		0	96,321,564	0	5,859,856	25,242,788	47,027,180	14,281,838	26,592,639	215,325,864
Accumulated Depreciation on Assets Disposed										0
Depreciation Charge for the Year		0	6,477,836	0	713,421	7,182,629	3,757,776	1,969,250	4,088,409	24,189,320
As at 30th June, 2015		0	102,799,399	0	6,573,277	32,425,417	50,784,956	16,251,088	30,681,048	239,515,184
Net Book Value as at 30th June, 2015		194,835,000	156,314,031	800,293,635	4,221,946	7,814,896	7,106,143	7,425,988	6,767,590	1,184,779,229
Cost/Valuation										
As at 1st July, 2015		194,835,000	259,113,430	800,293,635	10,795,223	40,240,312	57,891,099	23,677,076	37,448,638	1,424,294,413
Disposal										0
Additions		0	0	60,396,149	499,400	290,000	1,016,685	2,141,853	3,404,576	67,748,663
As at 30th June, 2016		194,835,000	259,113,430	860,689,784	11,294,623	40,530,312	58,907,784	25,818,929	40,853,214	1,492,043,076
Accumulated Depreciation										
As at 1st July, 2015		0	102,799,399	0	6,573,277	32,425,417	50,784,956	16,251,088	30,681,048	239,515,184
Accumulated Depreciation on Assets Disposed										0
Depreciation Charge for the Year		0	6,477,836	0	756,161	6,354,948	3,687,347	2,152,766	4,017,062	23,446,120
As at 30th June, 2016		0	109,277,235	0	7,329,439	38,780,364	54,472,303	18,403,853	34,698,110	262,961,304
Net Book Value as at 30th June, 2016		194,835,000	149,836,195	860,689,784	3,965,185	1,749,948	4,435,481	7,415,076	6,155,104	1,229,081,772

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

22 Non-Current Assets - Library Books

2014/2015	Library books	Total
Cost/Valuation	KSH	KSH
As at 1st July, 2014	14,075,512	14,075,512
Disposal		0
Additions	199,431	199,431
As at 30th June, 2015	14,274,943	14,274,943
Accumulated Depreciation		0
As at 1st July, 2014	11,225,687	11,225,687
Accumulated Depreciation on Assets Disposed		0
Depreciation Charge for the Year	1,241,003	1,241,003
As at 30th June, 2015	12,466,689	12,466,689
Net Book Value as at 30th June, 2015	1,808,254	1,808,254
2015/2016		
Cost/Valuation		
As at 1st July, 2015	14,274,943	14,274,943
Disposal		0
Additions	12,330	12,330
As at 30th June, 2016	14,287,273	14,287,273
Accumulated Depreciation		0
As at 1st July, 2015	12,466,689	12,466,689
Accumulated Depreciation on Assets Disposed		0
Depreciation Charge for the Year	1,021,612	1,021,612
As at 30th June, 2016	13,488,301	13,488,301
Net Book Value as at 30th June, 2016	798,972	798,972

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

23 Intangible Assets

2014/2015	ERP Software
Cost/Valuation	Kshs
As at 1st July, 2014	8,429,220
Additions	900,000
As at 30th June, 2015	9,329,220
Accumulated Amortization	
As at 1st July, 2014	0
Amortization Charge for the Year	0
As at 30th June, 2015	0
Net Book Value as at 30th June, 2015	9,329,220
2015/2016	
Cost/Valuation	
As at 1st July, 2015	9,329,220
Additions	
As at 30th June, 2016	9,329,220
Accumulated Amortization	
As at 1st July, 2015	0
Amortization Charge for the Year	0
As at 30th June, 2016	0
Net Book Value as at 30th June, 2016	9,329,220

Notes to the Financial Statements (Continued)
For the Year Ended 30th June, 2016

24 Biological Assets	2016	2015
Detail	Kshs.	Kshs.
Cattle	5,011,500	4,985,000
Silage Maize Crop	0	0
Oats	0	0
Boma Rhodes in Field	624,000	1,600,000
Tree Nursery seedlings	408,000	369,000
Total	6,043,500	6,954,000
 25 OVERDRAFT		
Account	2016	2015
	Kshs.	Kshs.
KCB Nyahururu Main Account	14,020,409	49,425,039
KCB Nakuru Account 9080		2,503,152
KCB - Mararal Fees Account		349,027
KCB Bookshop Account		
Co-operative Fees Account 702	7,836	575,379
Co-operative Bank Nyahururu Account		1,250,949
Co-operative Bank Naivasha Account		782,903
Equity Account 0456	454,742	1,496,889
Grand Total	14,482,987	56,383,338

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2016

26 ACCOUNTS PAYABLES

(i) Short term Payables	2016 (Restated)	2015
Details	Kshs.	Kshs.
Trade Payables	67,070,672	39,648,821
Audit Fees Payable	2,124,000	1,428,000
Contractors -Capital Projects	54,855,781	56,773,578
SSP Service providers	102,584,298	94,799,150
Accrued Council Honoraria	187,000	187,000
Students Caution Money	16,125,000	16,296,000
Excess Fees (Prepaid Tuition)	24,908,305	25,049,797
Laikipia University Students' Organization (LUSO)	916,403	792,643
Salary & deductions payable	64,259,756	57,615,058
2010-2013 CBA Basic & House Arrears Payable	4,497,589	4,497,589
Staff Gratuity Payable		978,330
Staff Medical Claims (Dental & Optical)	64,437	633,516
Other staff claims	660,971	6,554,832
Accrued Bursaries & Fee Waiver	14,300,500	5,794,000
Rent & Leasehold in Advance	1,047,076	624,000
Pay As You Earn (PAYE) Payable -Council Members	1,292,700	0
VAT & Income Tax Payable	9,989,672	0
Total	364,884,160	311,672,315
 (ii) Long term Payables	 Kshs.	 Kshs.
Equity Bank Loan	6,333,328	10,133,332
Total	6,333,328	10,133,332