



SOUTH EASTERN KENYA UNIVERSITY



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



Paper Laid
By LAM to Dnal
On 12/2/2018



SOUTH EASTERN KENYA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

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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). SEUCO 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 University is to be a globally competitive centre of excellence in teaching, research and innovation for purpose 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:

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

(c) Key Management

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

- (a) 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 2016 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Vice Chancellor	- Prof. Geoffrey M. Muluvi
2.	Deputy Vice Chancellor (F, P & D)	- Prof. Reuben M. Muasya
3.	Deputy Vice Chancellor (ARSA)	- Prof. Zipporah Ng'ang'a
4.	Registrar (AHRM)	- Prof. Mary Mburu
5.	Registrar (ASA)	- Dr. John F. Koga
6.	Registrar (P & D)	- Dr. Joseph Metet
7.	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

(g) Contacts

Telephone: 020-2323532/0736116989
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

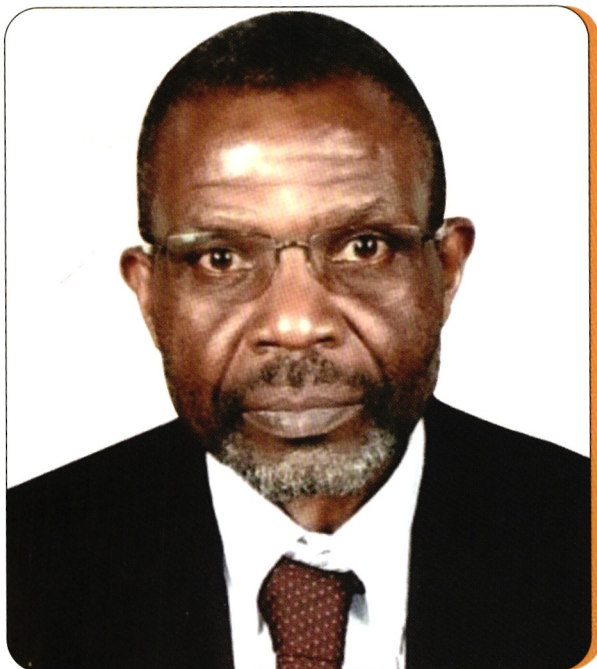
(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE UNIVERSITY COUNCIL



1. **Prof. Louis M. Mumera**
(Chairman of the Council)

Date of Birth:

15th September, 1945

Key Qualifications:

- i) 1992 University of Illinois, Ph.D., Plant Physiology, Dept. of Agronomy
- ii) 1983 Penn State, M.Sc., Agronomy, Dept. of Agronomy
- iii) 1973 University of Massachusetts, B.A., Agric. Ed
- iv) 1969 Egerton College, Diploma Agric. Education,

Work Experience:

- i) August 2010 to date
Professor of Plant Physiology, Dept of Crops Hort & Soils
- ii) 2006-2011: Deputy Vice Chancellor [A&F] & secretary to University Council, 1993-1998: Senate Rep to Council
- iii) 2002-2010: Associate Professor of Plant Physiology, Dept of Crop Science
1992-2002: Senior Lecturer
Plant Physiol. & Weed Science
Dept of Agronomy



2. **M/s Mary M. Masinde**
(Member)

Date of Birth:

14th November, 1956

Key Qualifications:

- i) (1999-2001): University of Illinois
Master's in Education
- ii) (1997-1998): University College,
Cork- Postgraduate Diploma
Counseling Psychology
- iii) (1976-1979) University of Nairobi
Bachelor of Education (Arts)

Work Experience:

- i) 2009 to date: Senior Assistant
Director of Education- Ministry of
Education
- ii) 2004 - 2009: Programme Officer in the
AIDS Control Unit at Teachers Service
Commission



3. Mr. Simon Chege Mwangi
(Member)

Date of Birth:
10th July, 1959

Key Qualifications:

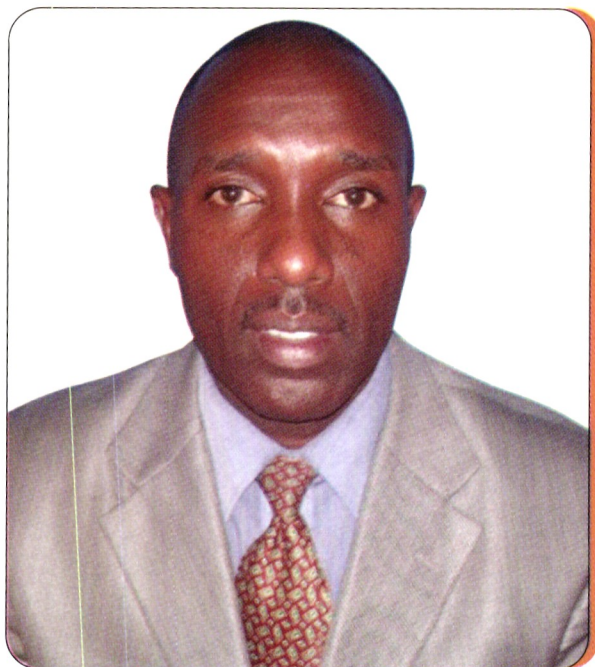
2009 - 2010: Executive Master of Business Administration Jomo Kenyatta University of Agricultural Science and Technology

2013 - 2015 Bachelor of Commerce Degree Finance Option KCA University

2002- Certified Public Accountant Part III (K) Kenya College of Accountancy

Work Experience:

- i) 2004 to date - Principal Accountant/Head of Accounting Unit Pensions Department National Treasury
- ii) 2011 - 2014: Principal Accountant/Head of Accounting Unit Ministry of Housing
- iii) Chief Accountant/Head of District Treasury Embu
- iv) 2001 - 2008: Senior Accountant/Head of District Treasury Makueni



4. Mr. Martin Kinoti
(Member)

Date of Birth:
14th December, 1963

Key Qualifications:

- i) 1995: Master of Science degree in Applied Nutrition - University of Nairobi.
- ii) 1990: Bachelor of Science (Animal Production), Upper Second Class Honours - Egerton University

Work Experience:

- i) 2006 to-date: Managing Director, Nutrimix Limited
- ii) 1995 to 2006: Unga Feeds Limited (now Unga Farm Care East Africa Limited).
- ii) 1990 to 1993: District Animal Production Officer/Extension Co-ordinator, Ministry of Livestock Development, Kitui



5. **Prof. Kamuti Kiteme**
(Member)

Date of Birth:
23rd September, 1935

Key Qualifications:

- i) 1963 B.Sc (Ed), Fairleigh Dickinson University, Madion, NJ, USA
- ii) 1965 MSc (Ed) Bank Street College of Education, New York, NY, USA
- iii) 1970 Ed.D Yeshiva University, New York, NY, USA

Work Experience:

- i) 1968-1994 - Lecturer/Assistant Professor/Associate Professor/Professor, City College of the City University of New York.
- ii) 1968-1994 - Visiting and Adjunct Professor (a) USA e.g Vermont, South Dakota, California (b) Africa e.g Ghana, Kenya (c) Caribbean e.g Puerto Rico, University of the West Indies.
- iii) 1995-present - Professor Emeritus. Lecturer. Academic Consultant.
- iv) Parastatal membership:
1996-2001- Standing Committee on Human Rights (Kenya).
2002-2006: Kenya National Library Services
2004-2017: UKAI/SEUCO/SEKU



6. **Mrs. Veronica W. Maina**
(Member)

Date of Birth:
20th May 1970

Key Qualifications:

- i) 2007-2009 University of London, Master of Laws (LLM merit) Public International Law
- ii) 2011 Postgraduate Diploma Refugee Law course IIHL Italy
- iii) 1996 Postgraduate Diploma in Law

Work Experience:

- i) 1998 to date: Managing partner V.W.Maina & Co Advocates
- ii) Jul 2010 to date Part time lecturer - gender & refugee management (Police Science Program) Laikipia University College:
- iii) July 2010 to date: Volunteer coordinator refugee rights resource.



