

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	04 JUN 2019
	<b>REPORT</b> TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE TABLE:	 <b>OF</b>

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KARATINA UNIVERSITY**

**FOR THE YEAR  
ENDED 30 JUNE 2018**



*Inspiring Innovation and Leadership*

**KARATINA UNIVERSITY**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDING 30<sup>TH</sup>  
JUNE 2018**

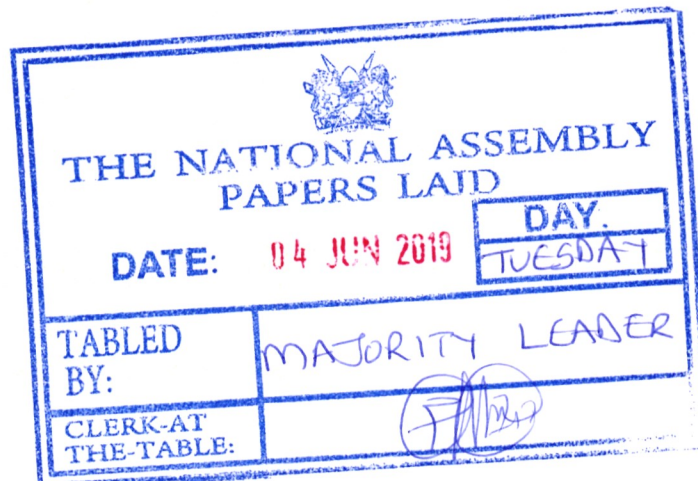
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Prepared in accordance with Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)

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

### **a) Background**

Karatina University is public chartered institution of higher learning as provided for in the Universities Act of 2012. The University operates within the mandate of the Ministry of Education which provides the general policy and strategic direction on Kenya's higher education.

### **b) Principal Activities**

The principal activities of the University are stipulated in its mission and vision statements stated below:

#### **Mission**

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

#### **Vision**

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

### **c) Registered Place of Business**

Karatina University  
P.O BOX 1957 - 10101,  
KARATINA

### **d) Contacts**

Telephone nos: +254-(0)729-721-200 / 020-2176713  
Web: [www.karu.ac.ke](http://www.karu.ac.ke)  
Email: [vc@karu.ac.ke](mailto:vc@karu.ac.ke)

### **e) University Bankers**

Kenya Commercial Bank  
P. O. BOX, 192-10101  
KARATINA

Co-operative Bank of Kenya  
P.O. BOX, 931-10101  
KARATINA

Equity Bank of Kenya  
P.O. Box 855 – 10101  
KARATINA

**f) Independent Auditors**

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

**g) Principal Legal Adviser**

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

**h) Key Management**

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

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

**i) Fiduciary Management**

The key management personnel who held office during the financial period ending 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

S No.	Designation	Name	Functions
1	Vice Chancellor	Prof. Mucai Muchiri	Is the overall administrative head and accounting officer of the University
2	Deputy Vice Chancellor (P,F&A)	Prof. Linus Gitonga	Is the head of the planning, finance and administration division and responsible for human resource, administrative, financial, infrastructural and development matters of the University
3	Deputy Vice Chancellor (ARSA)	Prof. Peninah A. Obudho	Is the head of the academic division and in charge of all academic, research and student affairs of the University

**j) Fiduciary Oversight Arrangements**



The Council has the overall mandate of ensuring sound management of the University. This includes: - approving statutes and policies; strategic planning; reviewing management implementation of strategies, policies and plans; risk assessment and management, approving budgets and enhancing sound financial management; promoting quality assurance and recommending for appointment Instruments of Governance. For effective operation of the Council governs through clearly mandated council committees, coupled with robust monitoring and reporting systems. Each standing council committee has specific terms of reference as set out in the corporate governance statement on pages (xvii) to (xxi).

## II. MEMBERS OF THE UNIVERSITY COUNCIL


Title	Names	Qualification
<b>Council Chairman</b>	Dr. John Kobia Ataya 	Ph.D. - University of Birmingham, UK M.A, Translation Studies - University of Birmingham, UK Bachelor of Divinity - St. Paul's United Theological College, Kenya Certificate of Higher Religious Studies - University of Nairobi
<b>Vice Chancellor / Secretary</b>	Prof. Mucai Muchiri 	Ph.D. - University of Leicester B.Sc. (Hons) - University of Nairobi
<b>Member</b>	Ms. Reba Chabeda-Ouko 	Master of Laws Degree (LLM)- University of Cape Town, South Africa Bachelors of Law Degree (LLB) – University of Nairobi, Kenya
<b>Member</b>	Mr. Dan Nguri Nguchu 	Masters of Business Administration -USIU PGD. Agriculture Economics -Wales BSc. Agriculture Economics - Addis Ababa

Title	Names	Qualification
<b>Member</b>	Mr. Felix Owaga Okatch 	MBA (Finance and Marketing) - Assam Don Bosco University, India  Bachelor of Commerce (honours) – University of Nairobi
<b>Member</b>	Dr. Doris N. Mutta 	Ph.D. in Environmental Studies - University of Strathclyde, Scotland, UK MSc. Botany - University of British Columbia, Canada  BSc. Forestry - Moi University, Kenya
<b>Rep. Principal Secretary – State Department of University Education, Ministry of Education</b>	Dr. Tabby Mungai 	Ph.D. in Education Administration and planning M. Ed  HND. In Public Relations and Personnel Management
<b>Member</b>	Mr. John Kanyakiri 	MSc. in Entrepreneurship –JKUAT  BSc. in Horticulture – JKUAT
<b>Rep. Cabinet Secretary, The National Treasury</b>	Ms. Grace Nyarango 	MBA (Business Administration) – Middlesex University, United Kingdom  Bachelors of Arts (Economics and Management) – Spicer Memorial College, India

### III. MANAGEMENT TEAM

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

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S No.	Name	Key Professional/ Academic Qualification	Area of Responsibility
5.	<p>Dr. Humphrey R. Omondi</p> 	<p>D.Phil. - Moi University</p> <p>M. Phil - Moi University</p> <p>B. Ed (Arts) - Moi University</p>	Registrar (Planning, and Administration)
6.	<p>Ms. Grace G. Kakiya</p> 	<p>Masters of Business Administration- Egerton University</p> <p>BBM - Moi University</p> <p>CIFA , CPA (K),</p>	Deputy Finance Officer
7.	<p>Ms. Anne Mumbi</p> 	<p>LLB - University of Nairobi</p> <p>Dip. Law –Kenya School of Law</p> <p>CPS (K)</p>	Legal Officer

#### **IV. COUNCIL CHAIRMAN'S REPORT**

I am pleased to present annual report and financial statements for the year that ended 30<sup>th</sup> June 2018. This was the sixth year in operation as a fully-fledged University. This marks the end of one full year since the new Council took over. Council Members have therefore internalized their role in the University and are performing their duties well, both at the Committee level and in Council.

Some of the most outstanding achievements during the year include:

- a) Review of the Strategic Plan (2015-2020). Council undertook a thorough audit of the progress made in implementing the Strategic Plan and in the process developed a Medium Term Strategic Plan (2018-2021). We are committed to implementing this medium term plan so as to move the University to a higher level;
- b) Performance appraisal of Senior Management leading to the renewal of their terms. We are confident that the Vice Chancellor and Deputy Vice Chancellors will use this second and final term to leave a lasting legacy in this University;
- c) Design and commencement of University library. The University completed the design of the library, recruited a contractor and signed contract for its construction. Council hopes to complete the construction within the next three years;
- d) Preparation for launch of Nursing Programmes. The University invested heavily in meeting the requirements set by the Nursing Council of Kenya and applied for accreditation of the nursing programmes. The University intends to market the programme aggressively so as to attract a large number of students;
- e) Recruitment of the first full professors of Karatina University. Council successfully interviewed and recruited the first two full professors in the areas of entomology and aquatic sciences.

The Council appreciates the significant growth of the University assets and capital base that has promoted a conducive environment for learning and teaching to both students and staff.

While we are proud of the above achievements, the University also faced the following challenges that have impacted on the financial status:

- i. Reduction in appropriation-in-aid (A-I-A) generated by the University. This was occasioned by a reduction in the number of students admitted under the PSSP programme; and
- ii. Increase in food prices that led to an operating deficit for the catering unit;
- iii. Delay in remittance of capital development funds.

As a way forward, the University Council is working on income generating strategies. This begun by way of sensitizations to Council, University Management and Senate. It is intended that a directorate will be established to coordinate resource mobilization activities. These effort

will enable the University meet its financial obligations. We are grateful that so far, the Government has supported the University by remitting recurrent capitation in time and appeal for timely and full release of capital grants.

I wish to thank members of Council who have provided useful insights to the University Management, making it possible to collectively make progress. I also wish to thank the University Management for the efforts they have made to ensure there is prudent use of resources. This is evidenced by the reports given by the external auditors. Finally, I wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.

Council remains committed to work closely with the University management led by the Vice-Chancellor in order to realize further development.



**Dr. John Kobia Ataya, PhD**  
**Chairman, Karatina University Council**

## **V. VICE CHANCELLOR'S REPORT**

I hereby present the Annual Report and Financial Statements of Karatina University for the year that ended 30<sup>th</sup> June 2018 as required by the Universities Act 2012, Karatina University Charter and the Public Financial Management Act 2012.

### **Economy and Sector Review**

Karatina University operates under the social sector of Kenya's Economy by providing access to university education. The Education sector experienced a decline in students' enrollment by 7.7% from 564,507 to 520,893 during the FY 2017/2018. This resulted to a decrease in enrollment in both public and private universities by 8.2 % and 5.0 % respectively in 2017/18.

### **Performance Review**

During the year under review, the University experienced a significant decline in its internally generated funds in respect to tuition and related charges by 20% from Kshs 323M to Kshs 255M. This is due to the declining enrollment of student, particularly those who are privately sponsored. It is our hope that the efforts being put to raise additional resources will bear fruit so that the University moves from over reliance on tuition income. Further, the University did not receive a significant portion of the allocated capital grants by GoK, consequently, we did not meet the scheduled time for completing capital projects.

The University has continued with its core business of disseminating knowledge through training, research, innovation and community outreach. The University had a student population of 6,485 and 420 members of staff at the end of the financial year. The institution produced 1,568 graduands during its 4<sup>th</sup> graduation ceremony.

### **Operations and Management Review**

The University had several achievement and challenges during the year under review. Key achievements include:

- i. Implementation review of the Strategic Plan (2015-2020) and developing a Medium Term Strategic Plan (2018-2021). The University is striving to be known as the Green University, guided by the medium term plan.
- ii. Three Tutorial Fellows/ Assistant lecturers attained PhDs. The number is expected to be higher in the coming financial year;
- iii. The University held several trainings on resource mobilization including one for Senate members. It is expected that the trained members will contribute to resource mobilization in a significant way;
- iv. The University undertook several community outreach activities such as mentorship of high school students. These initiatives are expected to increase visibility and thereby attract more students to enroll.

Some of the challenges faced by the institution during the financial year include:

- i. Declining enrollment for the PSSP programme thereby reducing A-in-A. The University intends to diversify the sources of funds to bridge the income gap created;
- ii. The second semester that commenced in January 2018 was delayed by staff unrest because of unresolved Collective Bargaining Agreement (CBA) issues. The interruption affected incomes expected from fees as well as what was generated from the catering unit;

### **Risk Management**

The University developed two policies in respect to resource mobilization and endowment fund with an aim of addressing financial risks. In addition, to ensure full compliance with legal and statutory requirements necessary for offering its core mandate, the University is scheduled for inspection by Commission of University Education in the month of August 2018.

### **Future Developments**

Going forward, the University is ensuring it is sustainable by developing strategies to generate additional income such as:

- i. Operationalizing the Directorate of Resource Mobilization;
- ii. Operationalization of the endowment fund;
- iii. Enhancing staff members' capacity in writing fundable proposals; and
- iv. Reviewing of academic curricula to be more market oriented.

Karatina University also seeks to incorporate sustainability in all its operations including core values, curricula, research, management approaches, resource use, physical infrastructure and community outreach. Proximity to the Mount Kenya Forest and the neighbouring ecosystem has inspired the University in this direction. The University is located at the foothills of the snow-capped mountain and within an environment endowed with rich agricultural soils. Two Schools (The School of Agriculture and Biotechnology and The School of Natural Resources and Environmental Studies) have been identified as flagships in guiding the move towards becoming a Green University. The programmes and projects in the two schools drive the niche and are supported by the other three schools, namely – School of Business, School of Education and Social Sciences, and School of Pure and Applied Sciences. All parts of the University will be an integral part of this process and benchmarking indicators that will be developed and adopted. The University will pursue various innovations including increasing green spaces within the university and in the surrounding communities, enhancing energy efficiency, and reducing waste. The net effect will be a reduced carbon footprint for the University. As the Green University status becomes entrenched, the University will also seek regional and international affiliations

with industry and other institutions of higher learning that will further support the commitment to this goal.

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

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

Thank you.

A handwritten signature in black ink, appearing to read 'Mucai Muchiri', with a horizontal line underneath it.

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

## **VI. CORPORATE GOVERNANCE STATEMENT**

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

### **Corporate Governance Principles**

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. The University council's governance role, basis and conduct of business are guided by the Universities Act no. 42 of 2012; the Karatina University Charter, 2013; Mwongozo Code, 2015; Commission for University Education regulations and standards, 2014 and Karatina University Statutes, 2013.

### **Size and Composition of Council**

The council consists of nine (9) council members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the University as shown on page vi & vii.

### **The Role and Functions of Council**

The role and functions of council have been indicated on page (xxvii) which is separate from that of management. The collective responsibility of Council has been set out on page (xl).

