


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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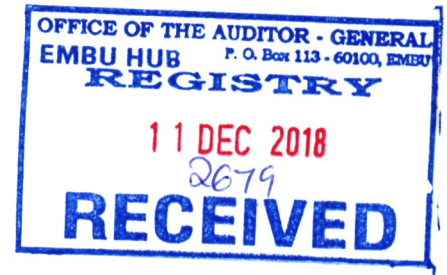
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
SOUTH EASTERN KENYA UNIVERSITY (SEKU)

FOR THE YEAR
ENDED 30 JUNE 2018





SOUTH EASTERN KENYA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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

December, 2018

ARID TO GREEN



ISO 9001: 2015 CERTIFIED



TRANSFORMING LIVES

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

ACRONYMS

SEKU: South Eastern Kenya University

JKUAT: Jomo Kenyatta University of Agriculture and Technology

NBK: National Bank of Kenya

BBK: Barclays Bank of Kenya

KCB: Kenya Commercial Bank

IGU: Income Generating Units

CO-OP: Co-operative

ASDSP: Agricultural Sector Development Support Programme

ICRAF: International Centre for Research in Agroforestry

IGADINWRM: Intergovernmental Authority for Development Inland Water Resources Management Programme

TARC: Trans disciplinary Applied Research Centre

GCFSI: Global Centre for Food Systems Innovations

NACOSTI: National Commission for Science Technology and Innovation

IPSASB: International Public Sector Accounting Standards Board

A/C: Account



I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

South Eastern Kenya University was established on 1st March, 2013 as a successor to South Eastern University College (SEUCO), which was established on 15th July, 2008 as a successor to Ukamba Agricultural Institute (UKAI).

At Cabinet level, the University is represented by the Cabinet Secretary for Education, Science and Technology, who is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The mandate of the University is teaching and learning, research and innovation, outreach and community service. To guide carrying out these activities, the University has developed clear vision and mission statements.

The Vision of the University is to be a globally competitive centre of excellence in teaching, research and innovation for purposes of transforming human lives.

The Mission is to provide quality and transformative education through teaching, learning, research, extension, innovation and entrepreneurship with emphasis on dry land agriculture, natural resources and environmental management.

In order to achieve the vision and mission, the University is guided by the following core values:

- (i) **Professionalism:** In all actions and interactions, we maintain ethical behaviour, courtesy and professional etiquette.
- (ii) **Innovation:** Innovativeness is the hallmark of our business activities through fostering pro-activeness, creativity, and adaptability to change.
- (iii) **Integrity:** Transactions are done in honest, transparent and accountable ways.
- (iv) **Freedom of thought:** We promote and defend academic freedom.
- (v) **Teamwork:** We maintain a sense of unity and of common interests and responsibilities.
- (vi) **Respect for and conservation of the environment:** We strive to respect and protect the natural and working environment.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

(c) Key Management

The management of the University is undertaken by the following organs:

- (a) The University Council
- (b) The Senate
- (c) The South Eastern Kenya University Management Board

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Vice Chancellor	Prof. Geoffrey M. Muluvi, Ph.D
2.	Deputy Vice Chancellor (Finance, Planning and Development)	Prof. Reuben M. Muasya, Ph.D
3.	Deputy Vice Chancellor (Academic, Research and Students Affairs)	Prof. Zipporah Ng'ang'a, Ph.D
4.	Deputy Vice Chancellor (Administration and Human Resources)	Prof. Francis N. Wachira, Ph.D
5.	Registrar (Administration and Human Resources)	Prof. Mary Mburu, Ph.D
6.	Registrar (Academic and Students Affairs)	Dr. John F. Koga, Ph.D
7.	Registrar (Resources Mobilization)	Dr. Samuel Mutukaa, Ph.D
8.	Finance Officer	Mr. Lawrence Bokoro

(e) Fiduciary Oversight Arrangements

- (i) Finance and General Purpose Committee
- (ii) Building and Physical Development Committee
- (iii) Staff Terms and Conditions of Service Committee
- (iv) Audit Committee
- (v) Appeals Committee
- (vi) Appointments Committee
- (vii) Graduation and Sealing Committee

(f) Headquarters

South Eastern Kenya University
Main Campus
P.O. Box 170 – 90200
Kitui, Kenya



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

(g) Contacts

Telephone: 0748605996/0748605997

E-mail: info@seku.ac.ke

Website: www.seku.ac.ke

(h) Bankers

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

(i) Independent Auditors



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



(j) Principal Legal Adviser on land matters

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



II. THE UNIVERSITY COUNCIL

 <p>1. Dr. Reuben K. Chirchir, Ph.D (Chairman of the Council)</p>	<p><i>Date of Birth:</i> 1962</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2015 National School of Leadership, Pune, Doctor of Philosophy degree in Organizational Leadership. ii) 2010 University of Hudders field (UK), Bachelor of Laws(LL.B), iii) 1991 University of Edinburgh (UK), Master of Science in Natural Resources Management. iv) 1987 University of Nairobi, Bachelor of Science Biochemistry and Zoology. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) Currently – Consultant, Environmental Health & Safety, Leadership & Corporate Governance. ii) 2011-2016: Secretary& Chief Executive Officer, Judges and Magistrates vetting Board. iii) Programme officer/coordinator, Environment Programme Support (EPS), Ministry of Environment and Mineral Resources. iv) 1st August,2017 to present: South Eastern Kenya University Council Chairmanship
 <p>2. Mrs. Juliah Wamuyu Komunga (Member)</p>	<p><i>Date of Birth:</i> 20th January 1971</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2008 Kenya Institute of Management, Diploma in Project Management. ii) 2007 Kenyatta University, Master of Arts in Education Administration. iii) 1994 Moi University, Bachelor of Education <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2018 County Director of Education, Kitui County. ii) 2009-2018: Sub County Director of Education Kangema and Mwala Sub Counties. iii) 2008-2009: District Examination Officer, Nyeri South. iv) 7th June, 2018 to present: South Eastern Kenya University Council Membership

 <p>3. Dr. Kennedy Okong'o, Ph.D (Member)</p>	<p><i>Date of Birth:</i> 16th April 1982</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2016 University of Cape Town, South Africa, Doctor of Philosophy degree in Information Systems. ii) 2016 University of Nairobi, Master of Business Administration in Finance. iii) 2014 Moi University, Executive Master in Diplomacy. iv) 2011 JKUAT, Master of Science in ICT Policy. v) 2006 JKUAT, Bachelor of Science, in Geospatial Engineering and Geo-Information Systems. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2016 to present: Management Consultant/ICT Policy Practitioner, Vantage-Collabo Global. ii) 2006-2017: ICT4D Practitioner, Kennedy worked in Celtel, Qtel and RighTel. Previously served in Council of Embu University, Universal Service Advisory Council and Board of County Government of Kakamega Revenue Authority. i) 1st August, 2017 to present: Member, South Eastern Kenya University Council.
 <p>4. Mr. Martin F. Kinoti (Member)</p>	<p><i>Date of Birth:</i> 14th December, 1963</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 1995 University of Nairobi, Master of Science degree in Applied Nutrition ii) 1990 Egerton University Bachelor of Science in Animal Production, Upper Second Class Honours. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2006 to present: Managing Director, Nutrimix Limited ii) 1995-2006: Unga Farm Care East Africa Ltd iii) 1990-1993: District Animal Production Officer/Extension Co-ordinator, Ministry of Livestock Development, Kitui iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018



5. Mr. Simon Chege Mwangi
(Member)

Date of Birth:

10th July 1958

Key Qualifications:

- i) 2010 Jomo Kenyatta University of Agricultural Science and Technology, Executive Master of Business Administration
- ii) 2015 Kenya College of Accountancy University, Bachelor of Commerce–Finance option
- iii) 2002 Kenya College of Accountancy, Certified Public Accountant Part III (K)

Work Experience:

- (i) 2014 to present: Principal accountant/Head of Accounting Unit Pensions Department National Treasury
- (ii) 2011-2014: Principal Accountant/Head of Accounting Unit Ministry of Housing
- (iii) 2009-2011: Chief Accountant/Head of District Treasury Embu
- (iv) 2001-2008: Senior Accountant/Head of District Treasury Makueni
- (v) 1st August, 2017 to present: South Eastern Kenya University Council Membership.



6. Mr. Luthers Mose Mokuia
(Member)

Date of Birth:

22nd May 1981



Key Qualifications:

- i) 2013 University of Nairobi, Master of Business Administration, Strategic Management.
- ii) 2005 University of Nairobi, Bachelor of Commerce Degree Finance option

Work Experience:

- i) 2018 to present: Corporate Relationship Manager NIC Bank of Kenya PLC.
- ii) 2012-2017: Corporate Sales Assistant Barclays Bank of Kenya
- iii) 2016 to present: C.E.O Wazito football club
- iv) 2007-2008: Bank Officer K-Rep Bank Ltd
- v) 1st August, 2017 to date: South Eastern Kenya University Council Membership

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

 <p>7. Mrs. Anna N. Mwaure (Member)</p>	<p><i>Date of Birth:</i> 14th April 1959</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2005 Daystar University, Master of Arts in Communication ii) 1983 University of Nairobi, Diploma in Legal Education iii) 1981 University of Nairobi, Bachelor of Laws degree (LLB) Hons. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 1987 to present: Managing Partner, Mwaure & Mwaure Waihiga Advocates. ii) 1986-1987: Magistrate, Nairobi Law Courts. iii) 1983-1986: Magistrate, Makadara Law Courts. iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership
 <p>8. Ms. Lydia Mwikali Kaleli (Member)</p>	<p><i>Date of Birth</i> 19th July 1979</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2016 Uganda Christian University, Master of Public Health Leadership. 2004 Kenyatta University, Bachelor of Education. ii) 2014 Kenya Institute of Management Higher Diploma in Human Resource Management <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2011-To present: Human Resource Officer, Bible Translation and Literacy E.A. ii) 2015-2011: Teacher NPC Senior School. iii) 1st August, 2017 to present: South Eastern Kenya University Council Membership