7. **Dr. Kipera Issa Athuman**
(Member)

Date of Birth:
25th May 1963

Key Qualifications:

- i) 2002 PhD in Economics, Centre for Economic Studies and Policy, Jawaharlal Nehru University, New Delhi India
- ii) 1989 MA in Planning, Department of Urban and regional Planning, University of Nairobi, Nairobi Kenya
- iii) 1987BA in Economics University of Nairobi, Nairobi Kenya (Second Class Upper Division)

Work Experience:

- i) July 2011 – Present:– Regional Child Centred Community Development (CCCD) Specialist, Plan International – Regional Office of Eastern and Southern Africa
- ii) February 09 – June 2011 - Deputy Director/Operations Manager, Plan International Ethiopia
- iii) Sept 09 – Jan 10 – Acting Country Director, Plan International Ethiopia



8. **Ms. Risper J. Kandie**
(Member)

Date of Birth:
1974

Key Qualifications:

- i) 2009 Postgraduate (Geothermal Energy Technology) University of Auckland
- ii) 2011 Master of Science in Petroleum Geology University of Nairobi
- iii) 2002 BSC Geology: 2nd Class Upper Division University of Nairobi

Work Experience:

- i) 2008-Present: Senior Geologist Kenya Electricity Generating Company, (KenGen)
- ii) Nov 2008-2009: Geophysicist, Kenya Electricity Generating Company, (KenGen)
- iii) 2007-2008: Geologist II, Ministry of Water and Irrigation



9. **Prof. Geoffrey M. Muluvi**
(Vice Chancellor and Secretary to the Council)

Date of Birth:

6th June, 1963

Key Qualifications:

- i) 2009-2012 Master of Business Administration (MBA), Eastern and Southern Africa Management Institute (ESAMI), Arusha Tanzania.
- ii) 1995-1998 Doctor of Philosophy degree (Plant Molecular Genetics), Department of Biological Sciences, University of Dundee, U.K.
- iii) 1985-1988 Bachelor of Science (Forestry), Second Class Honours (Upper Division), Moi University, Eldoret.

Work Experience:

i) Vice Chancellor

20th May 2013 up to present, appointed Vice Chancellor, South Eastern Kenya University.

ii) Ag. Vice-Chancellor

1st March 2013 up to 19th May 2013, Ag. Vice - Chancellor, South Eastern Kenya University.

iii) Principal

15th March 2010 to 29th February 2013, Principal South Eastern University College (SEUCO) a Constituent College of the University of Nairobi.

III. MANAGEMENT TEAM

<p>1. Prof. Geoffrey M. Muluvi (Vice Chancellor)</p>	<p>Refer to page (x)</p>
 <p>2. Prof. Reuben M. Muasya (Deputy Vice Chancellor F, P & D)</p>	<p><i>Date of Birth:</i> 12th September, 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 1997 - 2001: Doctor of Philosophy degree, Wageningen Agricultural University Wageningen, The Netherlands ii) 1993 - 1996: Master of Philosophy, Moi University, Eldoret iii) 1988 - 1992: Bachelor of Science in Agriculture, University of Eastern Africa Baraton iv) 1983: Certificate Agricultural Engineering, Eldoret Institute of Agriculture, Eldoret <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, South Eastern Kenya University College
 <p>3. Prof. Zipporah Ng'ang'a (Deputy Vice Chancellor ARSA)</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: Executive Master of Business Administration, JKUAT ii) 1998: Doctor of Philosophy degree, Kenyatta University iii) 1988: Master of Science in Parasitology, University of Nairobi iv) 1984: Bachelor of Science, Second Class Honours (Upper Division), University of Nairobi <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. Mary Mburu**
(Registrar AHRM)