### **Appointment, Removal from Office and Succession Plan**

Council members are appointed by the Cabinet Secretary Ministry of Education through a competitive process advertised to the public. The appointment process takes into consideration the following; development of university education, balanced competencies, gender equity, and the inclusion of stakeholders, persons with disabilities, the marginalized and other minority groups.

Appointed council members are required during the first meeting to determine by lot which two of their number shall vacate office after a period of three and four years respectively to ensure continuity in the activities of the Council. Council intends to seek advice on this and do so before the end of the next financial year. Independent Council Members were appointed on 10<sup>th</sup> March 2017 for a period of three years. New representatives to the Cabinet Secretary, Treasury and Principal Secretary, Education were appointed on 25<sup>th</sup> May, 2017 and 24<sup>th</sup>

November, 2017 respectively. The different appointment dates provide room for successful transition period.

### **Capacity building for Council members**

Training and development programs were developed to equip Council members with necessary skills required in discharging their mandate. During the year ending 30<sup>th</sup> June 2018, Council held a three-day training on strategic planning, resource mobilization, legal issues surrounding university education and ISO issues. Two Council members appointed during the year underwent induction to understand the mandate of the institution. The University has planned that Council members will from time to time be facilitated to attend individualized trainings. Lastly, the board is normally sensitized on changes in practices, policies, laws and regulations governing the institution's operation from time to time.

### **Council Remuneration**

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and National Treasury directives in respect to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), mileage and accommodation allowance are reimbursed where applicable. Also, the Chairman is paid a monthly honorarium.

### **Council Charter and Meetings**

The Council has a board charter which defines the role, functions and responsibility of the board in governance of the institution. The Council has committees whose roles are clearly defined and reviewed annually. Council meets at least once in a quarter i.e. 4 times in a year, unless urgent matters call for a special meeting. These regular meetings are intended to receive reports from the committees of Council that will have considered the matters in detail. Members receive adequate notice and board papers in advance to enable them review and prepare for the meeting.

### **Council Meetings and Attendance**

At the beginning of the year, the University Council had three standing committees. One more committee to address issues of resource mobilization and governance was established during the year. The committees are listed below: -

1. Finance and Planning Committee
2. Academic, Research and Enterprise Development Committee
3. Audit and Risk Management Committee
4. Governance and Resource Mobilization Committee

In addition to these committees, Council constituted two ad hoc committees, one to conduct interviews for the key management staff and another to review the Terms and Conditions of Service for Senior Management.

The composition by the end of the financial year was as shown below:

<b>Name of the Committee</b>	<b>Members</b>
<b>1. Governance and Resource Mobilization</b>	i). Ms. Mary Reba Chabeda-Ouko – Chair ii). Vice Chancellor iii). Mr. Dan Nguri Nguchu iv). Mr. Felix Owaga Okatch v). Ms. Grace Nyarango vi). Dr. Tabby Mungai
<b>2. Academic, Research and Enterprise Development Committee</b>	i). Dr. Doris N. Mutta – Chair ii). Vice Chancellor iii). Mr. John Kanyakiri iv). Ms. Mary Reba Chabeda-Ouko v). Dr. Tabby Mungai
<b>3. Finance and Planning Committee</b>	i) Mr. Dan Nguri Nguchu – Chair ii) Vice Chancellor iii) Dr. Doris N. Mutta iv) Ms. Grace Nyarango v) Dr. Tabby Mungai
<b>4. Audit and Risk Management Committee</b>	i) Mr. Felix Owaga Okatch – Chair ii) Mr. John Kanyakiri iii) Ms. Mary Reba Chabeda-Ouko iv) Ms. Grace Nyarango
<b>5. Ad-hoc Committee on Council Appointments</b>	i) Dr. John Kobia Ataya – Chair ii) Vice Chancellor iii) Mr. Dan Nguri Nguchu iv) Dr. Tabby Mungai v) Ms. Grace Nyarango vi) Dr. Doris N. Mutta
<b>6. Ad-hoc Committee on Terms and Conditions of Service for Senior Management</b>	i) Dr. John Kobia Ataya – Chair ii) Vice Chancellor iii) Ms. Mary Reba Chabeda-Ouko iv) Mr. Dan Nguri Nguchu v) Mr. Felix Owaga Okatch

During the year, Council held a total of eight (8) meetings. Individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Dr. John Kobia Ataya – Chairman	8
2	Prof. Mucai Muchiri – Vice Chancellor/ Secretary	8
3	Dr. Tabby Mungai - Rep. Principal Secretary, Ministry of Education	6
4	Ms. Grace Nyarango – Rep. Cabinet Secretary, The National Treasury	2
5	Mr. Felix Owaga Okatch	8
6	Mr. Dan Nguri Nguchu	8
7	Ms. Mary Reba Chabeda-Ouko	6
8	Dr. Doris N. Mutta	8
9	Mr. John Kanyakiri	8

**Note:**

1. Dr. Tabby Mungai ceased participating in Council in April, 2018;
2. Ms. Grace Nyarango was appointed to Council on 24<sup>th</sup> November, 2018.

**Academic, Research and Enterprise Development Committee**

The Committee does the following: Receive and consider reports from the Research and Outreach Committee of Senate and to transmit such reports to the Council; Consider and advise on policy and plans for the exploitation of the University's Intellectual Property and other commercial activities flowing from its research; Advise council on budgetary allocation of research funds and their effective administration for the support of research and enterprise activities; To receive, consider and make recommendations to Council on matters relating to implementation of academic programmes; To receive and recommend to Council for approval qualified students to be conferred with degrees and awarded diplomas and certificates of the University that the Senate may refer to the Committee; and to review and recommend to the Council various policies to assist in the overall management of the academic and research function of the University. The committee held five (5) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	Dr. Doris N. Mutta – Chair	4
2	Prof. Mucai Muchiri -Vice Chancellor	5
3	Mr. John Kanyakiri	2
4	Ms. Mary Reba Chabeda-Ouko	5
5	Dr. Tabby Mungai - Rep. Principal Secretary, Ministry of Education	4
6	Mr. Felix Okatch	3
7	Mr. Dan Nguri Nguchu	3

**Note:**

1. Dr. Tabby Mungai ceased participating in Council in April, 2018;
2. Mr. Felix Okatch, Mr. Dan Nguchu ceased to be members of the committee on 21<sup>st</sup> December, 2018. Mr. John Kanyakiri joined the committee at that time.

**Finance and Planning Committee**

The committee critically scrutinizes the budgets and other financial requirements before they are presented to the full council. It oversees the University's financial affairs on behalf of Council; develops strategies to guide the growth of the University and monitors its implementation; advises the University Council on all human resource matters including recruitment and staffing levels.

The committee held six (6) meetings and the number each member attended is tabulated below:

S. No	Name	No of meetings attended
1	Mr. Dan Nguri Nguchu – Chair	6
2	Prof. Mucai Muchiri - Vice Chancellor	6
3	Dr. Doris N. Mutta	3
4	Ms. Grace Nyarango – Rep. Cabinet Secretary, The National Treasury	3
5	Dr. Tabby Mungai - Rep. Principal Secretary, Ministry of Education	4
6	Ms. Lucy Kariuki – Rep. Cabinet Secretary, The National Treasury	2

**Note:**

1. The Finance, Resource and Mobilization Committee changed the name to Finance and Planning Committee on 21<sup>st</sup> December, 2017;
2. Mr. John Kanyakiri ceased being a member of the Finance and Planning Committee with effect from 21<sup>st</sup> December, 2017.
3. Ms. Lucy Kariuki was replaced by Ms. Grace Nyarango with effect from 24<sup>th</sup> November, 2017;
4. Participation of Dr. Tabby Mungai in Council ceased from April, 2018.

**Governance and Resource Mobilization Committee**

The Committee was established to undertake the following functions;- Ensure the University effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior; Develop and recommend to the Board for approval, governance related policies of Council including a Code of Conduct for Employees and a Code of Conduct for Members of Council; advise Council on matters relating to Performance Contracting and in conjunction with the Chair of the Council, annually conduct and report to the Council the results of a performance appraisal of the Staff of the University; consider and recommend to Council the formation, acquisition, investment or wind up of

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Income Generating Units (IGUs); Map donors' strategic areas of interest, funds available, grantees, funding windows, requirements and guidelines and interest in funding key result areas and advise Council on matters to do with resource mobilization and Governance.

The committee was established in December, 2017 and held two (2) meetings and the individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Mary Reba Chabeda-Ouko – Chair	2
2	Prof. Mucai Muchiri -Vice Chancellor	2
3	Mr. Dan Nguri Nguchu	2
4	Mr. Felix Owaga Okatch	2
5	Ms. Grace Nyarango – Rep. Cabinet Secretary, The National Treasury	0
6	Dr. Tabby Mungai- Rep. Principal Secretary, Ministry of Education	1

**Note:**

1. Dr. Tabby Mungai ceased participating in Council before the 2<sup>nd</sup> meeting of the Committee.

**Audit and Risk Management Committee (ARMC)**

Karatina University Council aspires to use the public resources at its disposal in an efficient and accountable manner. In line with the Treasury Circular No. 16/2005, an audit committee was established to provide independent advice and assurance on the University's strategy, performance and compliance to the different statutes.

The committee is required to:- review and report to the Council on the comprehensiveness, reliability and integrity of internal controls measures; recommend to the Council quality assurance and standards needed to provide effective monitoring of processes; monitor and recommend to Council action in respect of the University's management of risks; consider, review and recommend to the Council policies in respect to management and control systems on internal business processes, including accounting policies, anti-fraud and whistle-blowing; consider and approve annual audit plans including any audit reviews that the Council may request from time to time; consider and advise the University Council on matters relating to the security of the University, staff and students; and Review and advise the Council on all matters relating to the risk management framework and internal audit function of the University. The committee held four (4) meetings.

The committee members and number of meetings held during the year are tabulated below: -

S. No	Name	No of meetings attended
1	Mr. Felix Owaga Okatch – Chair	4
2	Mr. John Kanyakiri	3
3	Ms. Mary Reba Chabeda-Ouko	3
4	Ms. Grace Nyarango– Rep. Cabinet Secretary, The National Treasury	1

**Note:**

- I. Ms. Grace Nyarango joined Council with effect from 24<sup>th</sup> November, 2017.

### Ad hoc Committees

Both ad hoc committees met twice to interview staff for selected positions as well as to determine Terms and Conditions of Service for Senior Management.

### Council evaluation

Council evaluation is essential in assessing performance, efficiency and effectiveness of the board and individual members. The evaluation of council is an annual exercise conducted by the State Corporations Advisory Committee (SCAC). During the financial year, Council did not conduct evaluation, however, this has been scheduled to be done within the month of July. In previous evaluations, the Council has performed remarkably well.

### Ethics and Conduct

Council has an approved Karatina University Code of Ethics and Conduct which governs the general conduct of Council members, management and staff. The code binds both the Council members and staff as they are required to sign and abide with requirements upon joining the University.

### Whistle Blowing Policy

Karatina University has a Whistle Blowing Policy which protects the identity and well-being of employees and stakeholders when they provide information on corruption related matters. The institution has four reporting channels through which anonymous reports in respect to corruption can be made. These channels are; reporting hotlines, corruption reporting boxes, the institution's official website link and email.

### **Governance and Legal Audit**

The Council formed a standing committee on governance to ensure compliance with all statutory requirement during the year. Governance and legal audits are to be performed on an annual basis indicating scope and the person who conducts them. During the year under review, the University was unable to conduct both governance and legal audit.

### **Risk Management**

Risk management is a strategic function monitored under the audit and risk management committee of Council and applied in the day to day functions of the University. The University compiles its risk register on a quarterly basis, in addition to reports on mitigation measures implemented. This is to ensure risks are managed and comply with the approved policies and principles of good corporate governance. The University conducted its an annual risk assessment with guidance from the internal audit department.

### **Conflict of Interest**

Council members and staff are required make disclosure of any potential or real conflict of interest while conducting matters that pertain to the institution. During meetings, members are expected to declare any conflict of interest in the agenda items under discussion. In case of conflict, the affected member is excluded from discussions and/or decisions on the matter in question.

### **IT Governance**

The University is implementing its approved ICT policy which governs the management of its ICT infrastructure. The ICT Security Framework provides guidance and control over ICT Services, Facilities and Infrastructure and defines the rights and responsibilities of University members in their use of ICT Services and Facilities. This ensures that ICT Security Risks are mitigated and that the Framework remains relevant to the strategic goals of the University.

The process conducted of risk assessment, Audit of ICT controls, and Incident Management and Response provides input into the review of the University's IT governance measures so as to align with the Business Continuity processes.

## VII. MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### Karatina University Operational and Financial Performance

The University has reported a surplus of Kshs 10M as at 30<sup>th</sup> June 2018. This is an improved performance from a surplus of Kshs 4.8M reported in the previous year. During 2017/2018 FY the University increased its employment expenses from Kshs. 576M to Kshs. 813M as a result of implementing 2013-2017 Collective Bargaining Agreement 2017/2018 FY. On the downside, the University did not meet budgeted target of A-I-A incomes with respect to tuition fees, catering services, research and consultancies. Catering, research and consultancies incomes were affected by staff industrial action resulting to fewer activities during the period while farm income was low due to uprooting some of the tea bushes to give space for construction of Library Phase I.

The University expects an improvement in its cash in-flows from the Government because University funding will be pegged on differentiated unit costs which is favourable to the institution. In terms of A-I-A, the institution may experience some decline in student related revenue streams because of the decrease in numbers of students who qualified for University admission during 2018/19 FY across the country. This will adversely affect incomes from privately sponsored programmes being offered by the institution. In addition, the University is expected to finance signed collective bargaining agreement with the Unions. This may have a negative impact to the financial performance of the institution if supplementary funds are not provided by National Treasury.