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018



9. Prof. Geoffrey M. Muluvi, Ph.D
(Vice Chancellor and Secretary to the Council)

Date of Birth:

6th June, 1963

Key Qualifications:

- i) 2012 Eastern and Southern Africa Management Institute, Arusha Tanzania. Master of Business Administration.
- ii) 1998 University of Dundee, U.K. Doctor of Philosophy (Plant Molecular Genetics), Department of Biological Sciences,
- iii) 1988 Moi University, Eldoret. Bachelor of Science, Second Class Honors (Upper Division),



Work Experience:

- (i) 20th May, 2013- to present: Vice Chancellor, South Eastern Kenya University.
- (ii) 1st March, 2013 up to 19th May 2013: Ag. Vice-Chancellor South Eastern Kenya University.
- (iii) 15th March 2010 to 29th February 2013: Principal South Eastern University College (SEUCO) a Constituent College of the University of Nairobi.
- (iv) 2007-2010 Deputy Vice Chancellor, Kenyatta University.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

III. MANAGEMENT TEAM

<p>1. Prof. Geoffrey M. Muluvi (Vice Chancellor)</p>	<p>Refer to page (11)</p>
<div style="text-align: center;">  </div> <p>2. Prof. Reuben M. Muasya, Ph.D Deputy Vice Chancellor (Finance, Planning and Development)</p>	<p><i>Date of Birth</i> 12th September 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2001 Wageningen Agricultural University, Netherlands. Doctor of Philosophy (ii) 1996 Moi University, Eldoret. Master of Philosophy, (iii) 1992 University of Eastern Africa Baraton, Bachelor of Science in Agriculture. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) November 2013 to present: Deputy Vice Chancellor, Finance Planning and Development South Eastern Kenya University. (ii) 14th July 2011 up to October 2013: Director, Kitui Town Campus, SEKU.
<div style="text-align: center;">  </div> <p>3. Prof. Zipporah Ng'ang'a, Ph.D Deputy Vice Chancellor (Academic, Research and Students Affairs)</p>	<p><i>Date of Birth</i> 3rd February 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2012 JKUAT, Executive Master of Business Administration. (ii) 1998 Kenyatta University Doctor of Philosophy. (iii) 1988 University of Nairobi, Master of Science in Parasitology. (iv) 1984 University of Nairobi, Bachelor of Science, Second Class Honors (Upper Division) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 2nd December 2013 to present, Deputy Vice Chancellor, Academic, Research and Student Affairs South Eastern Kenya University





4. Prof. Francis N. Wachira, Ph.D
Deputy Vice Chancellor (Administration and Human Resources Management)

Date of birth:

20th March 1963

Key qualification:

- (i) 1996 Dundee University, the United Kingdom, Doctor of Philosophy degree.
- (ii) 1990 Kenyatta University, Kenya Master of science.
- (iii) 1986 Kenyatta University, Bachelor of Education (Science)



Work Experience

- (ii) January 2017 – present: Deputy Vice-Chancellor, Administration & Human Resources Management South Eastern Kenya University
- (i) February 2015-December 2016: Executive Secretary, ASARECA, Uganda
- (ii) August 2012 – February 2015: Deputy Executive Director, ASARECA, Uganda
- (iii) November 2009-July 2012: Director, CEO Tea Research Foundation of Kenya

Membership:



- (i) February 2015-December 2016: Member of Board of Directors, Forum for Agricultural Research in Africa (FARA), Ghana
- (ii) May 2014-December 2016; Member, Independent Advisory Committee, ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), India
- (iii) April 2014-December 2016; Member, Steering Committee, Pan African Research Alliance (PASIRA), Uganda
- (iv) March 2011-September 2012: Member, Kenya Highlands Evangelical University Council, Kenya

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

 <p>5. Prof. Mary Mburu, Ph.D Registrar (Administration and Human Resources Management)</p>	<p><i>Date of Birth</i> 16th August, 1959</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 1996 University of Reading, Doctor of Philosophy degree. (ii) 1986 University of California, Davis USA, Master of Agronomy. (iii) 1983 University of Nairobi, Bachelor of Science in Agriculture. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 7th March 2012 up to 3rd April, 2013 Acting Director, Directorate for Research, Innovation and Technology South Eastern University College (ii) 3rd April, 2013 to 14th November, 2013 Acting registrar, AHRM South Eastern Kenya University (iii) 14th November, 2013 to present, Registrar, Administration and Human Resources Management.
 <p>6. Dr. John F. Koga, Ph.D Registrar (Academic and Students Affairs)</p>	<p><i>Date of Birth</i> 1st October, 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 1994 The University of Leeds, Doctor of Philosophy degree. (ii) 1988 Kenyatta University, Master of Science. (iii) 1985 University of Nairobi, Bachelor of Education, Second Class Honours (Upper Division) (iv) 1981 Kenya Science Teachers College, Certificate of Teacher Education (S1) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 1st November, 2010 to present: Registrar, Academics and Students Affairs, South Eastern Kenya University



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

 <p>7. Dr. Samuel Mutukaa, Ph.D (Registrar, Resource Mobilization)</p>	<p><i>Date of birth:</i> 3rd April 1972</p> <p><i>Key qualification:</i></p> <ul style="list-style-type: none"> i) 2015 University of KwaZulu-Natal, Doctor of Philosophy, Public Administration. ii) 2011 Moi University, Master of Science in Development Studies. iii) 2007 Kenyatta University, Master of Business Administration iv) 1997 University of Nairobi ,Bachelor of Science <p><i>Work Experience</i></p> <ul style="list-style-type: none"> i) 1st February, 2017 to present: Registrar, Resource mobilization, South Eastern Kenya University. ii) 2013-2017: Senior Lecturer, Africa Nazarene University. iii) 2011-2013: Regional Development Advisor – Action Aid Denmark iv) 2009-2010: Development Consultant – UNICEF, IUCN, Oxfam, WWF, Action Aid, Concern Worldwide, World vision, Heifer International
 <p>8. Mr. Lawrence M. Bokoro (Finance Officer)</p>	<p><i>Date of Birth</i> 3rd April, 1970</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2005 Jomo Kenyatta University of Agriculture and Technology, Master of Business Administration (Finance), (ii) 2002- Certified Public Accountant Part I (iii) 2004- Certified Public Secretary Part III (iv) 1995 Bachelor of Commerce (Accounting) Kenyatta University <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 3rd January, 2014 to present, Finance Officer, South Eastern Kenya University.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

IV. CHAIRMAN'S STATEMENT

On behalf of the Council, I am delighted to present the South Eastern Kenya University Annual Report and Financial Statements for the financial year ended 30th June 2018.

During the year under review, the University realized significant achievements, notwithstanding long standing financial and operational challenges occasioned by prolonged electioneering period. Notable, among the achievements included holding of the University's fifth graduation ceremony whereupon one thousand and thirty four graduates were conferred with degrees and awarded with diplomas.

To reposition the University to achieve its mandate, the University Strategic Plan 2015 – 2019 was reviewed in order to align with Medium Term Plan (MTP) III, the "Big Four" initiatives and deliver their mandate as well as the Government Vision 2030

I take this opportunity to reaffirm the commitment of the Council in providing effective leadership for the growth of the University. In this regard, the Council will continue to maintain a policy direction which facilitates management and staff to work together and engage stakeholders in accordance with the spirit of participation enshrined in our Constitution.

In conclusion, I commend the Management and staff for working tirelessly to achieve the level of growth that we witnessed during the year. I also thank the community and other stake holders for their continuous contribution and support in various ways.



DR. REUBEN K. CHIRCHIR, Ph.D

CHAIRMAN OF COUNCIL



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the Annual Report and Financial Statement of the South Eastern Kenya University for the year ended 30th June 2018. During the year under review, the University realized tremendous growth in all areas of operation.

Notably, revenue collection amounted to Kshs.1.26 billion. Collections from appropriation in Aid amounted to Kshs.313million which translated to 24.8% of the total revenue collection for the year. The University received Kshs.63.9 million from the Government as capital grant to finance various infrastructure projects. It also received Kshs.909.4 million as recurrent grant in support of recurrent expenditure.

As part of its strategy to achieve operational sustainability, the University continued to rationalize and manage costs. Total expenditure, inclusive of assets impairment and amortization, amounted to Kshs.1.31 billion with employee costs accounting for Kshs.984.5 million or 74.8%. The increase in employee costs from Kshs. 714.5 million in the 2016/2017 financial year to Kshs. 984.5 million in the year under review was as a result of implementation of 2013-2017 Collective Bargaining Agreement.

Through capital grants received from the Government, the University continued to implement key projects included in its Strategic Plan 2015-2019. These included construction of College of Humanities, Wote and Kitui campuses. Further the University focused on enhancing its capacity to deliver services by procuring furniture and computers for both students and staff. As a result, the asset base grew from Kshs.2.73 billion to Kshs.2.97 billion.

Some of the major achievements recorded in the year under review included:

- (i) Introducing more degree programmes
- (ii) Increase in student's enrolment from 6218 to 7120.
- (iii) Favourable ranking on webo metrics at position 8 among universities in Kenya

Lastly, I wish to recognize the great contribution of all our stakeholders in making sure that the University achieves its goals and objectives. I sincerely thank all of them and look forward to their continued support.

Thank you.

PROF. GEOFFREY M. MULUVI, Ph.D

VICE-CHANCELLOR



VI. CORPORATE GOVERNANCE STATEMENT

The University derives its authority and accountability from the Universities Act of 2012, the South Eastern Kenya University Charter and the South Eastern Kenya University Statutes which outline the commitment required of members of the Council to discharge their mandate.

These instruments guarantee effectiveness of each member contribution in the governance of the University by ensuring there is independent judgment, where professional competence and ethical standards are highly observed in decision making.

The University is also guided by its core values namely: professionalism, innovation, integrity, freedom of thought, teamwork and respect for and conservation of the environment which, serve as a basis for sound decision making.