Date of Birth:
16th August, 1959

Key Qualifications:

- i) 1996: Doctor of Philosophy Degree, University of Reading
- ii) 1986: Master of Agronomy, University of California, Davis, USA
- iii) 1983: Bachelor of Science in Agriculture, University of Nairobi

Work Experience:

- 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



5. **Dr. Joe F. Koga**
(Registrar ASA)

Date of Birth:
1st October, 1960

Key Qualifications:

- i) 1994: Doctor of Philosophy degree, The University of Leeds
- ii) 1998: Master of Science, Kenyatta University
- iii) 1985: Bachelor of Education, Second Class Honours (Upper Division), University of Nairobi
- iv) 1981: Certificate of Teacher Education (S1) Kenya Science Teachers College

Work Experience:

- i) 1st November, 2010 to present: Registrar, Academics and Students Affairs South Eastern Kenya University



4. **Dr. Joseph K. Metet**
(Registrar P & D)

Date of Birth:
25th September, 1962

Key Qualifications:

- i) 1998: Doctor of Philosophy degree (Education), University of Bristol, UK
- ii) 1988: Master of Education (Education), Howard University, USA
- iii) 1984: Bachelor of Science Iowa State University USA

Work Experience:

- i) 18th October 2010 to present: Registrar, Planning and Development, South Eastern Kenya University



5. **Mr. Lawrence M. Bokoro**
(Finance Officer)

Date of Birth:
3rd April, 1970

Key Qualifications:

- I) 2005: Masters in Business Administration (Finance), Kenyatta University
- ii) 2002: Certified Public Accountant Part II
- iii) 2004: Certified Public Accountant Part III
- iv) 1995: Bachelor of Commerce (Accounting) Kenyatta University

Work Experience:

- i) 3rd January, 2014 to present: Finance Officer, South Eastern Kenya University

IV. CHAIRMAN'S STATEMENT

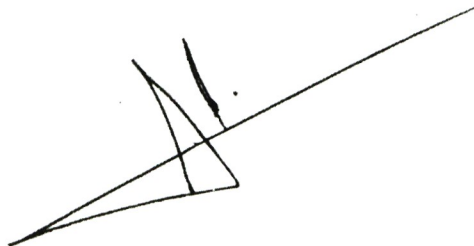
On behalf of the Council, I am delighted to present the Annual Report and Financial Statements of the South Eastern Kenya University for the financial year ended 30th June 2016.

During the year under review, the University realized significant achievements, notwithstanding long standing financial and operational challenges. Notably, among the achievements included holding of the University's third graduation ceremony whereupon eight hundred and twenty three graduates were awarded degrees and diplomas.

To reposition the University to achieve its mandate, the University Strategic Plan 2010 – 2020 was reviewed so as to align it with Medium Term Plan (MTP) 2014-2018 and 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 to realize this dream in accordance with the spirit of participation enshrined in our Constitution.

I also take this opportunity to express my sincere appreciation to all our stakeholders for their contributions to the many milestones the University has achieved in the short period of its existence.



PROF. LOUIS M. MUMERA – (Ph.D)
CHAIRMAN OF COUNCIL

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me pleasure to present the Annual Report and Financial Statements of the South Eastern Kenya University for the year ended 30th June 2016. During the year under review, the University made tremendous growth in all areas of operation.

Total revenue collection amounted to Kshs.999 million compared to Kshs.897 million recorded in the 2014/2015 financial year. Collections from Appropriation-in-Aid amounted to Kshs.323 million which translated to 32.3% of the total revenue collection for the year. The University received Kshs.100 million from the Government as capital grant to finance construction of various projects. It also received Kshs.647 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.983 million with employee cost accounting for Kshs.663 million or 67.4%. The increase in employee costs from Kshs. 649.5 million in the 2014/2015 financial year to Kshs.663 million in the year under review was as a result of implementation of Government circular to enhance hardship allowances.