Pertaining to trends within the Education sector, the government has increased access to higher education by having more learning institutions. This policy has affected the number of students enrolling for privately sponsored programmes in the University. This is because; there are more University admission spaces across the Universities, while the numbers of KCSE graduates who meet the minimum criteria for University admission have declined for the last two calendar years. Consequently, it is expected that A.I.A income from tuition fees will decline. More so, the CUE requirement on the extension of time for studies for School Based programmes in Universities has led to a significant decline in enrolment by such privately sponsored students. The University Management is implementing the marketing policy which addresses the current market dynamics.

**SECTION B**

**Compliance with Statutory Requirements**

During the reporting period the University has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liabilities. The University has one ongoing court case and is exposed to the following charges: -

Suit No and details	Subject Matter	Implication/contingency
1 Nyeri Court of Appeal no. 52 of 2014- Oindi Zaipline vs Karatina University	The student contested being conferred with Karatina University degree instead of Moi University	479,073/-

**SECTION C**

**Key projects and investment decisions the University is planning/implementing**

The institution has four on-going key projects, i.e. 750 bed capacity Student Hostel; Resource Centre; Library Phase I and Perimeter Fence. The Student Hostel and Resource Centre are at 100% and 92% completion rate respectively and they were expected to be completed by the end of 2017/2018 financial year. The figures above for completion rate for two projects were based on the amounts disbursed by GOK to finance the projects and not the amount of works certified.

The Resource Centre will provide space for lectures, laboratories, offices, specialized library collection, boardrooms and other learning facilities. This will increase access to University education by providing space and facilities for quality teaching, learning and research which is in line with the Government of Kenya strategic objective of increasing access to University education in support of Vision 2030. Consequently, the University will be able to increase the number of students it admits.

Whereas accommodation of students is not a core function of universities, Karatina University Council and Management Board have deemed it necessary to provide affordable accommodation especially to first years who come from all over the country and are therefore not conversant. The 750 bed capacity hostel will provide accommodation facilities to a large number of students according them time to adjust to their new environment. In subsequent years the students are able to identify accommodation developed by investors within the neighborhood of the university.

Construction of the Library Phase I and Perimeter Fence commenced in the FY 2017/18. Construction works are going on for the Perimeter Fence and Construction of the Library Phase I is at the preliminary stage.

The four projects are being financed by the Government of Kenya. The completion of all the projects is subject to allocation of funds by National Treasury.

## **SECTION D**

### **Major Risks facing the University**

The University's activities are exposed to a variety of financial risks including credit and liquidity risks and changes in market prices. The University's overall risk management framework 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 specific details of each risk component have been discussed on pages 18 to 20 of this report.

## **SECTION E**

### **Material Arrears in Statutory and Financial Obligations**

The University has significant amounts outstanding relating to part-time lectures payments and loan due to the GoK in respect to acquisition of the institution by Moi University. Karatina University is awaiting consent from National Treasury in order to take up the obligation for payment of principal amount of Kshs 194M and accrued interest of Kshs 33M computed as at 30<sup>th</sup> June 2016. At the end of the reporting period, the University had Kshs 158M outstanding in respect to part-time lectures payment. The Management Board has been settling amounts claimed using available funds.

## **SECTION F**

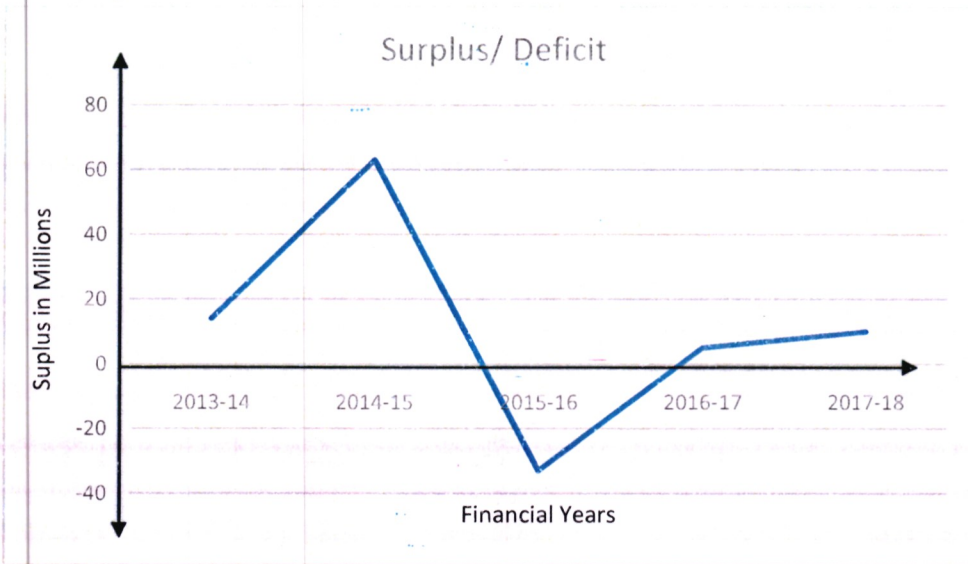
### **Financial Probity and serious Governance issues**

During the reporting period, the University underwent several internal audit reviews and external audit by Office of the Auditor General. There were no cases of financial improbity reported. The University management had a cordial working relationship with Council members and no governance issues were raised.

**SECTION G**

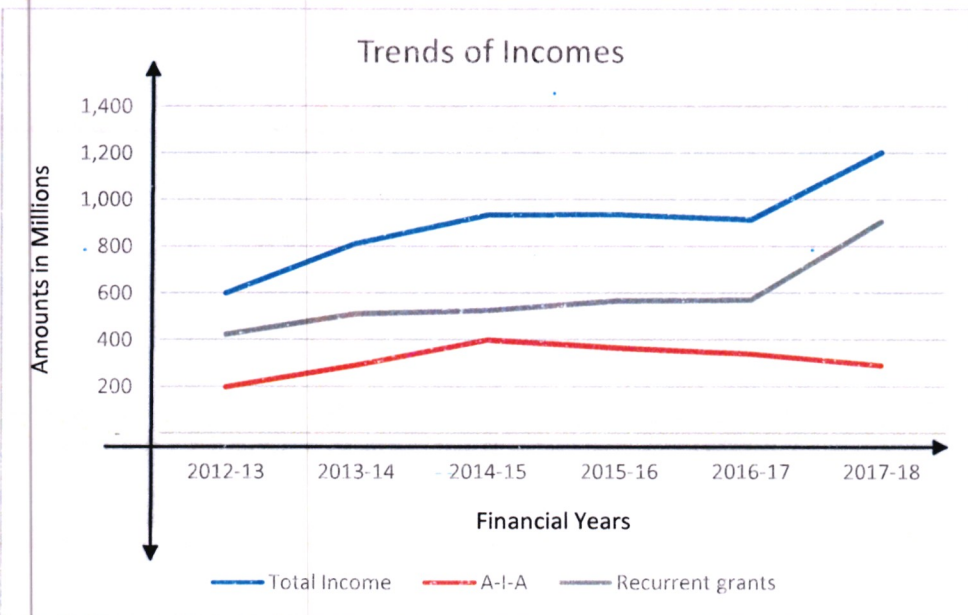
**Trend analysis of the University's Financial Performance**

From the figure 1 below, the surplus of the University has been fluctuating over the years which is brought by the varying incomes received vis-à-vis the expenditure incurred during the financial period.



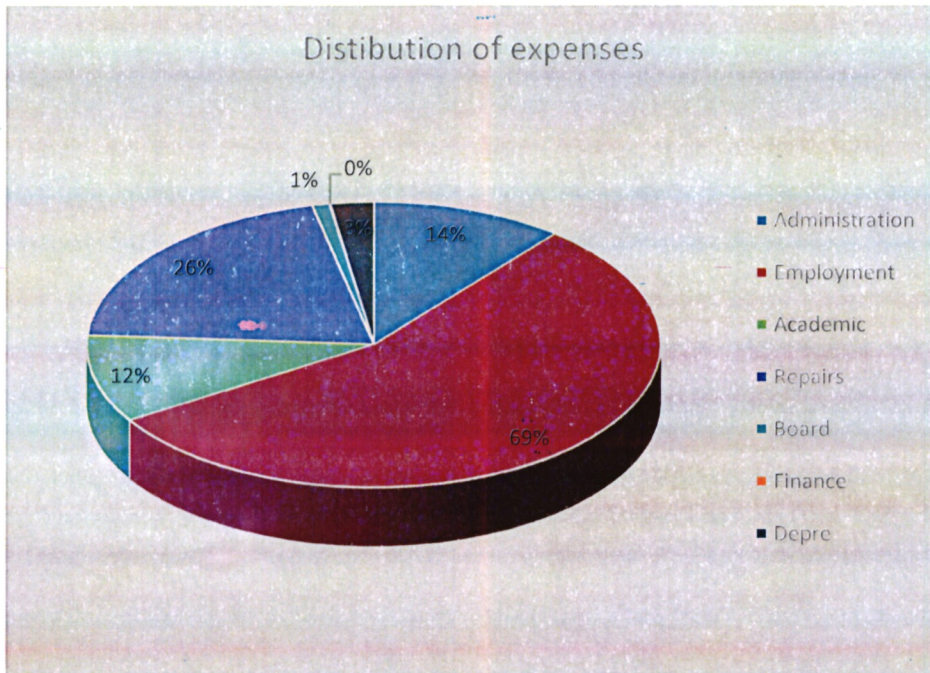
**Figure 1: Trend of the University's financial performance**

From figure 2 below, from FY 2012-13 to 2017-18 the total income and the recurrent grants have an upward trend as compared to the A-I-A which since FY 2015-16 has a downward trend occasioned by a reduction in the number of students enrolled under the PSSP programme



**Figure 2: Trend of University's Incomes**

Figure 3 below, shows an analysis of individual expenditure categories vis-à-vis total expenditure for the current FY 2017-18. The significant amount of the expenditure relates to employment expenses at 65% because the University incurred costs in implementing collective bargaining agreements with the Unions which covered the FY2013- 2017. As result arrears in respect to basic and house allowances were paid due to the increase in salaries.



**Figure 3: Distribution of recurrent expenses during the FY 2017/18**

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social responsibility (CSR) activities form a critical part of the strategies enshrined in the Karatina Universities Medium Term Strategic plan. The University prioritized its CSR activities as discussed below and implemented them within the approved budgets.

### I. Education

The University undertook the following community outreach programmes in education as follows:

#### a. Mathira West Academic Mentorship Day

The University in conjunction with Mathira West Secondary Schools Heads Association and the Sub-County Directorate of Education organized mentorship activities for 20 secondary school involving 1300 students. One of the activities was an Academic Mentorship Day held on 13th February 2018. Mentors from the University engaged the students on an identified theme “Unlocking Your Potential Towards Excellence” in interactive fora. A girls mentoring programme for form four students also took place at Bishop Ngandu girls High School. Another meeting was held, concurrently, in Gatondo secondary school that brought together over 300 form four boys from General China, Gatondo, Gikumbo and Kiamariga Secondary Schools. This mentoring exercise targeted boys in day schools. The meetings were planned to address decline in boys’ enrolment in these schools and deterioration in academic performance.



## b. Career Week

Karatina University hosted the 5th Annual Career Week from Wednesday 7th March to Friday 9th March 2018. The theme of this year career week was, *'Enhancing Entrepreneurship and Innovation through Diversity for Career Development'*. The Chief Guest during 2018 Annual Career Week was Prof. P.L.O Lumumba, the Director, Kenya School of Law.



Over 350 students from local secondary schools were invited and had the opportunity to receive career mentorship and were exposed to the areas of operations of KUCCPS, HELB and the University. High school students were guided on how to select university courses based on subject clusters and the role of HELB in financing University education. Ms. Mary Muthoni, Director, the Kenya National Chamber of Commerce and Industry talked to the students about entrepreneurship skills. Among the Career week activities was the mentorship talks for the Fourth year students on soft skills that will give them an edge in the job market after graduation. Mr. John Kanyakiri, a Council Member, took thirty (30) fourth year students through a practical session of Business Simulation.

## 2. Environmental Issues

The University has an Environmental Policy that provide a framework for:

- a) Reducing negative environmental impacts such as energy or water consumption, waste production or impacts on natural systems
- b) Create a healthier, safer workplace
- c) Reduce costs by Improve financial bottom line
- d) Enhancing our image in the community and influencing key stakeholders to improve their environmental performance
- e) making sustainability a driving principle or value
- f) Developing leadership in the environmental management

- g) Interpreting and implementation of the national environmental policy
- h) Ensuring requisite environmental safeguards in development:
  - i) waste management and Pollution control:
  - j) Mitigating against Climate change:
- k) Promoting public participation, environmental education and awareness:
- l) Data and information management
- m) Strengthening enforcement environmental laws and implementation of environmental policies
- n) Promote adoption of integrated and ecosystem approaches to the management of natural resources

The University has taken lead in proposition and advocacy of a sustainable and environmentally friendly society. The University is therefore increasingly proactive on green issues taking advantage of its ideal location with natural laboratories as well as endowment with rich agricultural soils being at the foothill of the snow-capped Mount Kenya. Some of the projects and research areas that are driving the University Green forte are flagged within the School of Agriculture and Biotechnology and School of Natural Resources and Environmental studies. Upcoming are development of a botanical garden, set up of a micro tea cottage among others projects. The University has been involved in a number of environmental conservation activities.

#### **Key Success**

1. Environmental conservation awareness programme to the community who have embraced adopt a tree programme
2. Tree nursery
3. establishment of a botanical garden
4. Reduced electricity bill in the University after no cooking in the hostels direction
5. Establishment of Centres for Mountain Studies and Community Outreach

#### **Shortcomings**

Limited financial resources required to undertake the environmental sustainability projects

Other activities that the University engaged in include: -

#### **a) Participation in International Day of the Forest**

On 21st March 2018, the world celebrated the International Day of Forests with the year's theme '*Forests and Sustainable Cities*'. Karatina University, in conjunction with the Kenya Forest Service and the County Government of Nyeri celebrated the day at Honi Primary School in Kieni West Sub-County of Nyeri County. The occasion afforded the University, in conjunction with the Department of Water, Environment and Natural Resources, Nyeri County, to launch the tree planting activities for the county, schools greening programme and establishment of environmental clubs in primary schools.