The University is in compliance with MWONGOZO Code of Governance for state corporations and underlying principles of good governance. In addition, the University is fully compliant with provisions of, inter alia, the following Acts and regulations; Public Procurement and Disposal Act 2015, Public Finance Management Act 2012 and Regulations 2015. Further, the University attained ISO 9001-2015 Quality Management System certification.

1. Chancellor

Section 12 of the Charter provides that there shall be a University Chancellor who is appointed by the President. The Chancellor during the period under review was Dr. Titus Naikuni.

2. Council

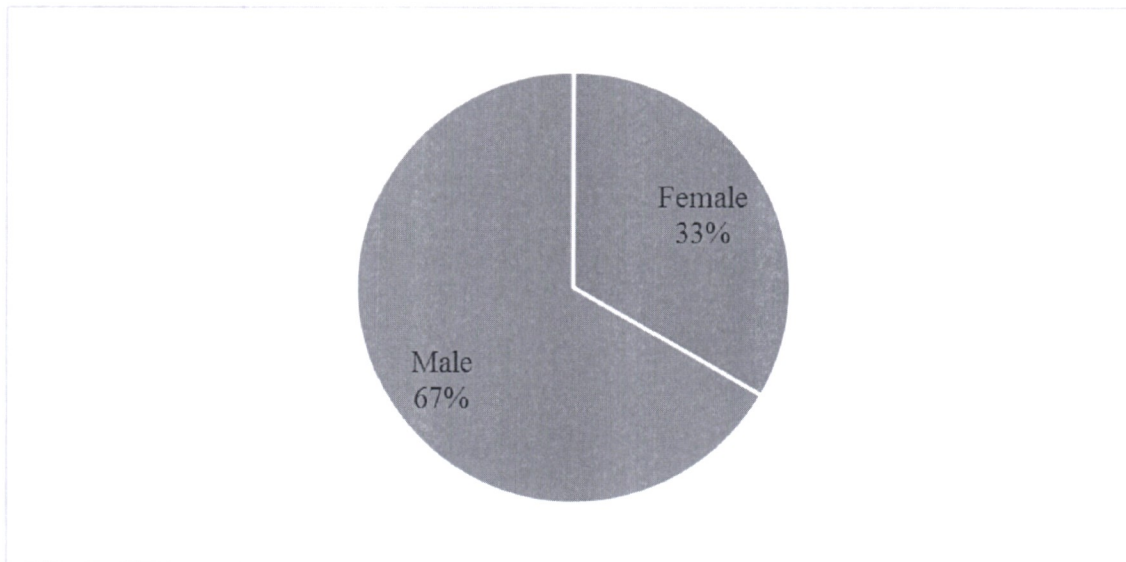
Section 18 of the Charter provides that there shall be a University Council. During the period under review the Council consisted of (9) members led by a non-executive and independent chairman, an executive Vice Chancellor and Secretary to the Council, the Principal Secretary National Treasury, Principal Secretary Ministry of Education Science and Technology and five independent and non-executive members.

All the non-executive Council members were independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgment. Members of the University Council are appointed by the Cabinet Secretary for Education, Science and Technology.

The tenure of the current Council begun on 1st August, 2017.



Council Diversity



In compliance with the Constitution, the Council composition in terms of male and female Council members was 67% and 33% respectively.

The independence of the Council from the University Management was ensured by separation of the functions of the Chairman and Vice Chancellor and a clear definition of their responsibilities. This helped the University in achieving an appropriate balance of power, increased accountability and improved decision making.

3. Responsibilities of the Council

The responsibilities of members of the Council are clearly spelt out in both the University's Act and the Statutes. These include:

- (i) Determining the University's vision, mission and core values
- (ii) Deciding its strategic objectives
- (iii) Ensuring establishment of an organizational structure and procedures to achieve the objectives.

The Council sets out objectives and ensures that procedures and practices are in place to protect the University's assets and reputation. It also reviews the strategic direction of business plans presented by the Management, reviews processes for the identification and management of business risks and compliance with key regulatory and legal issues. It also provides oversight of performance against targets and objectives.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics, as well as benchmarks performance against best international practices.

In accordance with the principles of good corporate governance, each member of the Council undertakes to act in the best interest of the University and exercise his/her power in the execution of duties in good faith and act with care and prudence by subscribing to the University's core values.

4. Council Meetings

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

5. Council Attendance

The Council held four regular and four special meetings in the year under review. Attendance to the Council meetings was as follows:

No.	Name	Attendance	
		Regular	Special
1.	Dr. Reuben K. Chirchir (Ph.D)	4	3
2.	Mrs. Juliah Wamuyu Komunga	3	3
3.	Dr. Kennedy Okong'o (Ph.D)	4	3
4.	Mr. Martin F. Kinoti	4	2
5.	Mr. Simon Chege Mwangi	4	3
6.	Mr. Luthers Mose Mokuu	4	3
7.	Mrs. Anna N. Mwaure	4	3
8.	Ms. Lydia Mwikali Kaleli	4	2
9.	Prof. Geoffrey M. Muluvi, Ph.D	4	3



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

6. Council Remuneration

In accordance with guidelines provided by the State Corporations Advisory Committee, members of the Council are paid taxable sitting allowance for every meeting attended as well as travel and accommodation allowance while on University duty. The Chancellor and the Chairman are also paid monthly honorarium.

Total Council expenses for the year was Kshs 10,564,117.00. The University neither grants personal loans nor gives guarantees to members of the Council.

7. Conflict of Interest and Declaration of Interest

Members of the Council have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the University. Business transactions with all parties, members or their related parties are carried out at arm's length.

Each member is obligated to fully disclose to the Council any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

In every meeting of the Council, an agenda item exists requiring members to make a declaration of any interest they may have in the business to be discussed.

8. Council Committees

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

(i) Finance and General Purposes Committee

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

The committee meets on a quarterly basis and as necessary.

(ii) Audit Committee

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

The committee meets on a quarterly basis and as necessary.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

(iii) Staff Terms and Conditions of Service Committee

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

The Committee meets on a quarterly basis and as necessary.

(iv) Building and Physical Development Committee

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

The Committee meets on a quarterly basis and as necessary.

(v) Graduation and Sealing Committee

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

The Committee meets once in a year and as necessary.

(vi) Appeals Committee

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

The Committee meets as and when necessary.

(vii) Appointments Committee

The terms of reference for the Appointments Committee are to consider appointments for teaching and non-teaching staff in Grades 14 and 15.

The Committee meets as and when necessary.

9. Management Structure

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



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

10. Internal Controls

The management of the University has put in place a series of internal control mechanisms to ensure reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement and Disposal Act, 2015.

11. Authorizations

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

12. Internal Audit

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



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

To guide its corporate social responsibility initiatives, South Eastern Kenya University put in place a policy framework focusing on:-

- (a) Promotion of educational standards particularly in the area it operates.
- (b) Access to water to the immediate neighborhood.
- (c) Access to health care to the community living near or around the University.
- (d) Conservation of environment in the location it operates.

The University further committed to make annual budgetary allocations in support of the corporate social responsibility initiatives. It is expected that this move will enable the University achieve the following critical objectives:-

- (a) Encourage peaceful co-existence with the immediate community.
- (b) Enhance University corporate image and visibility
- (c) Expand linkages with other institutions, which will contribute towards attainment of the University mandate.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

VIII. REPORT OF THE UNIVERSITY COUNCIL

The South Eastern Kenya University Council submits its report together with the audited financial statements for the year ended June 30, 2018.

Principal activities

The functions of the University are spelt out in Section 6(1) of the Charter as follows:

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



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

Results

The results of the University for the Financial Year ended June 30, 2018 are set out on page 30 to pages 68

University Council

The members of the University Council who served during the year are shown on pages vii to xi in accordance with Regulation (12) of the University Charter. The tenure of the serving Council begun on 1st August, 2017.

Auditors

The Office of the Auditor General is responsible for statutory audit and report of the University, within six months after the end of the financial year.

The Auditor-General is mandated to audit the Annual Report and Financial Statements of the University in conformity with guidelines and regulations provided under Article 229 of the Constitution of Kenya and provisions of the Public Audit Act 2015.

In carrying out the audit, the Auditor General is to confirm whether or not public money has been applied lawfully and in an effective way, give assurance on the effectiveness of internal controls, risk management and overall governance as well as satisfy himself that public money has been used and applied towards the purposes intended.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

IX. UNIVERSITY COUNCIL STATEMENT OF RESPONSIBILITIES

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

Pursuant to the requirement of the law, the Council is responsible for the preparation and presentation of the University financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safe-guarding the assets of the University.
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The University Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Financial Management Act and the University Act. The Council is of the opinion that South Eastern Kenya University financial statements give a true and fair view of the state of University transactions during the financial year ended June 30, 2018 and financial position as at that date. The Council further confirms the completeness of the accounting records maintained by the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial controls.

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



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

Approval of the financial statements

The South Eastern Kenya University financial statements were approved by the Full Council during its 59th meeting held on 23rd August, 2018 and signed on its behalf by:



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



DR. REUBEN K. CHIRCHIR, Ph.D
CHAIRMAN OF COUNCIL



REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SOUTH EASTERN KENYA UNIVERSITY (SEKU) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of South Eastern Kenya University (SEKU) set out on pages 30 to 68 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of South Eastern Kenya 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.

Basis for Qualified Opinion

1.0 Accuracy of Financial Statements

The statement of cashflows for the year ended 30 June 2018 reflect a decrease in revenue reserve balance of Kshs.9,526,749 while note 26 to the financial statement reflects a decrease of Kshs.53,860,697 on the same item resulting to unreconciled variance of Kshs.44,333,948.

In the circumstances, the accuracy of the financial statements balances as at 30 June 2018 could not be confirmed.

2.0 Property Plant and Equipment

Note 15 to the financial statements reflected a property plant and equipment balance of Kshs.2,788,059,386 for the year ended 30 June 2018 which included Kshs.1,036,600,000 for three parcels of land as shown below.