The University set aside a day to plant trees from the Jambo junction on Nyeri- Nairobi Highway to the Main Campus gate. The official ceremony took place at Ihwagi primary school in March 2018 and was undertaken with support from the County government, Kenya Forest Services, Tana Athi Authority, WARMA and the National government county administration. The Community was presented with tree seedlings to plant in their homesteads as the other seedlings were planted on the road side. The County government also presented to the farmers Avocado seedling in an effort to economically empower the community.



### **b) Community Outreach -Fish farming**

The School of Natural Resources and Environmental Studies continues to provide professional support to fish farmers through the World Bank sponsored fish farming demonstration project to the community. The University offers extension services to the community on Fish farming through the following areas, Mwea Aquafish farm –Private farm (Mwea), Ornamental Fish Aquafarm – Private farm (Mwea), Makindi Fish farm – Private farm (Muranga County), Jasa Fish Farm – Private farm (Thika), Mariira Fish Farm – Demonstration Farm (Murang'a County), Green Algae Highlands Fish farm – Sagana, Emick Fish Farm – Sagana. These services are testimony on recognition of the University's endeavour for community outreach activities as we endeavor to positively impact the communities around us and beyond especially on the agenda of forests and their sustainability for the betterment of our posterity.

## **2. OUTREACH ACTIVITIES TO THE COMMUNITIES**



**Fish sampling outreach activity**



**Value addition outreach activity**

**c) University's Effort to manage Biodiversity**

One major project is establishment of a botanical garden which is located on a 5 hectare (12.5 acres) piece of land (0.4800° S, 37.1250° E) within the University compound. There are diverse microhabitat which includes; open grassland, wooded grass land, forest, wetland vegetation, spring and a dam. Within these habitats, there are a variety of grass species, natural forest tree species, macrophytes species, bird's species, and aquatic and terrestrial animals. The garden is being established with the following objectives: To provide an outdoor laboratory for students of natural resources, both terrestrial and aquatic environments, ecology and wildlife studies; To act as a research and conservation centre for diverse species of flora and fauna; To create awareness among the local communities and other visitors on matters related to natural resources conservation and management; Serve as a recreational centre/sport fishing site for the students, local communities, and national and international visitors. So far the following developments have been/ being made to enable achieve botanical garden establishment: Water reservoir site; Home of diverse birds and aquatic community Nature Trails leading to different sites; Cascaded open platform: Picnic/training/team building site Ethno-botanical site; Planting of medicinal trees/ shrubs/plants; Open grassland picnic site/training/team building site and Tree nursery.

**d) Waste Management**

Waste management in the University is guided by the Environmental Sustainability Policy. Some of the efforts engaged in during the year to reduce Environmental impact from University services and product included; Use of e-documents in meeting; Outlined cost cutting measures on use of stationery and Separation of waste through use of easily accessible waste bins that are well labelled

Lastly, Climate Change has been an area of focus in the University. Some the initiatives made to address this phenomenon are:

- i) Presence of The School of Natural Resources and Environmental Studies
- ii) Development of common courses in Climate change within the Centre for Mountain Studies
- iii) Including it as a research area for Post graduate students

### **3. Health Issues**

#### **a) Rehabilitation of Drug and Alcoholics Addicts**

In recognition of the noble role of serving the community, and especially the needy and vulnerable members of the society, Karatina University continues to support the rehabilitation centre in Gitunduti. Members of staff and some student leaders visit the recovering patients and offer assistance by way of counselling activities, spiritual nourishment, meal sharing and donations. In addition, a follow up to the cancer patients visit initiative in 2016 by the Department and Social Sciences was undertaken. The University undertakes to make this a continuous exercise within the county.



*A group photo after a care givers' training for cancer patients from Nyeri County*

**b). Free Medical Camp at Karatina Stadium**

Karatina University and Aga Khan University Hospital organized free medical camp on Saturday 7th October 2017 at Karatina Stadium. This was part of the “Carry Your Candle” initiative set up by the University as a way to reach out to the less fortunate members of the society battling life threatening diseases such as cancer. The objectives of the camp were to: Provide free medical examination; Create cancer awareness; Offer cancer screening; Provide cryotherapy services; Carry out BP, BMI and Diabetes screening and Provide health education.

The medical camp attracted over 400 community members. The Aga Khan University hospital had a team of 2 doctors and 15 nurses. The University team led by The Deputy Vice Chancellor (ARSA), included laboratory technologist, students, marketing department and academic members of staff. The two institutions have agreed that they will hold medical camps in various parts of the country beginning with Nyeri County.



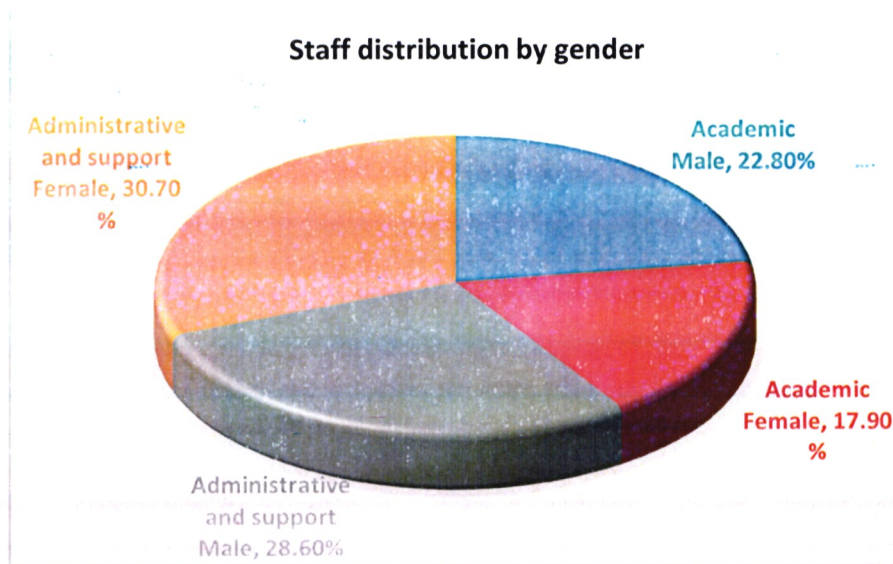
**c) A Medical Camp held on 16th December 2017, Main Campus Karatina University**

In partnership with Karen Hospital, Nairobi, Karatina University organized a free medical camp on Saturday, 16th December, 2017 at the Main Campus for the residents of Mathira East and Mathira West Sub-Counties. Five senior nurses from Karen Hospital, two clinicians and eight nutritionists facilitated the treatment. Twelve nurses from KMTCC, Nyeri and Karatina University medical staff teamed up with the group to offer the services. A total number of 380 patients were treated and given free medication. The patients were ferried to the venue and back home by University buses from all major shopping centres in the sub-counties.

**4. Staff Welfare**

Karatina University staff population was four hundred and twenty (420) as at 30<sup>th</sup> June, 2018. This consisted of one hundred and seventy-one (171) academic staff comprising of ninety-six (96) males and seventy-five (75) females making up 40.7% of the staff population.

The administrative and support staff were two hundred and forty-nine (249) comprising of one hundred and twenty (120) males and one hundred and twenty-nine (129) females which was 59.3%.



During the FY, three (3) Lecturers were promoted to Senior Lecturer. In addition, one (1) Assistant Lecturer and one (1) Tutorial Fellow were promoted to the position of Lecturer after attainment of doctorate degree. Two members of staff from the Procurement Department were appraised to Assistant Procurement II Grade 8. In addition, the University Management Board considered and approved the conversion of temporary staff to permanent staff of the University. The total number of staff who were converted to permanent terms, in August 2017, was thirty-one (31). This was done as per Karatina University Human Resource Policy, HR Procedure Manual and the Harmonised Criteria and Guidelines for Appointment and Promotion of Academic Staff which is spelt out in the universities standards.

The University considered training and staff development as essential in ensuring effective and efficient delivery of services. Eight (8) members of academic staff proceeded on study leave during 2017/2018 FY with effort to upgrade their academic qualifications. In addition, staff members from Finance, ICT, Procurement and Human Resource departments benefited from the University facilitation for continued professional development by having their annual subscription paid for upon request and participation in seminars and conferences.

In commitment to promote employee well-being at the workplace, the University has a Work Environment, Health and Safety policy which outlines guidelines and standards for the prevention and protection of University staff against accidents and occupational hazards arising at the work place. Further, the University has three Unions: Academic Staff (UASU); Administrative staff (KUSU) and for ancillary staff (KUDHEIHA) whose role is to look after the

interests of their members. During the reporting period the Unions successfully negotiated for 2013-2017 Collective Bargaining Agreements in an aim to improve basic salary and house allowances paid to staff.

### **5. Market Place Practices**

The University has Marketing Policy with an objective to enhance the visibility of the University, its programmes and as well position the University as a university of Choice. The specific objectives of the policy are to:

- i) Enhance the university's reputation through linkages and partnerships.
- ii) Promote Karatina University brand by offering unique student focused market driven programs.
- iii) Increase demand of Karatina University's programs by 15 percent yearly.
- iv) Increase the numbers of privately sponsored students both locally and internationally.
- v) Increase the University's financial base
- vi) Enhance public private partnerships through event sponsorship.
- vii) Enhance the social economic contribution locally and regionally through corporate Social Responsibility programmes.

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

Karatina University Charter provides for the objectives and functions of the Council under section 21 as follows: -

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

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

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

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

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

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

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

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

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

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

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

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

## **Principal Activities**

The principal activities of the University as stated in its mandate which are stipulated in the Karatina University Charter 2013, under section 6 include:

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

## **Results**

The results of the University for the year ending 30<sup>th</sup> June 2018 are set out on page I

### **Council Members**

The members of Council who served during the period are shown on pages (vi) & (vii) in accordance with Karatina University Statutes and Universities Act 2012.

### **Auditors**

The Auditor General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and Public Audit Act (2015). The Auditor General is empowered to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staff were nominated by the Auditor General to carry out the audit of the University for the period ending 30<sup>th</sup> June, 2018.



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

Date: 30/08/2018

## X. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

Council is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the University as at the end of the financial period ended on 30<sup>th</sup> June, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.


The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act (2012) and State Corporations Act (2012). The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30<sup>th</sup> June, 2018 and the University's financial position. Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the internal financial control systems. University Council is optimistic that the University will remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

Karatina University annual financial statements have been prepared in accordance with Section 83 of the PFM Act 2012 and were approved by the Council on 30<sup>th</sup> August, 2018 and signed on its behalf by:



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



**Dr. John Kobia Ataya, PhD**  
**Chairman of Council**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of Karatina University set out on pages 1 to 33, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Karatina University as at 30 June 2018, 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 and Public Finance Management Act, 2012.

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Karatina University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 are no key audit matters to communicate in my report.

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*Report of the Auditor-General on the Financial Statements of Karatina University for the year ended 30 June 2018*

## 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, I confirm that, nothing 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**

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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether 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 governance.

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

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

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.

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

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 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 ability of Karatina University 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 sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**15 February 2019**

## XI. STATEMENT OF FINANCIAL PERFORMANCE

<b>KARATINA UNIVERSITY</b>			
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>FOR THE PERIOD ENDING 30TH JUNE 2018</b>			
<b>INCOME</b>	<b>Notes</b>	<b>2017/2018</b>	<b>2016/2017</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Revenue from Non Exchange Transaction			
Government Grants	4	904,761,152	570,481,950
Amortization of Granted Assets	5	6,436,788	4,612,168
Donations	6	646,500	1,178,150
		<b>911,844,441</b>	<b>576,272,267</b>
Revenue from Exchange Transaction			
Tuition and Related Charges	7	255,165,783	322,925,585
I.G.A and Other Incomes	8	22,745,850	15,082,051
		<b>277,911,632</b>	<b>338,007,636</b>
<b>Total Income</b>		<b>1,189,756,073</b>	<b>914,279,903</b>
<b>EXPENDITURE</b>			
Administration Expenses	9	159,935,021	158,214,836
Employment Expenses	10	813,726,296	576,519,024
Academic Expenses	11	145,717,434	116,999,498
Repairs and maintenance	12	9,249,667	6,910,555
Board Expenses	13	14,216,298	9,708,413
Finance Expenses	14	622,035	677,740
Depreciation and amortization expense	15	36,119,499	40,390,247
<b>Total Expenditure</b>		<b>1,179,586,250</b>	<b>909,420,313</b>
<b>Surplus</b>		<b>10,169,823</b>	<b>4,859,590</b>

The statement of financial performance is to be read in conjunction with notes to and forming part of financial statements set out on pages 20 to 30.



**Ms. Lydia Charagu**  
**Ag. Deputy Finance Officer**



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



**Dr. John Kobia Ataya, PhD**  
**Chairman of Council**

**XII. STATEMENT OF FINANCIAL POSITION**

<b>KARATINA UNIVERSITY</b>			
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 30TH JUNE 2018</b>			
	Notes	2017/2018	2016/2017
<b>Current Assets</b>		<b>Kshs.</b>	<b>Kshs.</b>
Cash & Bank Balances	16	61,701,572	36,742,666
Prepayments	17	5,036,130	8,303,667
Receivable from exchange transaction - Restated	18	91,228,574	98,315,100
Receivable from non-exchange transaction	19	-	5,000,000
Inventories	20	9,343,121	7,330,751
<b>Total Current Assets</b>		<b>167,309,397</b>	<b>155,692,184</b>
<b>Non-Current Asset</b>			
Biological Assets	21	4,777,156	5,917,196
Property, Plant & Equipment	22	937,360,037	351,807,459
Intangible Assets - Computer software	23	3,082,631	4,071,645
Capital Work in Progress	24	968,112,366	929,440,747
<b>Total Non- Current Assets</b>		<b>1,913,332,190</b>	<b>1,291,237,047</b>
<b>Total Assets</b>		<b>2,080,641,587</b>	<b>1,446,929,232</b>
<b>Current Liabilities</b>			
Trade & Other Payables - Restated	25	134,981,803	136,549,155
Current Deferred Income	5b	6,436,788	4,612,168
Provisions	26	4,240,613	-
<b>Total Current Liabilities</b>		<b>145,659,205</b>	<b>141,161,323</b>
<b>Non-Current Liabilities</b>			
Deferred Income – Grant	5b	123,051,096	114,263,032
<b>Total Non-Current Liabilities</b>		<b>123,051,096</b>	<b>114,263,032</b>
<b>Capital Funds</b>			
Accumulated Capital Fund	27	1,177,786,095	1,148,824,637
Revenue Reserve	28	56,867,788	42,680,242
Revaluation Reserve	29	577,277,404	
<b>Total Capital Fund</b>		<b>1,811,931,287</b>	<b>1,191,504,879</b>
<b>Total Funds &amp; Liabilities</b>		<b>2,080,641,587</b>	<b>1,446,929,233</b>

The financial statements set out on this page were signed on behalf of Council by:



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



**Dr. John Kobia Ataya, PhD**  
**Chairman of Council**

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 20 to 30.

### XIII. STATEMENT OF CHANGES IN NET ASSETS

KARATINA UNIVERSITY					
STATEMENT OF CHANGES IN NET ASSET					
AS AT 30TH JUNE 2018					
		Accumulated Capital Fund	Revenue Reserve	Revaluation Reserve	Total
		Kshs.	Kshs.	Kshs.	Kshs.
<b>Balance as at 30/6/16</b>		<b>1,048,348,975</b>	<b>37,890,772</b>	-	<b>1,086,239,746</b>
Surplus/Deficit for the year		-	4,859,590	-	4,914,539
Valuation of Biological Assets		-	(70,120)	-	(70,120)
Capital Grants		100,475,662	-	-	100,475,662
<b>Balance as at 30/6/17</b>		<b>1,148,824,637</b>	<b>42,680,242</b>	-	<b>1,191,454,065</b>
Surplus/Deficit for the period		-	10,169,823	-	10,169,823
Valuation of Assets- PPE	22	-	-	581,160,824	581,160,824
Transfer of amortized revalued PPE		-	3,883,420	(3,883,420)	-
Valuation of Biological Assets		-	67,900	-	67,900
Prior year adjustment of student balances		-	(929,939)	-	(929,939)
Prior year adjustment of creditors		-	996,342	-	996,342
Capital Grants		28,961,458	-	-	28,961,458
<b>Balance as at 30/06/18</b>		<b>1,177,786,095</b>	<b>56,867,788</b>	<b>577,277,404</b>	<b>1,811,880,473</b>

#### Notes

1. Prior year adjustments on student balances relates to overstatement of tuition income for the financial year 2016/2017. This was caused by deferments of registered students not recognized in the respective student's statements at the close 2016/17 FY. This led to restatement of the opening balance in respect to revenue from exchange transaction to Kshs 91,228,574
2. Prior year adjustment on trade creditor relates overstatement of creditors during the last financial year who were recognized at start of the year. This has led to restating of Trade & Other Payables figure at the close 2016/17 FY appearing in the statement of financial position.

#### XIV. STATEMENT OF CASH FLOWS

<b>KARATINA UNIVERSITY</b>			
<b>STATEMENT OF CASHFLOWS</b>			
<b>AS AT 30TH JUNE 2018</b>			
	Notes	<b>2017/2018</b>	<b>2016/2017</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>Cash flow from Operating expenses</b>			
Surplus		10,169,823	4,859,590
Adjustment For			
Depreciation & Amortization	14	36,119,499	40,390,247
Loss of Biological Asset	8	1,065,480	31,824
Disposal / Loss of P,P&E	8	-	78,000
Amortization of Granted Assets	4	(6,436,788)	(4,612,168)
Prior year adjustment of creditors		(3,499,848)	-
Overstated student Income		(929,939)	-
Valuation loss-evaluation of intangible asset		698,272	-
		<b>37,186,498</b>	<b>40,747,493</b>
<b>Operating Activities</b>			
Change in:-			
Inventories	19	(2,012,369)	1,564,797
Receivable from exchange transaction	17	7,086,526	(69,850,087)
Receivable from non-exchange transaction	18	5,000,000	(5,000,000)
Prepayments	16	3,267,537	(702,635)
Accounts Payable	24	(1,567,352)	16,825,647
Provisions	25	4,240,613	-
Current Deferred Income	4b	1,824,620	-
<b>Cash From Operating Activities</b>		<b>17,839,575</b>	<b>(57,162,279)</b>
<b>Net Cash from Operating Activities</b>		<b>55,026,074</b>	<b>(16,414,786)</b>
<b>Investing Activities</b>			
Property, Plant & Equipment	21	(38,887,939)	(93,409,461)
Capital Work-in-Progress	23	(38,671,619)	7,695,078
Intangible Assets- Computer software	22	1,332,574	(5,601,208)
Granted asset- Library Books	21	17,198,358	-
<b>Net cash from investing activities</b>		<b>(59,028,625)</b>	<b>(91,315,591)</b>
<b>Financing Activities</b>			
Capital Reserve		28,961,458	100,475,663
<b>Net cash flow from financing activities</b>		<b>28,961,458</b>	<b>100,475,663</b>
Net increase/(Decrease) In Cash & Cash Equivalents		24,958,907	(7,254,714)
Cash & Cash Equivalent at Start of Year	15	36,742,666	43,997,380
<b>Cash &amp; Cash Equivalent at End of the Period</b>	15	<b>61,701,572</b>	<b>36,742,666</b>
Analysis of Cash & Cash Equivalents			
<b>Cash &amp; Bank Balances</b>		<b>61,701,572</b>	<b>36,742,666</b>

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 20 to 30.

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

STATEMENT OF BUDGET VS ACTUAL AMOUNTS AS AT 30TH JUNE 2018 (KSHS)												
S/No	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual 2017/2018		Variance		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Cumulative to date	Kshs.	%		
	<b>INCOME</b>											
1	Exchequer grants	700,742,072	204,019,080	904,761,152	904,761,152	0	-	a				
2	Tuition fees and related charges	300,326,000	(28,810,875)	271,515,125	255,165,783	(16,349,342)	-6	b				
3	Catering Services	15,356,880	(2,136,237)	13,220,643	12,571,583	(649,060)	-5	c				
4	Research and Consultancies Income	34,500,000	(9,378,244)	25,121,756	6,412,660	(18,709,096)	-74	d				
5	Farm Income	1,500,000	-	1,500,000	1,888,047	388,047	26					
6	Other income	2,625,000	-	2,625,000	2,520,060	(104,940)	-4					
7	GOK Capital Grants	220,000,000	(191,038,542)	28,961,458	28,961,458	-	-	e				
	<b>TOTAL P.E</b>	<b>1,275,049,952</b>	<b>(27,344,818)</b>	<b>1,247,705,134</b>	<b>1,212,280,743</b>	<b>(35,424,391)</b>						
	<b>EXPENDITURE</b>											
	<b>Personnel Emoluments</b>											
1	Personnel Emoluments	676,042,329	134,826,900	810,869,229	792,602,134	18,267,095	2					
2	Casual Wages	18,000,000	1,000,000	19,000,000	17,579,549	1,420,451	7					
3	Gratuity	-	-	-	-	-	-					
	<b>TOTAL P.E</b>	<b>694,042,329</b>	<b>135,826,900</b>	<b>829,869,229</b>	<b>810,181,683</b>	<b>19,687,546</b>						
	<b>Board Expenses</b>											
4	Council expenses	10,000,000	5,000,000	15,000,000	14,216,298	783,702	5					
	<b>TOTAL P.E</b>	<b>10,000,000</b>	<b>5,000,000</b>	<b>15,000,000</b>	<b>14,216,298</b>	<b>783,702</b>						
	<b>Operating/ Administrative Expenses</b>											
5	Stationery	5,825,000	-	5,825,000	5,160,812	664,188	11	f				
6	Vehicle Repairs & maintenance	3,500,000.00	(500,000)	3,000,000	2,942,886	57,114	2					
7	Generator fuel & Maintenance	2,500,000.00	1,000,000	3,500,000	2,187,119	1,312,881	38	g				
8	Fuel – Vehicles	4,500,000	-	4,500,000	4,700,644	(200,644)	-4					
9	Office entertainment expenses	480,000	-	480,000	471,649	8,351	2					
10	Office expenses	1,924,000	-	1,924,000	668,952	1,255,048	65	h				
11	Postal expenses	500,000	-	500,000	183,463	316,537	63					
12	Publishing & printing	2,531,390	-	2,531,390	1,624,157	907,233	36					
13	Computer expenses & Maintenance	1,000,000	-	1,000,000	579,520	420,480	42					
14	ISO training & Implementation	1,200,000	-	1,200,000	1,404,056	(204,056)	-17	i				
15	Shows & Exhibition expenses	2,000,000	-	2,000,000	745,192	1,254,808	63	j				
16	Performance Contracting	1,750,000	-	1,750,000	1,196,059	553,941	32	k				
17	Legal expenses	750,000	-	750,000	100,775	649,225	87	l				

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2018

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual 2017/2018	Variance	Explanation of material variances
		Kshs.	Kshs.	Kshs.	Cumulative to date	Kshs. %	
	<b>EXPENDITURE</b>						
18	Strategic Plan Implementation & Monitoring & Review	500,000	500,000	1,000,000	859,236	140,764 14	
19	Subscription to Professional Bodies	500,000	350,000	850,000	1,447,117	(597,117) -70	m
20	Professional Services	1,500,000	-	1,500,000	551,913	948,087 63	n
21	Newspaper & journals	2,073,600	-	2,073,600	1,173,230	900,370 43	o
22	Cleaning/sanitary materials	2,000,000	650,000	2,650,000	2,491,681	158,319 6	
23	Telephone expenses	2,856,000	-	2,856,000	2,579,470	276,530 10	
24	Insurance Expenses	4,000,000	3,500,000	7,500,000	5,393,377	2,106,623 28	p
25	Open Day & cultural celebration	500,000	-	500,000	209,796	290,204 58	
26	Public celebrations & funerals	1,000,000	250,000	1,250,000	576,892	673,108 54	q
27	Staff Training expenses	1,500,000	1,200,000	2,700,000	4,080,236	(1,380,236) -51	r
28	Security services	8,939,520	-	8,939,520	7,840,880	1,098,640 12	
29	Water & Sewerage Expenses	8,000,000	-	8,000,000	8,524,762	(524,762) -7	
30	Electricity Expenses	10,500,000	(1,000,000)	9,500,000	8,707,047	792,953 8	
31	Rent & Rates	31,940,243	(5,000,000)	26,940,243	24,408,722	2,531,521 9	
32	Uniforms	750,000	-	750,000	133,344	616,656 82	s
33	Medical expenses	14,000,000	7,500,000	21,500,000	19,227,871	2,272,129 11	
34	Advertising & publicity	6,500,000	(1,500,000)	5,000,000	3,393,564	1,606,436 32	t
35	Internet services	18,500,000	1,200,000	19,700,000	19,577,595	122,405 1	
36	Farm expenses	1,200,000	-	1,200,000	1,223,632	(23,632) -2	
37	Catering expenses	14,000,000	-	14,000,000	12,912,013	1,087,987 8	
38	Audit fees	750,000	-	750,000	696,000	54,000 7	
39	Travelling & Accommodation	4,500,000	1,000,000	5,500,000	6,884,807	(1,384,807) -25	
40	External travelling	2,000,000	-	2,000,000	1,545,473	454,527 23	u
41	Pension Scheme Administration	1,500,000	-	1,500,000	-	1,500,000 100	v
	<b>Academic expenses</b>	<b>167,969,753</b>	<b>9,150,000</b>	<b>177,119,753</b>	<b>156,403,942</b>	<b>20,715,811</b>	
42	students activities	3,000,000	-	3,000,000	4,092,730	(1,092,730) -36	w
43	Curriculum development/review	2,000,000	-	2,000,000	1,000,898	999,102 50	x
44	External examiners	2,800,000	710,000	3,510,000	3,525,299	(15,299) 0	y
45	Graduation Expenses	5,000,000	2,000,000	7,000,000	5,707,601	1,292,399 18	
46	Industrial Attachment/ Teaching Practice	7,500,000	5,500,000	13,000,000	9,500,562	3,499,438 27	z
47	Games & Sports	1,925,000	-	1,925,000	1,298,063	626,937 33	
48	Library Subscription	2,200,000	-	2,200,000	1,378,824	821,176 37	
49	Dean & senate committees	450,000	200,000	650,000	537,950	112,050 17	aa