Report of the Auditor-General on the Financial Statements of South Eastern Kenya University (SEKU) for the year ended 30 June 2018

Parcel	Size	Amount (Kshs)
LR NO 13529 (Grant IR 5739) situated in Yatta, Kitui County	4047.7 Hectares	300,000,000
LR NO. 209/10350 (Grant IR 52199) situated in Nairobi	0.78315 Hectares	441,600,000
Land ref. no. 12970 situated in West of Emali Township in the name of trustees of UKAI; David Muoka Mutiso, Kyale Mwendwa, Musembi Mbathi and Mathew Muli	1990.7 Hectares	295,000,000
TOTAL	6,039.18315 Hectares	1,036,600,000

However, as reported in the previous years, the above parcels of land had not been registered in the name of the University as at 30 June 2018. In addition, the University was in possession of three other parcels of land of an undetermined value as shown below which did not have title deeds.

Parcel	Description
Kitui Town (0.845 ha)	Awarded by the then Municipal Council of Kitui on 02 March 2011. This land is being developed by the University; and consists of an administration and tuition block.
Wote Town (30 acres)	Donated by the County Government of Makueni on 27 July 2016 This land is being developed by the University; and consists of an administration and tuition block.
Mtito Adei Town (20 acres)	The University has a certificate of ownership dated 29 July 2013 signed by the District Land Adjudication and Settlement Officer, Kibwezi District. This land is being developed by the University; and consists of a library and a tuition block.

Further, two other University parcels of land registration numbers Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713 measuring 3.26 Hectares and 6.09 Hectares respectively whose title deeds were issued to the University on 13 July 2017 and 22 September 2015 respectively had not been valued. However, the management wrote to the County Executive, Lands and Physical Planning on 26 April 2018 requesting to have the parcels valued. In the circumstances, it has not been possible to ascertain the validity, valuation and ownership status of the property, plant and equipment balance of Kshs.2,788,059,386 and that the same is fairly stated as at 30 June 2018.

3.0 Receivables from Exchange Transactions

The statement of financial position reflected receivables from exchange transactions of Kshs.65,740,203 as at 30 June 2018 which included Kshs.1,563,316 outstanding imprest which further included Kshs.1,092,354 imprest from previous year. However, no explanation was given as to why this outstanding imprest had not been recovered as at 30 June 2018.

In the circumstances, the recoverability of outstanding imprest amounting to Kshs.1,092,354 reflected in the statement of financial position as at 30 June 2018 could not be ascertained.

4.0 Revenue Reserves

Note 26 to the financial statements reflected a negative revenue reserve of Kshs.136,011,745 as at 30 June 2018 which included a negative Kshs.7,132,546 as adjustment on previous year student balances which was not supported by documentary evidence. Further, the statement of financial position as at 30 June 2018 reflected revenue reserve of Kshs.136,011,745 while the statement of changes in net assets reflected revenue reserve of Kshs.134,914,865 resulting to unreconciled variance of Kshs.1,096,880.

In the circumstances, the accuracy of the negative revenue reserve balance of Kshs136,011,745 reflected in the statement of financial position as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of South Eastern Kenya 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Revenue analysis

The statement of comparison of budget and actual amounts for the year ended 30 June 2018 reflected budgeted revenue of Kshs.1,320,086,973 and actual revenue of Kshs.1,261,933,442 resulting to a revenue over-collection and shortfall of Kshs.2,892,805 and Kshs.61,046,336 respectively as shown below: -

Items	Budget Kshs	Actual Kshs	Over Kshs	Under Kshs	%
Recurrent	909,431,973	909,431,973			0.0%
Research grants	36,000,000	38,892,805	2,892,805		8.0%
Tuition and other related fees	270,266,000	269,381,298		884,702	0.3%
Internally generated	104,389,000	44,227,366		60,161,634	57.6%
Total	1,320,086,973	1,261,933,442	2,892,805	61,046,336	

The University failed to meet its target revenue by Kshs.61,046,336 which may be an indication of improper planning on its budget making process. There is need for the University to relook at its budget making process with a view to planning a realistic budget to achieve its intended objectives.

1.2 Expenditure analysis

The statement of comparison of budget and actual amounts for the year ended 30 June 2018 reflected a budgeted expenditure of Kshs.1,320,086,973 and actual expenditure of Kshs.1,315,043,116 resulting to an under-expenditure of Kshs.5,043,857 as follows: -

Items	Budget (Kshs)	Actual (Kshs)	Under (Kshs)	%
Administration	143,604,031	143,123,285	(480,746)	0%
Council	11,500,000	10,564,117	(935,883)	-8%
Repairs and Maintenance	40,405,000	40,206,221	(198,779)	0%
Marketing, Publicity and Advertisement	6,500,000	5,729,095	(770,905)	-12%
Catering and Accommodation	26,200,000	26,089,188	(110,812)	0%
Academic services	37,252,000	35,326,082	(1,925,918)	-5%
Employee and part time lecturers	985,127,000	984,506,186	(620,814)	0%
Depreciation and amortization	68,802,942	68,802,942	0	0%
Audit fees	696,000	696,000	0	0%
Total	1,320,086,973	1,315,043,116	(5,043,857)	0%

The under absorption of Kshs.5,043,857 may have negatively impacted on service delivery by the University as well as an indication of improper budget planning process. Further, the University's budget reflected approved capital budget from Government of Kenya (GOK) of Kshs.65,240,000. However, note 3(b) to the financial statements reflected Kshs.63,930,908 in respect to the actual capital grants received from GOK resulting to an underfunding of Kshs.1,309,092.

The under-funding of Kshs.1,309,092 may have negatively impacted on service delivery by the University.

2.0 Going Concern

The statement of financial performance reflected a deficit of Kshs.53,109,674 for the year under review (2016/2017 – deficit Kshs.45,866,453). Further, the revenue reserves decreased from negative Kshs.82,151,048 as at 30 June 2017 to negative Kshs.136,011,745 as at 30 June 2018. In addition, the amount liabilities of Kshs.491,634,240 as at 30 June 2018 exceeded current assets of Kshs.173,727,860 as at the same date resulting to a negative working capital of Kshs.317,906,380 as at 30 June 2018. As a result, the University has not been in a position to meet its financial obligation as and when they fall due.

Consequently, these financial statements have been prepared on a going concern assumption that the University will get financial support from the National Government and Creditors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

1.0 Un-authorized Excess Expenditure

The University's statement of comparison of budget and actual amounts reflect a revenue budget of Kshs.1,320,086,973 while the actual revenue amounted to Kshs.1,261,933,442 resulting to a revenue shortfall of Kshs.58,153,531. Further, the actual expenditure of Kshs.1,315,043,116 exceeded the revenue figure of Kshs.1,261,933,442 resulting to

excess expenditure of Kshs.53,109,674. There was no evidence availed by the management for audit review if a supplementary budget was approved as per Section 12 of State Corporation Act which states that no State Corporation shall, without prior approval in writing of the Minister and the Treasury incur any expenditure for which a provision has not been made in the annual estimate.

In the circumstances, the University was in breach of the law.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

In preparing the financial statements, management is responsible for assessing the South Eastern Kenya University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the applicable basis of accounting

unless the management either intends to liquidate the South Eastern Kenya University or to cease operations, or have no realistic alternative but to do so.

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

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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the South Eastern Kenya University's 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 with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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 noncompliance. 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 South Eastern Kenya University's policies and procedures may deteriorate.

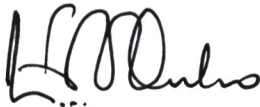
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 South Eastern Kenya University's ability to continue as a going concern. 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 South Eastern Kenya University to cease to continue as a going concern.

- 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 South Eastern Kenya University's 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

31 January 2019


SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XI. STATEMENT OF FINANCIAL PERFORMANCE


For the year ended 30 June 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Recurrent grants	3	909,431,973	657,084,450
Research grants	4	38,892,805	19,886,728
Total revenue from non-exchange transactions		948,324,778	676,971,178
Revenue from exchange transactions			
Tuition and other related fees	5	269,381,298	264,912,731
Rental revenue income and other sources	6	21,567,322	18,972,505
Other incomes	7	22,660,044	22,690,033
Total revenue from exchange transactions		313,608,664	306,575,269
Total revenue		1,261,933,442	983,546,447
Expenses			
Administration expenses	8	143,123,285	121,338,901
Council expenses	9	10,564,117	11,214,872
Repairs and maintenance, rents & rates	10	40,206,221	32,119,278
Marketing expenses	11	5,729,095	13,923,157
Catering and accommodation	12	26,089,188	26,027,344
Academic services	13	35,326,082	47,199,070
Employee costs	14	984,506,186	714,538,077
Depreciation and amortization expense	15	68,802,942	62,356,201
Audit fees	16	696,000	696,000
Total expenses		1,315,043,116	1,029,412,900
Deficit for the period		(53,109,674)	(45,866,453)

The Financial Statements set out on pages 30 to 68 were approved by the Full Council during its 59th meeting held on 23rd August, 2018 and signed on its behalf by:



PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR
 Date.....10/12/2018.....



DR. REUBEN K. CHIRCHIR, Ph.D
CHAIRMAN OF COUNCIL
 Date.....11-12-18.....




SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XII. STATEMENT OF FINANCIAL POSITION

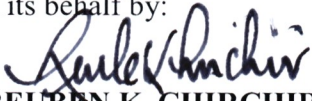
As at 30 June 2018

Assets	Notes	2017-2018	2016-2017
Current assets		Kshs	Kshs
Cash and cash equivalents	17	102,196,092	58,181,650
Receivables from exchange transactions	18	65,740,203	66,069,178
Receivables from non-exchange transactions	19	-	16,480,487
Inventories	20	5,791,565	7,565,033
Total current assets		173,727,860	148,296,348
Non-current assets			
Biological assets	21	6,520,742	4,142,906
Property, plant and equipment	15	2,788,059,386	2,574,125,201
Total assets		2,968,307,988	2,726,564,455
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	424,164,692	210,842,857
Unexpended research grants	23	40,728,424	17,281,118
Refundable deposits from students-caution money	24	23,286,970	21,984,900
Contingent liabilities	25	3,454,154	3,454,154
Total current liabilities		491,634,240	253,563,029
Net assets			
Revenue reserves	26	(136,011,745)	(82,151,048)
Capital fund	27	2,122,992,288	2,059,061,380
Revaluation reserve	28	489,693,205	496,091,094
Total net assets		2,476,673,748	2,473,001,426
Total net assets and liabilities		2,968,307,988	2,726,564,455

The Financial Statements set out on pages 30 to 68 were approved by the Full Council during its 59th meeting held on 23rd August, 2018 and signed on its behalf by:



PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR
 Date... 11/12/2018



DR. REUBEN K. CHIRCHIR, Ph.D
CHAIRMAN OF COUNCIL
 Date..... 11-12-18



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2018

	Capital fund Kshs	Revenue reserves Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 30 June 2016	1,897,310,797	(45,010,036)	499,492,375	2,351,793,136
Deficit for the period	-	(45,866,453)	-	(45,866,453)
Adjust. on depreciation of revalued motor vehicles	-	7,081,281	(7,081,281)	-
Adjustment on unexpended research grants	-	1,644,160	-	1,644,160
Motor vehicles revaluation	-	-	3,680,000	3,680,000
Capital grants received in the year	161,750,583	-	-	161,750,583
Balance as at 30 June 2017	2,059,061,380	(82,151,048)	496,091,094	2,473,001,426
Deficit for the period	-	(53,109,674)	-	(53,109,674)
Adjustment on previous years student balances	-	(7,132,546)	-	(7,132,546)
Adjustment on rent deposit	-	1,080,514	-	1,080,514
Adjust. on depreciation of revalued motor vehicles	-	6,397,889	(6,397,889)	-
Capital grants received in the year	63,930,908	-	-	63,930,908
Balance as at 30 June 2018	2,122,992,288	(134,914,865)	489,693,205	2,477,770,628



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XIII. STATEMENT OF CASHFLOWS

For the year ended 30 June 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating activities			
Deficit for the year		(53,109,674)	(45,866,453)
Increase in net worth of biological assets	7	(2,377,836)	(1,688,966)
Gain on disposal of asset	6	-	(765,875)
Adjust. for depreciation	15	68,802,942	62,356,201
Operating surplus/deficit before working capital		13,315,432	14,034,907
Decrease in trade and other receivables		16,809,462	13,015,066
Decrease in inventories		1,773,468	(2,852,645)
Increase in trade and other payables		213,321,835	(35,645,555)
Increase in refundable caution money		1,302,070	4,238,200
Increase in unexpended research grants		23,447,306	(1,644,162)
Net cash inflow from operating activities		269,969,573	(8,854,189)
Cash flow from investing activities			
Purchase of non-current assets	15	(37,133,254)	(31,762,528)
Increase in net worth of biological assets		2,377,836	1,688,966
Proceeds from insurance claim		-	2,166,068
Work in progress	15	(245,603,872)	(142,924,514)
Net cash flow from investing activities		(10,389,717)	(179,686,196)
Cash flow from financing activities			
Decrease in revaluation reserves		(9,526,749)	-
Capital grants received from Government	27	63,930,908	161,750,583
Net cash flow from financing activities		54,404,159	161,750,583
Increase/Decrease in cash and cash equivalents		44,014,442	(17,935,613)
Cash and cash equivalents bal. b/f	17	58,181,650	76,117,263
Cash and cash equivalents bal. c/f		102,196,092	58,181,650



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2018

	Original budget	Adjustments	Final budget	Actual comparable basis	Performance difference
	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants (GoK Capitation)	909,431,973	-	909,431,973	909,431,973	-
Research Grants	36,000,000	-	36,000,000	38,892,805	2,892,805
Exchange transactions					
Tuition and other related fees	282,222,000	(11,956,000)	270,266,000	269,381,298	(884,702)
Internally Generated	104,389,000	-	104,389,000	44,227,366	(60,161,634)
Total revenue	1,332,042,973	(11,956,000)	1,320,086,973	1,261,933,442	(58,153,531)
Expenses					
Administration	114,408,031	29,196,000	143,604,031	143,123,285	480,746
Council	13,000,000	(1,500,000)	11,500,000	10,564,117	935,883
Repairs and maintenance, rents & rates	43,000,000	(2,595,000)	40,405,000	40,206,221	198,779
Marketing , publicity and advertisement	10,000,000	(3,500,000)	6,500,000	5,729,095	770,905
Catering and accommodation	28,800,000	(2,600,000)	26,200,000	26,089,188	110,812
Academic services	78,000,000	(40,748,000)	37,252,000	35,326,082	1,925,918
Employee and part-time lecturers	975,336,000	9,791,000	985,127,000	984,506,186	620,814
Depreciation and amortization	68,802,942	-	68,802,942	68,802,942	-
Audit fees	696,000	-	696,000	696,000	-
Total expenditure	1,332,042,973	(11,956,000)	1,320,086,973	1,315,043,116	5,043,857
Deficit for the period	-	-	-	(53,109,674)	(53,109,674)

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

XV. NOTES TO THE FINANCIAL STATEMENTS

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

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

Its mandate is to provide framework and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities.

In particular, the Board performs the following functions;

- (a) Set generally accepted accounting and financial standards.
- (b) Prescribe the minimum standards of maintenance of proper books of accounts for all levels of Government.
- (c) Prescribe internal audit procedures which comply with the Act.
- (d) Prescribe formats for financial statements and reporting by all state organs and public entities.
- (e) Publish and publicize the accounting and financial standards and any directives and guidelines.
- (f) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flows has been prepared using the indirect method. The financial statements are prepared on accrual basis.



2. Summary of significant accounting policies

a) Revenue recognition

Revenue measurement, recognition and disclosure has been made as follows:

i) Revenue from non-exchange transactions – IPSAS 23

Revenue

The University recognizes revenues when the event occurs and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. Tuition fee income is recognised when students admitted by the University report and not when they pay.

Sale of goods

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



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Rental income

Rental income arising from operating leases on investment properties is recognised based on signed agreements with specific periods of leases, where upon rent is due in advance in every month of the lease.

b) Budget information – IPSAS 24

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

Statement of comparison of budget and actual amounts:

Recurrent Grants

The Government allocated the University Kshs. 909,431,973.00 This amount was duly received in the financial year.

Tuition and other related fees

The University had projected to collect Kshs. 270,266,000.00 in the financial year. However, differences between the beginning and ending periods of academic and financial years caused part of the forecasted amount to go down to Kshs. 269,381,298.00

Administration expenses

The University management continued to rationalize and manage costs. Greater focus was put on information and communication technology to enhance capacity to deliver on the University mandate. Cost associated with information technology, therefore, went up substantially.

Employee costs

The Management continued to recruit key members of staff guided by approved staff establishment. The payment and implementation of 2013-2017 CBA formed part of the higher costs which increased by Kshs. 269,968,109.00 over the year.



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Revision of the budget

Un expected decrease or increase in some of the budget line items necessitated a realignment of the expenditure. This was approved by the University Council on 25th June, 2018.

c) Biological assets – IPSAS 27

- (i) The University biological assets portfolio included cattle, pigs, poultry, goats and a donkey. These were measured, on initial recognition, at purchase price and at subsequent reporting dates at fair values less costs to sell with adjustments being made for purchases and disposal made in the years.
- (ii) Gain or loss that arose on initial recognition of biological assets and from subsequent changes in fair values during the period, were reported in the Statement of Financial Performance.
- (iii) Biological assets have been classified as non-current assets because they are held for business purposes as an income generating activity.

Movement to changes in fair values of the biological assets is as shown below:

Biological assets

Category	Balance at the beginning	Addition	Disposal	Revaluation gain	Balance as at 30 June 2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Cattle	1,171,920	666,000	-	521,280	2,359,200
Poultry	58,630	-	(32,500)	40,270	66,400
Goats	1,868,896	441,000	(132,464)	887,510	3,064,942
Pigs	1,031,460	-	(128,760)	115,500	1,018,200
Donkey	12,000	-	-	-	12,000
Total	4,142,906	1,107,000	(293,724)	1,564,560	6,520,742

Revaluation of biological assets is based on the following assumptions:

- a) Live weight of biological assets determined by chest/heart girth measurement increased in the course of the year.
- b) Prevailing market rates per asset had increased by end of the year.



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d) Property, plant and equipment – IPSAS 17

Property, plant and equipment under construction has been valued on the basis of expenditure incurred and certified work certificates up to 30th June, 2018.

Work in Progress is not depreciated. The total cost of a project will be transferred to the relevant asset class on completion and then depreciated.

During the year under review none of the projects were capitalized.

Property, plant and equipment items are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized as expense and accounted for through the statement of financial performance.

Land improvements - include fencing, landscaping, parking lots, walkways and internal roads. These facilities are estimated to have a lifespan of twenty (20) years

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

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

The annual rates are as follows:

Furniture & Equipment	-	15% on straight line basis
Motor vehicles	-	25% on straight line basis
Buildings	-	2% on straight line basis
Computers & Accessories	-	25% on straight line basis
Land improvements	-	5% on straight line basis
ICT Infrastructure	-	15% on straight line basis



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Software amortization

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

The purpose of amortization is to allocate the costs of the system to the periods for which benefits from the system's service is derived. Amortization is to begin when the software is ready for its intended use and placed in-service (system of record), which is after signing off and commissioning. The system software in place was still being implemented hence no amortization was done.

Land ownership

The ownership of land- parcels reference L.R. No. 209/10350 (Nairobi), L.R No. 13529 (Kitui) and L.R. No. 12970 (Emali) which is the land amounting to Kshs. 1,036, 600,000 included in the Plant, Property and Equipment schedule have not been registered in the name of the University as a result of land disputes.

There are several cases pending in court with both the University Management and lawyers making efforts to have them registered in the name of the University.

The University also has interest in other parcels of land which, will be recognized and disclosed in financial statements after processing ownership documents and valuation. These include:

(i) Land in Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713

The University has physical possession and title deeds over the land which was received as a donation on 13th July, 2015 and 22nd September, 2015 respectively..