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2018

S/No	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual 2017/2018		Variance		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%		
	<b>EXPENDITURE</b>											
50	University Committees	1,750,000		1,350,000	3,100,000	3,390,341	(290,341)	-9				
51	Teaching materials	2,500,000		-	2,500,000	1,795,012	704,988	28	bb			
52	Field trip	5,000,000		4,500,000	9,500,000	9,734,601	(234,601)	-2				
53	Research expenses	26,500,000	C	-	26,500,000	2,765,093	23,734,907	90	cc			
54	Botanical garden	500,000	C	-	500,000	205,365	294,635	59				
55	PSSP Disbursement	30,000,000		3,014,699	33,014,699	84,335,535	(51,320,836)	-155	dd			
56	Examination materials	2,500,000		-	2,500,000	2,193,541	306,459	12	ee			
57	Seminars & Conferences	2,500,000		-	2,500,000	2,267,723	232,277	9				
58	Annual International Conference	1,000,000		900,000	1,900,000	1,966,183	(66,183)	-3				
59	Placement Board charges	1,500,000		-	1,500,000	1,725,000	(225,000)	-15				
60	Accreditation for Programs	3,200,000		(500,000)	2,700,000	1,479,234	1,220,766	45				
61	Nursing Skills lab	3,000,000	C	(1,000,000)	2,000,000	4,682,600	(2,682,600)	-134				
62	Tea Institute expense	2,000,000		-	2,000,000	696,161	1,303,839	65				
63	Counseling services	500,000		-	500,000	585,550	(85,550)	-17				
64	CUE Student Accreditation fee	4,000,000		1,000,000	5,000,000	418,243	4,581,757	92				
65	Community Engagement	500,000		-	500,000	435,325	64,675	13				
		<b>111,825,000</b>		<b>17,674,699</b>	<b>129,499,699</b>	<b>145,717,434</b>	<b>(16,217,735)</b>					
	<b>Repairs and Maintenance</b>											
66	General Refurbishment	3,683,000.00		2,000,000	5,683,000	4,801,155	881,845	16				
67	Maintenance of building	4,650,000.00		2,152,125	6,802,125	1,652,490	5,149,635	76				
68	Maintenance of plant & Equipment	500,000.00		-	500,000	159,328	340,672	68				
69	Maintenance of play grounds	3,000,000.00		-	3,000,000	2,533,549	466,451	16				
70	Maintenance of Catering equipment	250,000.00	D	-	250,000	6,100	243,900	98				
71	Maintenance of Hostel equipment	250,000.00	D	-	250,000	90,145	159,855	64				
72	Water supply equipment	1,000,000		(500,000)	500,000	6,900	493,100	99				
	<b>Total</b>	<b>13,333,000</b>		<b>3,652,125</b>	<b>16,985,125</b>	<b>9,249,667</b>	<b>7,735,458</b>					
		<b>997,170,082</b>		<b>171,303,724</b>	<b>1,168,473,806</b>	<b>1,135,769,024</b>	<b>32,704,782</b>					
	<b>Purchases</b>											
73	Installation of Solar Panels	3,500,000		(2,000,000)	1,500,000	-	1,500,000	100				
74	Purchase of computer	3,000,000		-	3,000,000	4,067,554	(1,067,554)	-36				
75	Purchase of library books	8,000,000		-	8,000,000	4,069,740	3,930,260	49				
76	Purchase of Motor Vehicle-Ambulance	5,550,000		(310,000)	5,240,000	5,225,316	14,684	-				
77	Purchase of plant & equipment	5,000,000		(1,000,000)	4,000,000	3,349,412	650,588	16				

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S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual 2017/2018 Cumulative to date	Variance	Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs. %	
	<b>EXPENDITURE</b>						
78	Purchase of Furniture	3,442,870	700,000	4,142,870	4,977,559	(834,689)	-20
79	Purchase of Medical equipment	450,000	-	450,000	-	450,000	100
80	Purchase of Sports Equipment	750,000	-	750,000	-	750,000	100
81	Purchase of lab equipment	10,187,000	(5,000,000)	5,187,000	-	5,187,000	100
83	ICT infrastructure -soft ware	6,000,000	-	6,000,000	1,332,574	4,667,426	78
		<b>45,879,870</b>	<b>(7,610,000)</b>	<b>38,269,870</b>	<b>23,022,155</b>	<b>15,247,715</b>	
	<b>Development</b>						
84	Loan & Interest repayment	12,000,000	-	12,000,000	-	12,000,000	100
85	Work in progress	220,000,000	(191,038,542)	28,961,458	28,961,458	-	-
		<b>232,000,000</b>	<b>(191,038,542)</b>	<b>40,961,458</b>	<b>28,961,458</b>	<b>12,000,000</b>	
	Total	<b>1,275,049,952</b>	<b>(27,344,818)</b>	<b>1,247,705,134</b>	<b>1,187,752,638</b>	<b>59,952,496</b>	
	Surplus	-	-	-	<b>24,528,105</b>		hh

**Notes to the Statement of comparison of budget and actual amounts**

**a) Changes between the original and final budget**

Changes between original and final budget are as a result of additional funds from the Government to fund the implementation of 2013-17 CBA this lead to re-allocation of funds to cater for the additional cost of the personnel expenses. In addition, the staff industrial action in month of March 2018 disrupted teaching and learning activities, thereby delaying the procurement process. This necessitated re-allocation of funds to cater for the foreseen events.

**b) Tuition Fees and related Charges**

There was unfavourable variance of Kshs. 16.3M for tuition fees and related charges during the FY 2017/18. This is because the University had a low number of PSSP students' enrolled during the reporting period as a result of few KCSE candidates in 2016 qualifying for University admission.

**c) Research and Consultancies Income**

Members of staff wrote several proposals for research and consultancies. Some of the proposals had been funded for the whole FY. However, NRF reviewed allocations downwards as per their research policy, resulting to unfavourable variance in the research income. The research monies amounting to Kshs. 12,829,751 were unexpended by the end of the year thus it was treated as a liability in the statement of financial position.

**d) Farm income**

The favourable weather during the year led to a favourable variance of Kshs 0.38M in incomes relating to farm.

**e) Capital funds**

The University had a total budget allocation of Kshs 220M for capital development. University received only Kshs. 28M by the end of FY as a result of supplementary budget cuts.

**f) Stationery**

During the year the University had a positive variance in the stationery vote as a result of bulk purchasing thus reducing the costs.

**g) Generator Fuel and maintenance**

The favorable variance in generator fuel was as a result of reduced power outages during the period

**h) Office entertainment, Office expenses, computer expenses and Printing and publishing expenses;**

Expenditure in relation to office entertainment and office expenses went down as a result of cost management measures taken by the University Management during the financial period

while the printing and publishing was as result of using e-documents as a way of cost reduction measure

**i) ISO training and Implementation**

The University is in the process of transiting from ISO 9000:2008 to ISO 9000:2015. During the FY, there were several trainings on the new standards to enable members of staff understand the requirements thereof to enable implementation. This led to unfavourable variance

**j) Shows and Exhibition expenses**

The University did not participate in the planned exhibitions due to the staff industrial action resulting to a favourable variance.

**k) Performance Contracting**

The performance contracting meeting for PC vetting and negotiations was rescheduled to the beginning of FY 2018/19 resulting the favourable variance

**l) Legal expenses**

The University legal officer represented the University in legal suits handled during the period, rather than hiring external lawyers, thus the favorable variance

**m) Subscription to professional bodies**

The University and members of staff in various disciplines are affiliated to professional bodies which govern their practice. Payments were made to RUFORUM where the University is a member and various professional bodies during the year resulted to unfavourable variance of Kshs. 597,117.

**n) Professional Services**

The University rescheduled the timing for undertaking baseline surveys to 2018/19 leading to a favorable variance

**o) Newspaper and journals**

During the period of strike (March) the newspaper supply was scaled down leading to favorable variance

**p) Public celebrations and funerals; and Open and Cultural Celebrations expenses**

There was a decline in deceased members of Karatina University fraternity leading to the favorable variance while most of the activities planned for open day were in collaboration with the community leading to cost savings.

**q) Staff Training**

The unfavourable variance in the fourth quarter in the staff training vote was as a result of training members of Senate and Heads of Departments on the resource mobilization which was necessitated by the decline in A-I-A.

**r) Uniforms**

The University had procured uniform requested by the departments and in return did the commitment but the uniforms had not been delivered by the end of the year leading to favorable variance

**s) Advertising and publicity**

The favorable variance during the period was brought by the University advertising through the government newspaper (My Gov) which is less costly compared with the other media

**t) External travelling**

External travelling was only approved if within the available budget provisions resulting to the favorable variance.

**u) Pension scheme**

The university had started process of establishing its pension scheme. The process was in the initial stages by the end of the year. Most expenses will be realized in FY 2018/2019.

**v) Academic votes**

Most of the academic votes had a positive variance that was as a result of some of the academic activities planned within the year disrupted by the lectures industrial action in the month of March 2018.

**w) Student activities related expenses**

Student activities related expenses had a favorable variance by the end of the year. Activities planned for during the period of staff industrial action (March) did not take place.

**x) Industrial attachment / Teaching practice**

The University normally plans for the supervision of students undertaking teaching practice and attachment. These activities planned in the fourth quarter of the FY but the schedule was disrupted by the industrial action in the month of March thus favorable variance.

**y) Curriculum development/review**

The Curriculum development/review vote favorable variance by the end of the year that was as a result of organizing review meetings within the University premises.

**z) Deans and senate committees**

Most of the senate meetings were held to approve end year exams which were pushed to 2018/19 FY as a result of the industrial action in the month of March.

**aa) Teaching materials**

There were challenges in purchasing teaching materials as a result of reservation groups being unable to make timely supplies.

**bb) Research expenses**

This vote had favorable variance by the end of fourth quarter. This is because the University had made commitments for expenditure which were yet to be realized by the end of the period.

**cc) PSSP disbursements**

The unfavorable variance was due to recognition of claimed part-time lecturers teaching expenses made for the various programmes offered by the institution.

**dd) Examination materials**

The unfavorable variance during the period was brought by purchasing examination materials for various schools during the period

**ee) Repairs and Maintenance**

The University management undertook cost managements measures to control costs on these expenditure lines resulting to favorable variable

**ff) Nursing Skills lab**

During the financial year, the vote for nursing skill lab had an unfavorable variance that was as a result of procurement processes that were initiated in the FY 2016/17 but were completed within the current FY.

**gg) Purchase of Assets**

The University had made commitments of the assets in the procurement process but by the end of financial period the process was not complete. This will be realized when the procurement process is complete

**hh) Budget Surplus**

The overall budget surplus of Kshs 24.5M reported in the statement of comparison of budget vs actuals is a result of cost managements measures undertaken by management to control costs on some expenditure lines as a result of the dwindling A-I-A.

## XVI. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30<sup>TH</sup> JUNE 2018

### 1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and do comply with the said standards. The University adopted IPSAS in the year 2014 following the gazette of Public Sector Accounting Standard Board (PSASB), which was established under the Public Finance Management (PFM) Act No. 18 of 24<sup>th</sup> July 2012. PSASB, issued financial reporting standards and guidelines to be adopted by all state organs and public entities, of which the University complies. The financial statements are prepared on accrual basis and presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest whole number. The accounting policies have been consistently applied to all the years presented.

In addition, the financial statements have been prepared on a historical cost basis except for property, plant and equipment measured at re-valued amounts, financial instruments at fair value and impaired assets at their estimated recoverable amounts. The cash flow statement is prepared using the indirect method.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
<b>IPSAS 39: Employee Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NB/ This standard was not applicable because the University's pension scheme has been operating under a defined contribution plan

#### b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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 which are covered purely under Public Sector combinations as amalgamations.

NB/ This standard will not be applicable to the University's operations

**c) Early adoption of standards**

The University did not early – adopt any new or amended standards in the year 2018

**3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Government grants**

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

**Donations**

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

**Deferred income**

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

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

**Rendering of services**

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

**b) Budget information – IPSAS 24**

The original budget for FY 2017-2018 was approved by the University Council in July 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with approvals from Council. The additional appropriations are added to the original budget by the University upon receiving approval of National Treasury in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs 204M on the 2017-2018 budget.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. The institution will provide an explanation of differences between actual and budgeted amounts under or above 10%.

**c) Property, Plant and Equipment - IPSAS 17**

Property, plant and equipment are stated at cost and subsequently shown at market value based on valuations by external independent valuer less subsequent depreciation and impairment losses. Increases in the carrying amounts arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve, all other decreases are charged to the statement of comprehensive income. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

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

In the event of disposal of revalued assets, any revaluation surplus will be transferred directly to retained earnings.

**c) Leases**

Leases are categorized into finance leases and operating leases. The University has operating leases in respect to rented premises. Under operating leases the lessor effectively retains the risks and rewards of ownership. Obligations incurred under operating leases are charged against income in equal installments over the period of the lease.

**d) Intangible assets – IPSAS 31**

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

**e) Work in progress**

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

**f) Inventories –IPSAS 12**

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

**g) Biological assets**

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27). A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises. Biological assets for the University comprises of tea bushes and cows refer to note 21 for details.

**h) Receivables**

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

**i) Cash and cash equivalents**

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). Bank balances entails amounts held at various banks at the end of the financial year. For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

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

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

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

**k) Changes in accounting policies and estimates – IPSAS 3**

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

### **l) Related Party Disclosures – IPSAS 20**

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

Related party transactions during the year as tabulated below:

<b>Related party transactions</b>		
Members of Council	Note 12- Board expenses	14,216,298
Members of Management	Note 9 - incorporated in employment expenses	51,649,505
National Government	Note 3- Recurrent grants	904,761,152
	Note 25- Capital grants	28,961,458
	<b>TOTAL</b>	<b>970,626,956</b>

### **m) Comparative figures**

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

### **n) Provisions – IPSAS 19**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material. Where the University expects some or all of a provision to be reimbursed, 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.

## **3.2 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **Impairment losses**

At each year end, the University reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash generating unit to which the asset belongs.

### **Property and equipment**

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

#### *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 University
- 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

### **Contingent liabilities**

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

### **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, 2018.

## **3.3 FINANCIAL RISK MANAGEMENT**

The University's activities expose the institution to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and

has in place practices to ensure that credit is extended to students and customers with an established credit history.