(ii) Land in Kitui

This land was awarded to the University by the then Municipal Council of Kitui through the Town Planning Committee in a meeting held on 2nd March, 2011. Ownership documents have been forwarded to the Director of Physical Planning for verification and approval of allotment which will pave way for processing of title deed.



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(iii) Land in Wote town

The University received 30 acres of land via a letter dated 27th July, 2016 from the County Government of Makueni. The National Land Commission has directed the Director of Land Administration to process title in favour of the University.

(iv) Land in Mtito-Andei

The University has a certificate of ownership for plot number 3756 Mangelete Settlement Scheme measuring 20 acres from the District Land Adjudication & Settlement Officer, Ministry of Lands, Kibwezi District dated 29th July, 2013. It is currently processing ownership documents of the land.

Fully depreciated assets

Included in the net book value of motor vehicles is revaluation resulting from vehicles which had been depreciated to zero. The gross carrying amount as at 30th June 2018 was Kshs. 3,680,000.00 as per revaluation by Automobile Association of Kenya. This was written back to form part of motor vehicles cost and will be depreciated at 25% p.a. for the next two years.

An adjustment of two year depreciation on revalued motor vehicles amount has been charged to the revaluation reserves and a corresponding entry passed to the retained earnings in the year under review.

Financial instruments

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Foreign currency transactions are translated into the local currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

e) Research and development costs

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

- (i) The technical feasibility of completing the asset so that the asset will be available for use or sale



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- (ii) Its intention to complete and its ability to use or sell the asset
- (iii) How the asset will generate future economic benefits or service potential
- (iv) The availability of resources to complete the asset
- (v) The ability to measure reliably the expenditure during development

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

Unexpended research grants

This represents unspent external grants and donations for sponsored research and other restricted purposes. The balance has decreased from the previous year due to the timing of research expenditures. This amounted to Kshs. 40,728,424.00 which is recognised as unexpended research grants.

Expenditure on research initiatives is recognised as an expense through the statement of financial performance through the unexpended research grants.

A corresponding amount is recognised as revenue in the statement of financial performance through the unexpended research grants.

f) Inventories – IPSAS 12

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

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

- (i) Raw materials: Purchase cost using the weighted average cost method
- (ii) Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs



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

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

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

g) Provisions – IPSAS 19

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

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

The expense relating to any provision was presented in the statement of financial position net of any reimbursement as follows:

(i) Contingent liabilities

The University had a potential liability relating to penalty and interest due to delayed payment of tax expense (PAYE) lost through fraud for the month of June 2015. This amount of Kshs.3,454,154.00 is recognised as a contingent liability in the statement of financial position pending determination of a petition written to Kenya Revenue Authority for its write off.

(ii) Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are



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appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs. No such contingent assets existed in the year under review.

h) 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 only if retrospective application is impractical.

i) Foreign currency transactions – IPSAS 4

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

k) Deferred Income tax

Pursuant to section 26 of the Income Tax Act CAP. 470. the University is exempted from paying income tax. However income from employment or from services rendered to the University and paid to the individuals is subjected to Pay as You Earn and remitted to the Government.

Similarly no deferred tax arises from University operations.



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l) Comparative figures

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

m) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the University financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, there was no uncertainty about these assumptions and estimates that could result in outcomes that require a material adjustment to the carrying amount of any asset or liability likely to be affected in future periods.

n) 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:

- (i) The condition of the asset based on the assessment of experts employed by the University
- (ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- (iii) The nature of the processes in which the asset is deployed
- (iv) Availability of funding to replace the asset
- (v) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured by the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material

o) Related party disclosures– IPSAS 20

The University is wholly owned by the Government of Kenya.

Related party transactions: -



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

During the year the following transactions were carried out with related parties:

(i) Members of the University Management Board

Members of the University Management Board include the Vice Chancellor, the Deputy Vice Chancellors, Registrars and the Finance Officer. They are paid salaries.

During the year under review, members of the University Management Board were paid Kshs.78,837,977.00 as salaries which were included in the employee cost .

(ii) The Council

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



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Council member's emoluments in the year were as follows:

Council Allowances

	2017-2018	2016-2017
	Kshs	Kshs
Sitting allowance	4,138,852	3,562,158
Travelling and accommodation allowances	4,745,265	5,221,101
Honorarium	1,680,000	2,431,613
Total council expenses	10,564,117	11,214,872

p) Financial risk management objectives and policies- IPSAS 30

Exposure to credit, rate and currency risk arise in the normal course of University business.

The main aim of financial risk management is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the University financial performance. The University risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits.

Risk management is carried out by the University Management Board under the supervision of the University Council. Management in conjunction with the Council Audit Committee then identifies, evaluates and addresses risks accordingly abiding to policies approved by the Council. They also review market trends and information available to evaluate the potential exposures and then arrive at strategies to mitigate against market risks.

In addition, the University has an independent internal audit department which reports directly to the Council Audit Committee. This department is responsible for the independent review of risk management and the control environment.

The University generates income from fees billed to students, budgetary support from the Government of Kenya, donations from donors and development partners and returns from various income generating activities. These activities expose the University to a variety of financial risks, including credit risk and foreign currency risks.

Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the University functional currency.



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The functional currency of the University is Kenya shillings. The University had bank accounts denominated in euros and dollars and some transactions were done through these currencies.

Foreign exchange differences arising from settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, were recognized as income or expenses in the period.

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 has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The University also operates prepaid refundable deposits to further minimise credit risk. The University uses publicly available information and its own records to rate its major customers. The credit risk exposure to the University is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties.

Financial assets, which potentially subject the University to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The University cash and cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of an allowance for doubtful receivables.

The University's largest customers were students. There were, however, no significant concentrations of credit risk as at the end of the reporting period.

There has been no significant change during the financial year, or since the end of the reporting period, to the University's exposure to credit risk in the approach to the measurement or the objectives, policies and processes for managing this risk.

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the University at the comparative period end dates, without taking account of any collateral held or other credit enhancements attached. For assets in the statement of financial position, this exposure is based on net carrying amounts as reported.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

Classification of credit risk bearing assets

The table below shows the ageing profile of trade receivables:

The credit risk exposures are classified in three categories as follows:

- (1) Fully performing
- (2) Past due
- (3) Impaired

Credit risk

As at 30 June 2018	Fully performing Kshs	Past due Kshs	Impaired Kshs
Outstanding imprest	1,563,316	-	-
Students debtors	57,738,454	-	-
General debtors	4,495,877	-	-
Internal debtors	30,000	-	-
Bank balances	102,196,092	-	-
Total	166,023,739	-	-

As at 30 June 2017	Fully performing Kshs	Past due Kshs	Impaired Kshs
Outstanding imprest	1,092,354	-	-
Students debtors	64,197,580	-	-
General debtors	188,244	-	-
Bank balances	58,181,650	-	-
Total	123,659,828	-	-

The parties under the fully performing category are paying their debts as and when they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. The finance department is actively following up on these receivables. The amounts that are impaired have been fully provided for. All the financial assets, as analysed here above, were fully performing as at the end of the reporting period.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties in meeting its maturing obligations attributable to financial liabilities. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

The ultimate responsibility for the liquidity risk management rests with the University Council, which has established an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements.

The University manages liquidity risk through continuous monitoring of forecast and actual cash flows. The University also maintains a balanced budget and produces quarterly management accounts to monitor performance. An annual procurement plan is drawn at the beginning of every financial year to guide on commitments to be made in the year taking into account the resources envelop.

The University ensures that it has sufficient funds on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below provides a contractual maturity analysis of the University's financial liabilities:

Liquidity risk

As at 30 June 2018	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Unpaid contractors certificates	111,522,187	37,174,062	-	148,696,249
Recurrent creditors suppliers	31,122,809	10,374,270	-	41,497,079
Contractor's retention	44,306,534	14,768,845	-	59,075,379
Commissioner of domestic taxes (Withholding tax)	4,557,295	1,519,098	-	6,076,393
Withholding tax (VAT)	9,032,843	3,010,948	-	12,043,790
Refundable customer deposits	71,813	23,938	-	95,750
Total	200,613,480	66,871,160	-	267,484,640



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

As at 30 June 2017	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Unpaid contractors certificates	8,423,548	2,807,849	-	11,231,397
Recurrent creditors suppliers	14,234,704	4,744,901	-	18,979,605
Contractor's retention	29,761,273	9,920,424	-	39,681,697
Commissioner of domestic taxes (Withholding tax)	479,772	159,924	-	639,696
Withholding tax (VAT)	2,500,746	833,582	-	3,334,328
Refundable customer deposits	71,813	23,938	-	95,750
Total	55,471,855	18,490,618	-	73,962,473

q) Disclosure of new and revised standards and interpretations not yet adopted.

IPSAS 33 provides transitional exemptions to organizations that are adopting accruals basis IPSASs for the first time. The aim of the standard is to provide relief to entities where the cost of complying with IPSASs would likely exceed the benefits to users of financial statements. The standard also enables first-time adopters to report their transition to accrual basis IPSASs transparently.

It provides participants with a thorough understanding of the requirements, covering all the transitional arrangements and disclosure requirements relating to the first-time adoption of accruals basis IPSASs.

The transitional exemption did not affect the fair presentation of the financial statement neither the ability to assert compliance with accrual basis International Public Sector Accounting standards.

IPSAS 34 Prescribes the accounting and disclosure requirements for investment in controlled entity, joint venture and associate when it elects, or is required to prepare separate financial statements.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

IPSAS 35 Consolidated financial statements-The standard requires that control be assessed having regard to benefits and power. Definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity.

To reduce unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014.

IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. Equity accounting must now be used when accounting for joint venture and does not permit a different accounting treatment for temporary investments.

IPSAS 37 Establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement.

It requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement and that joint ventures be accounted for using the equity method.

IPSAS 38 Introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal.

IPSAS 39 replaced IPSAS 25 Employee Benefits.