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

**(i) Credit risk**

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

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

<b>RECEIVABLES</b>	<b>Performing</b>	<b>Non-Performing</b>	<b>Total</b>
At 31st June 2018	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
KTDA Bonus Payment	759,761	-	759,761
Student Balances	86,598,996	-	86,598,996
Moi University	2,254,226	-	2,254,226
<b>Total</b>	<b>89,612,983</b>	<b>-</b>	<b>89,612,983</b>

**(ii) Liquidity risk management**

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

<b>At 30th June</b>	<b>Performing</b>	<b>Non-Performing</b>	<b>Total</b>	<b>Remarks</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Trade Creditors	7,525,260	-	7,525,260	Within one month
Part time Lecturers	31,155,590	-	31,155,590	Within one year
Unexpended NRF research funds	12,829,751	-	12,829,751	Within one year
Contractors' Balance	1,701,354	-	1,701,354	Within one & half month
Contractors' Retention Fees	34,731,216	-	34,731,216	Within Contract period
Staff leave days provisions	3,544,613	-	3,544,613	Within one year
	<b>91,487,785</b>	<b>-</b>	<b>91,487,785</b>	

The University has disclosed Kshs 31.1M being amounts owed to part-time lecturers who have claimed for payment. However, the University has an additional Kshs 153M owing to unclaimed and contested PSSP part-time payments being reconciled.

**(iii) Market risk**

Council has put in place an internal audit function to assist in assessing the risks faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risks in respect to interest rates and foreign exchange rates will affect the University's income or value held by the financial instruments. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

**Foreign exchange risk**

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

**Interest rate risk**

The University is exposed to interest rate risk arising from bank deposits. This exposes the institution to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on deposits. To manage the interest rate risk, the University management usually negotiates for favourable interest rates with the bank.

**Sensitivity analysis**

The University conducts its interest rate exposure by conducting a sensitivity analysis. Using the end year figure on fixed deposit in respect to bank guarantee for fuel of Kshs. 1,120,000.00, in case the current floating interest rates increase/ decrease by 1, interest income reported in the statement of comprehensive income will increase or decrease by Kshs 11,200. The net effect will either increase the surplus to Kshs. 10,158,623 or decrease to Kshs. 10,158, 623.

	2017/2018	2016/2017
<b>Note 4: Government Grants</b>	<b>Kshs.</b>	<b>Kshs.</b>
July	134,826,900	47,123,496
July	58,395,173	-
August	58,395,173	47,123,496
September	58,395,173	47,123,495
October	58,395,173	47,123,495
November	87,225,246	47,123,495
December	64,161,187	47,123,495
January	64,161,187	47,123,495
February	64,161,188	47,123,495
March	64,161,188	47,123,495
April	64,161,188	47,123,495
May	64,161,188	47,123,495
June	64,161,188	47,123,503
June - Supplementary funds	-	5,000,000
	<b>904,761,152</b>	<b>570,481,950</b>

	2017/2018	2016/2017
<b>Note 5(a): Deferred Income- Granted Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Deferred Income	135,924,672	123,487,367
Amortization of Granted Assets	(6,436,788)	(4,612,168)
Deferred Income C/Forward	<b>129,487,884</b>	<b>118,875,199</b>
<b>Note 5(b): Deferred liability-Granted Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Current deferred income	6,436,788	4,612,168
Long term deferred income	123,051,096	114,263,032
	<b>129,487,884</b>	<b>118,875,199</b>

The deferred income of Kshs 129,487,884 has been divided into two; Current deferred income of Kshs 6,436,788 which relates to the current year's amortization on granted assets and long term deferred income of Kshs 123,051,096 is in respect to capitalization of granted assets

	2017/2018	2016/2017
<b>Note 6: Donations</b>	<b>Kshs</b>	<b>Kshs</b>
University Events	-	250,000
Library Books	-	273,750
Needy & Vulnerable Student Fund	646,500	654,400
	<b>646,500</b>	<b>1,178,150</b>
<b>Note 7: Tuition and Related Charges</b>	<b>Kshs</b>	<b>Kshs</b>
Tuition & Accommodation GSSP	194,486,760	187,786,847
Tuition & Accommodation PSSP	60,465,023	134,697,738
Student Application Fees	214,000	441,000
	<b>255,165,783</b>	<b>322,925,585</b>
<b>Note 8: I.G.A and Other Incomes</b>	<b>Kshs</b>	<b>Kshs</b>
Kitchen Food Sales	12,571,583	8,740,625
Tea Farm	1,366,524	1,174,361
Farm & Milk Sales	521,523	552,715
Laundry	10,045	13,320
Photocopier	20,698	32,076
Conference Facilities	848,380	515,000
Sale of Tender document	10,000	-
Hire of Facilities	281,257	585,052
Fines	94,429	223,491
Interest from deposits	-	88,301
Insurance & Deposit refund	608,751	252,553
Research funds	6,412,660	2,627,940
Sale of Obsolete items	-	276,617
	<b>22,745,850</b>	<b>15,082,051</b>

<b>EXPENDITURE</b>	<b>2017/2018</b>	<b>2016/2017</b>
<b>Note 9: Administration expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Stationery	5,160,812	6,521,137
Motor vehicle repairs	2,942,886	3,077,754
Generator fuel	2,187,119	2,850,212
Motor vehicle Fuel	4,700,644	4,024,005
Office expenses	1,140,602	1,186,501
Postage	183,463	253,745
Printing and Publishing	1,624,157	1,200,250
Computer and peripherals expenses	579,520	1,243,544
ISO expenses	1,404,056	688,239
Shows and Exhibitions	745,192	1,050,654
Performance contracting	1,196,059	733,344
Legal expenses	100,775	191,322
Strategic Plan	859,236	-
Subscription to Professional Bodies	1,447,117	533,330
Professional Services	551,913	210,799
Newspapers and Journals	1,173,230	1,265,976
Cleaning materials	2,491,681	1,387,873
Telephone	2,579,470	2,755,100
Insurance	5,393,377	4,985,235
Open & Cultural Celebrations	209,796	621,290
Public celebrations and funerals	576,892	304,593
Training expenses	4,080,236	1,357,940
Security	7,840,880	9,745,035
Water & Sewer	8,524,762	7,714,966
Electricity	8,707,047	9,718,392
Rent & Rates	24,408,722	33,314,448
Staff Uniforms	133,344	260,020
Medical Expenses	19,227,871	14,187,599
Advertising	3,393,564	3,293,390
Internet Charges	19,577,595	19,452,290
Farm Expenses	1,223,632	1,158,965
Catering Expenses	12,912,013	14,073,827
Audit Fees Expense	696,000	696,000
Loss of Tea bushes	1,065,480	31,824
Loss on Disposal of assets-(cows)	-	78,000
Loss on revaluation- Intangible asset	698,272	-
Traveling & Accommodation	6,884,807	5,995,314
External Travel & Accommodation	1,545,473	2,051,924
Provisions for bad and doubtful debts	1,767,326	-
	<b>159,935,021</b>	<b>158,214,836</b>

<b>Note 10: Employment expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Payroll expenses	729,257,614	521,122,409
Pension Employer costs	63,344,520	38,577,916
Staff leave days provisions	3,544,613	-
Contract Staff expenses	17,579,549	16,818,699
	<b>813,726,296</b>	<b>576,519,024</b>
<p>Employment expense relates to short-term employee benefits recognized during the period in which the employee renders the related service. The provisions for employee for annual leave represent the amount which the University has obligation to pay as a result of employees' services provided for at the reporting date. The provision has been calculated at undiscounted amounts based on the current salary rates.</p>		
<b>Note 11: Academic Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Students activities	4,092,730	2,187,334
Curriculum development/review	1,000,898	108,725
External Examiners	3,525,299	2,504,280
Graduation	5,707,601	3,219,416
Industrial Attachments/ Teaching Practice	9,500,562	16,865,040
Games & Sports	1,298,063	2,447,598
Subscription to E-library	1,378,824	704,531
Deans & Senate expenses	537,950	307,290
University Committees	3,390,341	2,695,208
Teaching materials	1,795,012	865,409
Field trips	9,734,601	8,853,095
Research Program	2,970,458	2,679,225
PSSP Disbursement	84,335,535	61,666,160
Examination material	2,193,541	4,109,641
Seminars & Conferences	2,267,723	2,887,266
Annual International Conference	1,966,183	-
Placement Board charges	1,725,000	3,798,000
Accreditation for Programs	1,479,234	-
CUE accreditation fees	4,682,600	-
Nursing Skills Lab expenses	696,161	-
Tea Institute Expenses	585,550	937,459
Counseling services	418,243	163,820
Community Outreach	435,325	-
	<b>145,717,434</b>	<b>116,999,498</b>
<b>Note 12: Repairs &amp; maintenance costs</b>	<b>Kshs</b>	<b>Kshs</b>
General Refurbishment	4,801,155	6,386,612
Maintenance of buildings	1,652,490	281,245
Maintenance of Catering / Hostel equipment	96,245	27,800
Maintenance of plant & Equipment	159,328	108,498

Maintenance of playground		2,533,549	-
Water Supply Expenses		6,900	106,400
		<b>9,249,667</b>	<b>6,910,555</b>
<b>Note 13: Boards Expenses</b>		<b>Kshs</b>	<b>Kshs</b>
Sitting Allowance		6,840,000	5,616,774
Travelling & Subsistence		2,137,958	1,682,071
Accommodation		4,309,270	1,732,800
Other expenses		929,071	676,769
		<b>14,216,298</b>	<b>9,708,413</b>
Other expenses refers to costs incurred in respect to stationery and meals served in lieu of lunch allowance during board meetings			
<b>Note 14: Finance Expenses</b>		<b>Kshs</b>	<b>Kshs</b>
Bank Charges		622,035	677,740
		<b>622,035</b>	<b>677,740</b>
<b>Note 15: Depreciation and amortization expense</b>		<b>Kshs</b>	<b>Kshs</b>
Depreciation Buildings		8,197,882	7,247,844
Depreciation Computer & Accessories		7,123,485	11,644,707
Depreciation Library books		4,477,186	3,232,574
Depreciation Motor Vehicle		3,873,641	4,307,850
Depreciation Equipment & Furniture		10,823,991	10,853,828
Amortization of intangible assets-Computer Software		1,623,314	3,103,444
		<b>36,119,499</b>	<b>40,390,247</b>

<b>Note 16: Cash &amp; Bank Balances</b>		<b>Kshs.</b>	<b>Kshs.</b>
Co-operative Bank Of Kenya- Cash at bank		20,175,661	2,649,927
Kenya Commercial Bank - 1138274968		1,146,537	1,154,532
KCB - Cash at hand		8,969	-
Kenya Commercial Bank-1106185382		27,189,160	30,278,576
Equity Bank- Cash at Bank		12,061,245	1,539,631
Fixed Deposit (Bank Guarantee- Fuel)		1,120,000	1,120,000
Total Cash & Bank Balances		<b>61,701,572</b>	<b>36,742,666</b>
Cash and cash equivalent comprises of cash at bank, cash at hand and fixed deposits in respect to a bank guarantee for fuel being provided by National Oil. The fixed deposit has a maturity period of one year and it earns interest at 7%.			
<b>Note 17: Prepayments</b>		<b>Kshs.</b>	<b>Kshs.</b>
Deposits : Rent (River Bank Campus)		-	1,010,730
Deposits : Rent (Town Campus- Hostel)		-	1,058,085

Deposits :Fuel (Kenol Kobil)	1,026,750	1,026,750
Deposits : Rent (Nyeri Centre)	-	596,070
Deposits : Rent (Nairobi Campus)	2,994,842	2,990,274
Prepayment : Rent (Town Campus-Mathira)	-	105,762
Prepayment : Insurance	314,539	1,515,997
Subscription KNDI	700,000	-
<b>Total Prepayments</b>	<b>5,036,130</b>	<b>8,303,667</b>

The University has three lease arrangements for providing teaching facilities i.e. Telkom Building at Karatina town - hosting School of Business; Ragati Tea Factory premises at Itiati hosting School of Education and Social Sciences and a Liaison office for postgraduate students at View Park Towers. The lease payments terms require the University to pay a one off three months' deposit at the beginning of the lease and a standard amount of rent quarterly in advance.

**Additional information on the leases are as indicated below:**

Contract	Lease Period	Escalation Clause	Renewable Clause	Future lease Aggregate Amount
<b>Telkom Kenya Ltd</b>	1/10/2012-30/09/2018	5% Per Annum	Renewable	1,719,496.37
<b>Ragati Tea Factory</b>	1/10/2017-30/09/2023	5% Biannual	Renewable	46,807,740.00
<b>NSSF-View Park Towers</b>	1/10/2014-30/09/2020	20% Biannual	Renewable	45,699,335.64
<b>Total minimum Future aggregate payment</b>				<b>94,226,572.01</b>

The quarterly leases payments were accounted as expenses under rent and rates in the administration expenses while the deposits are accounted as current assets.

	Kshs.	Kshs.
<b>Note 18: Receivables from exchange transactions</b>		
KTDA Bonus Payment For year 2017/18 & Tea Farm sales for the month of June 2018	759,761	676,233
Student Balances-Restated *	88,366,323	88,376,489
Moi University	2,254,226	2,254,226
Imprest Debtors	1,615,591	7,008,153
	<b>92,995,900</b>	<b>98,315,100</b>
Less Provisions for bad and doubtful debts	1,767,326	-
	<b>91,228,574</b>	<b>98,315,100</b>
<b>Note 18 b: Receivables from exchange transactions</b>	<b>Kshs.</b>	<b>Kshs</b>
Student Balances-Restated*	88,366,323	88,376,489
Provisions for bad and doubtful debts	(1,767,326)	-
Net Student Balances	<b>86,598,996</b>	<b>88,376,489</b>

<b>Note 19: Receivables from non-exchange transactions</b>	<b>Kshs.</b>	<b>Kshs.</b>
MoE - Capitation June	-	5,000,000
		<b>5,000,000</b>
<b>Note 20: Inventories</b>	<b>Kshs.</b>	<b>Kshs.</b>
Stores	9,343,121	7,330,751
	<b>9,343,121</b>	<b>7,330,751</b>
<b>Note 21: Biological Assets</b>	<b>Kshs.</b>	<b>Kshs.</b>
Tea Bushes	4,301,856	5,428,176
Cows	475,300	489,020
	<b>4,777,156</b>	<b>5,917,196</b>

The University has bearer biological assets in respect to cows and tea bushes. The tea bushes plantation is for agricultural produce on 9 acres of land and their value is determined by the number of bushes. In addition, the University has 7 cows for milk production, 2 heifers and 1 bull calf.