Changes include:

- 1) Removing an option that allows an entity to defer the recognition of changes in the net defined benefit liability
- 2) Introducing the net interest approach for defined benefit plans
- 3) Amending certain disclosure requirements for defined benefit plans and multi-employer plans.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

- 4) Simplifying the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service and removing requirements for composite social security programmes.

IPSAS 40 specifically addresses the needs of the public sector when accounting for combinations of entities and operations by providing two types of public sector combinations as amalgamations and acquisitions.

For amalgamations, the standard requires use of the “modified pooling of interests” method of accounting in which the amalgamation is recognised on the date it takes place.

Use of the “acquisition” method of accounting is recommended for acquisitions which is supplemented with additional guidance for public sector specific situations.

r) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
3 Transfer from Ministries, Departments and Agencies		
(a) Recurrent grants		
Bank statement date		
03/07/2017	61,984,083	
19/07/2017	67,825,516	
01/08/2017	59,314,489	
04/09/2017	59,314,489	
03/10/2017	59,314,489	
03/11/2017	59,314,489	
01/12/2017	28,270,212	
01/12/2017	59,314,489	
02/01/2018	5,654,042	
02/01/2018	59,314,489	
08/02/2018	5,654,042	
08/02/2018	59,314,489	
13/03/2018	5,654,042	
13/03/2018	59,314,489	
06/04/2018	5,654,042	
06/04/2018	59,314,489	
02/05/2018	5,654,042	
02/05/2018	59,314,489	
11/06/2018	5,654,042	
11/06/2018	59,314,489	
28/06/2018	5,654,042	
28/06/2018	59,314,489	
Total recurrent grants	909,431,973	657,084,450

These are non-conditional funds received from the Government to support recurrent Expenditure of the University.

(b) Capital grants

13/09/2017	18,959,099
12/10/2017	1,266,605
17/04/2018	12,500,000



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
17/04/2018	25,000,000	
16/05/2018	6,205,204	
Total capital grants	63,930,908	161,750,583

These are conditional funds received from the Government to support development expenditure of the University.

4 Research grants

ICRAF 12017 Project	75,000	121,621
GCFSI Project	1,011,111	2,603,271
International Foundation	-	1,144,440
Niche Project	524,692	14,035,175
Agronomic Materials Project	403,100	-
Asali project (Tarc)	6,668,902	-
World Health Organization	-	803,661
Tissue Culture DNA project	7,070,000	-
Moringa Project	7,625,000	-
Climate Smart Project	8,191,000	-
Integrated Push-Pull Project	7,324,000	-
EDULINK Project	-	1,178,560
Total research grants	38,892,805	19,886,728

5 Tuition and other related fees

Tuition fees	153,323,588	153,021,487
Application fees	665,702	962,156
Registration fees	7,630,018	7,119,000
Student identification card fees	2,718,400	2,723,500
Activity fees	6,622,900	6,717,500
Student medical fees	14,471,952	14,726,313
Examination fees	20,449,386	20,631,375
Library fees	11,265,535	10,793,920
Supervision fees	144,000	162,000
Field trips/attachment fees	309,500	185,870
Thesis fees	18,000	63,000



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Project fees	1,616,700	1,523,000
Computer fees	19,574,710	19,504,191
Teaching practice fees	8,226,500	7,152,500
Accommodation fees	22,344,407	19,626,919
Total tuition and other related fees	269,381,298	264,912,731

Students' union and subscription fees were accounted for as a liability since this belongs to South Eastern Kenya University Students Association. The University only offers facilitation in collecting these dues as part of fees.

6 Rental income and other sources

Library fine	44,858	11,000
Graduation fees	4,250,500	4,181,000
Hire of academic gowns	973,800	-
Tender fees	102,500	119,111
General fines-keys and others	2,162,814	1,176,868
Miscellaneous income	158,764	1,059,145
Gain on foreign exchange	649,489	87,651
Consultancy fee	3,653,200	345,450
Hire of conference facilities	71,800	1,437,150
Rent income	918,016	764,712
Income from computer science	-	1,620,341
Milk and dairy products	73,030	49,675
Accommodation receipts guest house	2,692,230	2,647,996
Food sales- income generating activities	5,017,356	4,703,191
Gain on disposal of asset	-	765,875
Farm proceeds	598,965	3,340
Other grants and donations	200,000	-
Total rental income and other sources	21,567,322	18,972,505

7 Other incomes

Increase in net worth of biological assets	1,564,560	1,688,966
Students mess sales-Pay as you eat	21,095,484	21,001,067
Total other incomes	22,660,044	22,690,033



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
8 Administration expenses		
Student bursaries	2,608,373	3,534,272
Student sponsorship	-	199,900
Guest house	2,656,111	2,941,667
Cafeteria	2,091,475	438,618
Staff travelling and subsistence	11,351,006	15,835,083
Passage, baggage and leave days	-	171,015
External travel and accommodation	-	285,105
Staff training and development	914,873	1,720,690
Staff and dependent fees waiver	1,080,150	2,888,538
Medical insurance cover and staff hospitalization expenses	34,946,062	22,095,090
Staff performance appraisal and reviews	-	83,520
Staff funeral expenses	50,000	-
Postage and courier services	34,040	53,060
Electricity expenses	12,750,830	10,657,900
Water expenses	11,943,173	9,574,190
General insurances - properties and others	5,518,292	3,954,287
Professional, Legal and other fees	3,332,716	7,017,007
Official entertainment	538,500	564,940
Conference and seminars	1,271,483	275,100
University subscription to other bodies	2,011,563	888,733
Newspapers, journals and videos	-	27,570
Internet and ICT infrastructure	20,768,030	19,665,805
Office running	2,646,317	3,110,941
Management, Senate and other internal committee	2,517,940	3,715,863
Cleaning and Sanitary Services	4,554,628	1,682,428
Performance contracting	951,186	262,900
Telephone	174,653	139,490
Farm	3,181,372	1,745,893
Transport operating	8,537,315	6,176,539
Security services	5,968,000	-
Loss on foreign exchange	194,173	371,568
HIV/AIDS Control unit	-	89,660



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Bank charges, commissions and errors	531,024	1,171,529
Total administration expenses	143,123,285	121,338,901
9 Council expenses		
Sitting allowance	4,138,852	3,562,158
Travelling and accommodation allowances	4,745,265	5,221,101
Honorarium	1,680,000	2,431,613
Total council expenses	10,564,117	11,214,872
10 Repairs and maintenance, rents & rates		
Repairs and maintenance of motor vehicles	12,294,894	7,470,403
Repairs and maintenance of buildings	10,068,747	8,353,669
Repairs and maintenance equipment & machinery	3,006,642	2,552,306
Rent and rates	14,250,537	12,545,363
Land improvement expenses	585,401	1,197,537
Total repairs and maintenance, rents and rates	40,206,221	32,119,278
11 Marketing Expenses	Kshs	Kshs
Printing and publishing	257,500	1,603,441
Marketing, Publicity & advertising	5,471,595	11,905,216
Shows and exhibitions	-	414,500
Total marketing expenses	5,729,095	13,923,157
12 Catering and accommodation	26,089,188	26,027,344
Catering and accommodation		
This is expenditure incurred to purchase food stuff for students at the University.		
13 Academic services		
Teaching materials expenses	3,010,757	3,375,307
Graduation expenses	6,581,894	6,580,253
Sports expenses	3,582,600	3,440,600
Teaching practice & field attachment	3,467,364	4,997,300
Academic field trips	1,629,962	1,284,662



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Research expenses	13,073,569	21,530,890
Subsistence allowance - external examiners	1,024,573	1,447,693
Student activities	1,689,875	1,843,701
Library expenses	1,265,488	2,564,429
Internally funded research	-	134,235
Total academic services	35,326,082	47,199,070

14 Employee costs

Basic pay	483,998,405	274,070,772
House allowance	181,068,868	162,075,272
Commuting allowance	67,316,370	62,407,579
Entertainment allowance	10,514,677	10,193,419
Hardship allowance	51,431,119	47,347,674
Professorial allowance	488,000	492,000
NSSF-employer contribution	4,180,488	1,051,200
Pension-employer contribution	51,845,780	42,032,596
Acting allowance	128,322	267,377
Leave travelling allowance	2,111,020	1,816,696
Responsibility allowances	17,202,861	16,598,490
Allowances arrears	1,867,642	1,576,457
Uniform expense	30,000	87,600
Book Journal/ICT allowance	1,340,000	1,137,500
Gratuity and pensions contributions	14,390,982	8,989,628
Passage, baggage and leave days	289,245	-
Teaching claims - part time lecturers	44,556,353	23,981,298
Casual labour expenses	18,101,030	27,864,991
Telephone allowances	6,148,358	6,057,581
Time tabling allowances	1,088,548	1,087,167
Facilitation allowance	480,000	390,000
Extraneous allowances	3,999,356	4,253,581
Security guard allowances	2,064,000	1,818,839
Water and electricity allowances	2,761,419	2,571,419
Risk allowances	326,057	392,750



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Other employee allowances	16,777,286	15,976,191
Total employee costs	984,506,186	714,538,077



**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED JUNE 30, 2018**

15 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

Property, plant and equipment

Description	Land		Buildings		Furniture, plant & equipment		Motor vehicles		Computers		Work in Progress		Soft ware		Total
	Kshs	Kshs	improvements Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Cost															
At 1 July 2016	1,036,600,000	-	243,008,364	106,079,455	64,313,713	40,516,347	1,128,148,813	7,526,720	2,626,193,412						
Additions	-	-	-	20,178,332	9,030,000	2,554,196	142,924,514	-	174,687,042						
Revaluation	-	-	-	-	3,680,000	-	-	-	3,680,000						
Adjustments on Revaluation	-	-	-	-	(6,056,518)	-	-	-	(6,056,518)						
Disposal	-	-	-	-	(2,890,000)	-	-	-	(2,890,000)						
Capitalization	-	220,033,881	378,743,995	11,810,526	-	-	(610,588,402)	-	(2,890,000)						
At 30 June 2017	1,036,600,000	220,033,881	621,752,359	138,068,313	68,077,195	43,070,543	660,484,925	7,526,720	2,795,613,936						
Additions	-	-	-	25,390,954	10,950,000	792,300	241,429,102	4,174,770	282,737,126						
At 30 June 2018	1,036,600,000	220,033,881	621,752,359	163,459,267	79,027,195	43,862,843	901,914,027	11,701,490	3,078,351,062						
Depreciation															
At 1 July 2016	-	-	(28,156,583)	(64,981,473)	(35,185,115)	(38,310,880)	-	-	(166,634,051)						
Depreciation	-	(11,001,694)	(12,435,047)	(20,710,247)	(17,019,299)	(1,189,914)	-	-	(62,356,201)						
Adjustments on Revaluation	-	-	-	-	6,056,518	-	-	-	6,056,518						
Disposal	-	-	-	-	(1,445,000)	-	-	-	(1,445,000)						
At 30 June 2017	-	(11,001,694)	(40,591,630)	(85,691,720)	(44,702,896)	(39,500,794)	-	-	(221,488,734)						
Depreciation	-	(11,001,694)	(12,435,047)	(24,518,890)	(19,756,799)	(1,090,512)	-	-	(68,802,942)						
At 30 June 2018	-	(22,003,388)	(53,026,677)	(110,210,610)	(64,459,695)	(40,591,306)	-	-	(290,291,676)						
Net book values															
At 30 June 2018	1,036,600,000	198,030,493	568,725,682	53,248,657	14,567,501	3,271,537	901,914,027	11,701,490	2,788,059,386						
At 30 June 2017	1,036,600,000	209,032,187	581,160,729	52,376,593	23,374,299	3,569,749	660,484,925	7,526,720	2,574,125,202						



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
15B-		
(1) Additions to work in progress are analysed as follows:		
(i) Students hostel and kitchen-II-Lake Gas ltd	1,230,644	-
(ii) Tuition and office block-II-Northern Const. ltd	4,093,615	5,624,770
(iii) Students hostel phase V -Glanak Investments	-	13,452,089
(iv) Fencing of sports pavilion-Frotech Enterprises	2,542,000	-
(v) Central stores-Jap International	4,122,563	2,106,091
(vi) School of Humanities-Dama Services /Veevee Enterprises	76,019,828	39,999,911
(vii) Kitui Campus-Aaki Consultants/Stepal Builders.	39,803,527	30,174,330
(viii) Wote Campus-Heritage Associates /Arcon Works Ltd.	113,616,925	40,000,332
(ix) Cctv Camera-Jigsys Technologies	-	6,879,902
(x) Ict Cabling-Fast Cellular	-	4,687,088
(xi) Library software-J. Touch Ltd	3,449,770	-
(xii) Anti-plagiarism software-Dimension Education Ltd	725,000	-
Total	245,603,872	142,924,514

(2) Depreciation on work in progress

Depreciation is only charged on completed projects based on applicable depreciation rates. No depreciation charge is made on work in progress.

16 Audit fees	696,000	696,000
This is a prescribed fee paid to the Office of the Auditor General for services rendered of auditing the University Annual Report and Financial Statements.		



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
17 Cash and cash equivalents		
(i) Current accounts		
NBK Fees collection A/C No.01021052862000	2,623,243	276,460
NBK Development A/C No.01021053129200	43,262,096	37,654,065
NBK Income generating units A/C No.01021053129100	883,431	2,235,881
NBK Research A/C No.01021053302500	30,065,573	2,906,207
NBK Dollar A/C No.02020052862000	548,493	3,870,245
NBK Euro A/C No.03020052862000	10,114,358	7,035,856
NBK Payment A/C No.01020088710300	3,689,709	1,444,901
NBK Catering and accom. A/C No.01020088710400	551,398	123,655
NBK Caution money A/C No.01020017462300	663,316	394,229
KCB Fees collection A/C No.1127693166	652,418	152,097
Co-op. Bank fees collect. A/C No.01129300544600	8,169,161	804,419
Equity Bank fees collect. A/C No.0720295920757	786,494	615,352
Barclays Bank fees collect. A/C No.2021558152	149,087	634,388
Total of current accounts	102,158,777	58,147,755
(ii) Others		
M-PESA Fees payment account	32,100	26,000
M-PESA IGU payment account	5,215	7,895
Total of others	37,315	33,895
Total cash and cash equivalents	102,196,092	58,181,650
18 Receivables from exchange transactions		
Outstanding imprest	1,563,316	1,092,354
Students debtors	57,738,454	64,197,580
General debtors	4,495,877	188,244
Internal debtors	30,000	-
Other current assets		
BOC cylinders deposits	211,000	171,000
KPLC co ltd. Deposits	110,000	110,000
Prepaid rent	201,042	-
Rent deposits	1,390,514	310,000



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Total receivables from exchange transactions	65,740,203	66,069,178
19 Receivables from non-exchange transactions	-	16,480,487
Total receivables	65,740,203	82,549,665
20 Inventories		
Central store inventory	4,168,711	6,247,772
Cleaning materials	316,282	20,955
Food stuffs inventory	574,680	232,650
Medical drugs	598,794	782,974
Purchases for sale IGU	41,857	49,801
Farm inventory	91,241	230,881
Total inventories	5,791,565	7,565,033
21 Biological assets		
Cattle	2,359,200	1,171,920
Poultry	66,400	58,630
Goats	3,064,942	1,868,896
Pigs	1,018,200	1,031,460
Donkey	12,000	12,000
Total biological assets	6,520,742	4,142,906
22 Trade and other payables from exchange transactions		
Unpaid contractors certificates	148,696,249	11,231,397
Recurrent creditors suppliers	41,497,079	18,979,605
Retention-contractors	59,075,379	39,681,697
Commissioner of domestic taxes (Withholding tax)	6,076,393	639,696
Withholding VAT	12,043,790	3,334,328
Customer deposits(refundable)	95,750	95,750
Customer prepayment	1,100	38,301



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
Insurance and investments	4,046,707	8,677
Net outstanding salaries	59,159	79,431
Pay as you earn tax	15,729,638	99,827
SEKU Sacco deductions	4,286,825	-
SEKU pension scheme	6,865,269	357,240
Staff unions-COTU	4,200	-
Kudheiha workers union	30,461	-
Other societies deductions	1,548,051	-
Kenya Univ. and Colleges Placement Services fee	2,443,500	2,388,000
Staff bank loan deductions	9,475,926	-
Kenya Universities Staff Union	93,605	-
UASU	330,933	-
Student pre-paid fees	56,093,050	54,815,298
Provision for part-time claims	36,419,418	62,238,646
Provision for audit fees	696,000	1,392,000
HELB-Loan	7,845,031	5,834,985
CDF- Constituency Development Fund	3,506,704	2,524,104
HELB-loan repayment	264,583	-
Other pensions scheme	114,731	160,952
National Hospital Insurance Fund	687,500	-
National Social Security Fund	194,000	-
Imprest recoveries refund	157,773	432,890
SEKU-general recoveries	153,739	471,268
Payroll fees payment	388,177	-
Other sponsors	1,188,251	1,164,186
Un-identified direct banking	2,518,586	3,734,686
Students Union membership and subscription fees	1,537,135	1,139,893
Total	424,164,692	210,842,857
23 Unexpended research grants	40,728,424	17,281,118

This constitutes the unspent money on account of funds received for various research projects



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
24 Refundable deposits from students-caution money		
Balance at the beginning	21,984,900	17,746,700
Caution money collected in financial year 2017/2018	3,952,850	4,430,800
Caution money paid and reversed in 2017/2018	(2,650,780)	(192,600)
Balance at the end	23,286,970	21,984,900

This a provision in recognition of money paid by students on account of caution money which is refundable on upon completion of studies or transfer to other institutions.

25 Contingent liabilities

Tax penalty and interest	3,454,154	3,454,154
The penalty arose as a result of payment of PAYE in 2015/2016 financial year. Kenya Revenue Authority has been petitioned to write it off.		

26 Revenue reserve

This constitutes the accumulated surplus and deficits over the period the University has been in existence

The figures are made up as follows

Balance at the beginning	(82,151,048)	(45,010,036)
Deficit/Surplus for the period	(53,109,674)	(45,866,453)
Adjustment on unexpended research grants	(1,096,880)	1,644,160
Adjustment on depreciation of revalued motor vehicles	6,397,889	7,081,281
Adjustment on rent deposit	1,080,514	-
Adjustment on previous years student balances	(7,132,546)	-
Balance at the end	(136,011,745)	(82,151,048)

27 Capital fund

Balance at the beginning	2,059,061,380	1,897,310,797
Capital grants received in the year	63,930,908	161,750,583
Balance at the end	2,122,992,288	2,059,061,380



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2017-2018	2016-2017
	Kshs	Kshs
28 Revaluation reserves		
Balance at the beginning	496,091,094	499,492,375
Motor vehicles revaluation	-	3,680,000
Adjustment of depreciation on revalued motor vehicles	(6,397,889)	(7,081,281)
Balance at the end	<u><u>489,693,205</u></u>	<u><u>496,091,094</u></u>

These reserves relate to recognition of carrying amounts of items either donated to the University or whose future economic benefits have been re-determined based on their probable extend economic lifespans. Subsequent depreciation on re-valued amount is charged against the reserves and an entry is passed to the revenue reserves.



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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. Our principal legal adviser on land matters and the University Management are doing everything possible to help resolve the various legal cases in court relating to land occupancy ownership and title deeds.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Property, plant and equipment. Land-	There are several cases pending in court details of which have been presented to the office relating to the ownership of the parcels of land. The University Management and lawyers are making efforts to have them registered in the name of the University.	Prof. Geoffrey M. Muluvi, Ph.D Vice-Chancellor	Not Resolved	In progress


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

Date 11/12/2018


DR. REUBEN K. CHIRCHIR, Ph.D
CHAIRMAN OF COUNCIL

Date 11-12-18