**Note (22)**

**KARATINA UNIVERSITY**

**FIXED ASSET SCHEDULE AS AT 30<sup>TH</sup> JUNE 2018**

COST	LAND		BUILDINGS		COMPUTER & ACCESSORIES		LIBRARY BOOKS		MOTOR VEHICLES		EQUIP & FURNITURE		TOTAL	
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs	
<b>BAL AS AT 30.6.16</b>	<b>39,796,000</b>		<b>199,270,030</b>		<b>65,938,690</b>		<b>24,182,523</b>		<b>50,247,792</b>		<b>74,442,929</b>		<b>453,877,965</b>	
ADDITIONS			71,699,167		5,783,468		1,678,078		-		14,248,748		93,409,461	
DISPOSALS			-		-		-		-		-		-	
<b>BAL AS AT 30.6.17</b>	<b>39,796,000</b>		<b>270,969,197</b>		<b>71,722,158</b>		<b>25,860,601</b>		<b>50,247,792</b>		<b>88,691,677</b>		<b>547,287,426</b>	
ADDITIONS			-		4,067,554		4,069,740		5,225,316		8,326,971		21,689,581	
VALUATION			319,204,000		207,578,450		1,000		24,470,538		27,117,662		581,160,824	
GRANTED ASSETS			-		-		17,198,358		-		-		17,198,358	
<b>BAL AS AT 30.6.18</b>	<b>359,000,000</b>		<b>478,547,647</b>		<b>78,578,887</b>		<b>47,129,699</b>		<b>79,943,646</b>		<b>124,136,310</b>		<b>1,167,336,189</b>	
<b>DEPRECIATION</b>														
ACCUMULATED DEPRECIATION 30.6.16			23,943,920		48,630,079		8,361,570		42,832,092		34,425,504		158,193,164	
AMORTISATION FOR THE YEAR			3,788,913		-		524,506		-		298,749		4,612,168	
DEPRECIATION FOR THE YEAR			3,458,931		11,644,707		2,708,068		4,307,850		10,555,078		32,674,635	
<b>ACCUM DEPRE 30.6.17</b>			<b>7,247,844</b>		<b>11,644,707</b>		<b>3,232,574</b>		<b>4,307,850</b>		<b>10,853,828</b>		<b>37,286,803</b>	
<b>ACCUMULATED DEPRECIATION 30.6.17</b>			<b>31,191,764</b>		<b>60,274,786</b>		<b>11,594,144</b>		<b>47,139,942</b>		<b>45,279,331</b>		<b>195,479,967</b>	
AMORTISATION FOR THE YEAR			3,788,912		-		2,349,128		-		298,748		6,436,788	
DEPRECIATION FOR THE YEAR			4,408,970		7,123,485		2,128,058		3,873,641		10,525,243		28,059,397	
<b>ACCUM DEPRE 30.6.18</b>			<b>8,197,882</b>		<b>7,123,485</b>		<b>4,477,186</b>		<b>3,873,641</b>		<b>10,823,991</b>		<b>34,496,185</b>	
<b>ACCUMULATED DEPRECIATION 30.6.18</b>			<b>39,389,646</b>		<b>67,398,271</b>		<b>16,071,330</b>		<b>51,013,583</b>		<b>56,103,322</b>		<b>229,976,152</b>	
<b>Net Book Value 30.6.18</b>			<b>359,000,000</b>		<b>11,180,616</b>		<b>31,058,369</b>		<b>28,930,063</b>		<b>68,032,988</b>		<b>937,360,037</b>	
<b>Net Book Value 30.6.17</b>			<b>39,796,000</b>		<b>11,447,372</b>		<b>14,266,457</b>		<b>3,107,851</b>		<b>43,412,346</b>		<b>351,807,459</b>	
<b>Net Book Value 30.6.16</b>			<b>39,796,000</b>		<b>17,308,611</b>		<b>15,820,953</b>		<b>7,415,701</b>		<b>40,017,426</b>		<b>295,684,801</b>	

The figure for depreciation charge for the year reflected in note 15 excludes amortization of intangible assets of Kshs. 1,623, 314 which is reflected in note 23.

<b>Note 23: Intangible Assets - Computer Software</b>		
<b>Cost</b>		<b>Kshs.</b>
<b>Balance As At 30.09.2016</b>		<b>11,214,806</b>
Additions		5,601,208
<b>Balance As At 30.06.2017</b>		<b>16,816,014</b>
Valuation		(698,274)
Additions		1,332,574
<b>Balance As At 30.06.2018</b>		<b>17,450,314</b>
<b>Accumulated Amortization 30.06.2016</b>		<b>9,640,925</b>
Amortization For The Period		3,103,443
<b>Accumulated Amortization 30.06.2017</b>		<b>12,744,368</b>
Amortization For The Period		1,623,314
<b>Accumulated Amortization 30.06.2018</b>		<b>14,367,683</b>
<b>Net Book Value 30.06.2018</b>		<b>3,082,631</b>
Net Book Value 30.06.2017		4,071,646

Intangible assets refer to computer software purchased by the University to facilitate running of its operations

	<b>2017/2018</b>	<b>2016/2017</b>
<b>Note 24: Capital Work-In-Progress</b>	<b>Kshs.</b>	<b>Kshs.</b>
Resource Center	603,402,837	598,552,170
Student Hostel 750 bed capacity	344,186,553	330,888,577
Construction of Perimeter wall	15,522,976	-
Library Phase I	5,000,000	-
	<b>968,112,366</b>	<b>929,440,747</b>

Capital work in progress relates to amounts incurred and paid in construction of each of the projects mentioned above. The same will be capitalized under PPE upon completion.

	<b>Kshs.</b>	<b>Kshs.</b>
<b>Note 25: Trade &amp; Other Payables</b>	<b>Kshs.</b>	<b>Kshs.</b>
Trade Creditors-Restated	7,525,260	19,553,714
Part time Lecturers	31,155,590	30,946,909
Unexpended NRF research funds	12,829,751	-
Contractors' Balance	1,701,354	1,103,913
Contractors' Retention Fees	34,731,216	34,850,810
Student prepayments	47,038,632	50,093,810
	<b>134,981,803</b>	<b>136,549,155</b>
<b>Note 26: Provision</b>	<b>Kshs.</b>	<b>Kshs.</b>
Staff leave days provisions	3,544,613	-
Provision for Audit Fees	696,000	-
	<b>4,240,613</b>	-

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Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it no longer probable that an outflow of resources embodying economic benefit will be required to settle the obligation. Employees entitlement to annual leave is recognized when it accrues.

<b>Note 27: Accumulated Capital Fund</b>		<b>Kshs.</b>	<b>Kshs.</b>
Balance B/F		1,148,824,637	1,123,852,040
Capital Grants for the year		28,961,458	24,972,597
<b>Balance as at 30/06/18</b>		<b>1,177,786,095</b>	<b>1,148,824,637</b>

Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2015/16 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants for FY 2011/2012	157,120,452
Granted Assets from Moi University*	86,322,861
Capital Grants for FY 2012/2013	239,703,675
Prior year Adjustment- tea bushes	2,053,896
Capital Grants for FY 2013/2014	201,583,999
Capital Grants for FY 2014/2015	218,226,667
Capital Grants for FY 2015/2016	143,337,425
Capital Grants for FY 2016/2017	100,475,662
<b>Balance as at 30.6.17</b>	<b>1,148,824,637</b>

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

<b>*Granted Assets from Moi University</b>	
Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales and bonuses for the month of June 2011	2,683,012
Student Balances	19,119,863
Moi University	19,116,170
	<b>90,963,239</b>
Trade Creditors	(4,640,378)
<b>Total Granted Assets</b>	<b>86,322,861</b>

### **Additional disclosures**

The University will be taking up a loan of Kshs 194M that was used to acquire granted assets from Moi University once it gets consent from National Treasury. In addition, the loan had accrued interest and penalties of Kshs 33M as at 30<sup>th</sup> June, 2016 which will be taken by the University upon approval by Council.

	2017/2018	2016/2017
<b>Note 28: Revenue reserve</b>	<b>Kshs.</b>	<b>Kshs.</b>
Surplus/Deficit B/F	42,680,242	37,890,772
Surplus/Deficit for the period	10,169,823	4,859,590
Transfer of amortized revalued PPE	3,883,420	-
Valuation of Biological Assets	67,900	(70,120)
Prior year adjustment of student balances	(929,939)	-
Prior year adjustment of creditors	996,342	-
<b>Surplus/ Deficit C/F</b>	<b>56,867,788</b>	<b>42,680,242</b>
<b>Note 29: Revaluation reserve</b>	<b>Kshs.</b>	<b>Kshs.</b>
Balance B/F	-	-
Revaluation During the year	581,160,824	-
Transfer of amortized revalued PPE	(3,883,420)	-
<b>Balance as at 30/06/18</b>	<b>577,277,404</b>	<b>-</b>

Revaluation reserve represents the increase in the value of property, plant and equipment arising from revaluation of the University assets. The valuation was carried out in May 2018 by Amazon Valuer Ltd.

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
N/A	N/A	N/A	N/A	N/A	N/A



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



**Dr. John Kobia Ataya, PhD**  
**Chairman of Council**

## Appendix I: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Project Title	Donor	Period/ Duration	Donor Commi tment	Separate Donor reporting required as per donor agreement	Consolidated in these financial statements
Resource Center	GoK	5 years	Yes	No	Yes
Student Hostel 750 bed capacity	GoK	5 years	Yes	No	Yes
Perimeter Fence	GoK	6 Months	Yes	No	Yes
Library Phase I	GoK	3 years	Yes	No	Yes

STATUS OF PROJECTS COMPLETION						
Project	Total project Cost	Total expended to date	Completion to date (%)	Budget	Actual for the year	Sources
Resource Center	624,429,200	577,948,691	93	53,120,508	6,640,000	GOK
Student Hostel 750 bed capacity	365,725,775	339,322,404	93	29,952,392	3,744,113	GOK
Perimeter Fence	29,821,500	12,277,345	41	20,000,000	12,277,345	GOK
Library Phase I	440,261,115	6,300,000	1	116,927,100	6,300,000	GOK
	<b>1,460,237,590</b>	<b>935,848,440</b>	<b>64</b>	<b>220,000,000</b>	<b>28,961,458</b>	

NB/ The Student Hostel 750 bed capacity is 100 completion rate but the amount released for the project is Kshs. 339,322,404 which 93 of the total project

## Appendix 2: INTER-ENTITY TRANSFERS

### a) Transfers from Ministry of Education

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2015-2016
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	904,761,152	-	28,961,458	933,722,610	670,957,604
<b>Total</b>	<b>904,761,152</b>	<b>-</b>	<b>28,961,458</b>	<b>933,722,610</b>	<b>670,957,604</b>

**APPENDIX I**

**Confirmation of Amounts received by Karatina University**

Amounts Received as at 30 June 2018

**a) RECURRENT GRANT**

Date Received	Amounts (Kshs.)	F/Y for Disbursement	Remarks
06/07/2017	5,000,000	2016/2017	Supplementary
	5,000,000		
17/07/2017	70,447,055	2017/2018	
03/07/2017	64,379,845	2017/2018	
01/08/2017	58,395,173	2017/2018	
04/09/2017	58,395,173	2017/2018	
03/10/2017	58,395,172	2017/2018	
03/11/2017	58,395,173	2017/2018	
01/12/2017	58,395,173	2017/2018	
01/12/2017	28,830,073	2017/2018	
02/01/2018	58,395,172	2017/2018	
02/01/2018	5,766,015	2017/2018	
08/02/2018	5,766,015	2017/2018	
08/02/2018	58,395,173	2017/2018	
13/03/2018	58,395,173	2017/2018	
13/03/2018	5,766,015	2017/2018	
06/04/2018	58,395,173	2017/2018	
06/04/2018	5,766,015	2017/2018	
02/05/2018	58,395,173	2017/2018	
02/05/2018	5,766,015	2017/2018	
11/06/2018	58,395,173	2017/2018	
11/06/2018	5,766,015	2017/2018	
28/06/2018	58,395,173	2017/2018	
28/06/2018	5,766,015	2017/2018	
<b>TOTAL 2017/2018</b>	<b>904,761,152</b>		
<b>GRAND TOTAL</b>	<b>909,761,152</b>		

**b) DEVELOPMENT GRANTS**

Date Received	Amounts (Kshs.)	F/Y for Disbursement	Remarks
17/04/2018	10,384,113.00	2017/2018	
18/06/2018	18,577,345.00	2017/2018	
<b>TOTAL 2017/2018</b>	<b>28,961,458.00</b>		

I confirm that the amounts shown above are correct as of the date indicated

Name: Prof. Mucai Muchiri

Date: 27/8/2018

Signature.....



<p><b>KARATINA UNIVERSITY</b>  <b>VICE-CHANCELLOR</b></p> <p>27 AUG 2018</p> <p>P. O. Box 1957 - 10101, KARATINA                  Email: vc@karatinauniversity.ac.ke</p>
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