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 tuition and office block II, internal roads and sports facilities. As a result, the asset base grew from Kshs.2.60 billion to Kshs.2.63 billion. Student's enrolment increased from 5602 to 6218.

Finally, I wish to recognize the great contribution of all our stakeholders towards the achievements the University has made since it was awarded a Charter in 2013. 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.

This guarantees effectiveness of each member contribution in the governance of the university by ensuring there is independent judgement, 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 continues to be certified on ISO 9001-2008 Quality Management System.

Chancellor

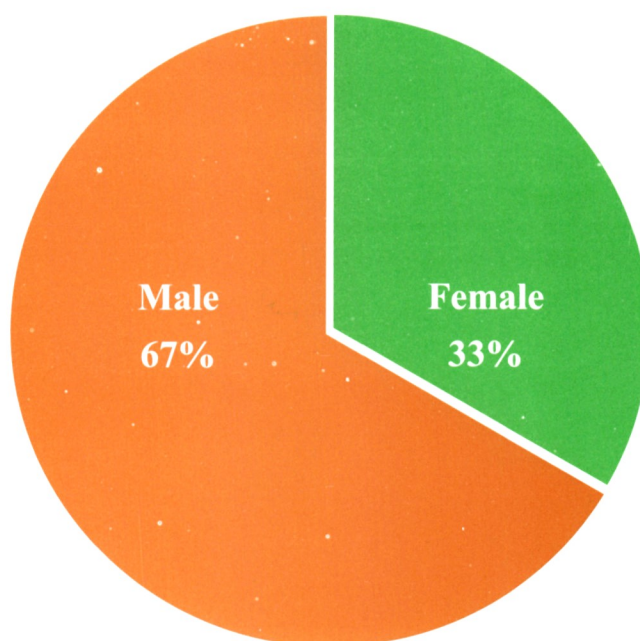
Section 12 of the Charter provides that there shall be a University Chancellor who is appointed by the President. The current Chancellor during the period under review was Dr. Titus Naikuni.

Council

Section 18 of the Charter provides that there shall be a University Council. During the period under review the Council is consisted of (9) members led by a no-executive and independent chairman, an executive Vice Chancellor & CEO, the Principal Secretary- National Treasury, Principal Secretary Ministry of Education Science and Technology plus 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 judgement. Members of the University Council are appointed by the Cabinet Secretary for Education, Science and Technology.

Council Diversity



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

The biographies of the Council members are published on pages vi-x

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

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 includes among others; determining the university's vision, mission and core values, deciding its strategic objectives, 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 and adopts business plans presented by 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.

It ensures ethical behavior and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

In accordance with the principles of good corporate governance, each member undertakes to always act in the best interest of the Company 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.

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 policy of the University.

Council Attendance

The Council held 4 regular and 3 special meetings in the year under review. Attendance to the Council meetings was as follows:

	Name	Attendance	
		Regular	Special
1.	Prof. Louis M. Mumera	4	3
2.	MsMary M. Masinde	1	1
3.	Mr. Simon Chege Mwangi	4	2
4.	Mr. Martin Kinoti	4	3
5.	Prof. Kamuti Kiteme	4	2
6.	Ms. Veronica W. Maina	4	0
7.	Dr. Kipera Issa Athuman	4	2
8.	Ms. Risper J. Kandie	4	3
9.	Prof. Geoffery M. Muluvi	4	3

Council Remuneration

In accordance with guidelines provided in the State Corporations Act, the Members of the Council are paid taxable sitting allowance for every meeting attended, as well as travel and accomodation allowance while on University duty. The Chancellor and the Chairman are also paid a monthly honorarium. Total council expense for the year was Kshs 13,849,830.00. South Eastern Kenya University does not grant personal loans or guarantees to its Council members.

Conflict of Interest and Declaration of Interest

Members 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 arms' 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.

At 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.

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

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.

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.

Staff Terms and Conditions of Service Committee

- (a) To review and make recommendations to the Council on Staff Terms and Conditions of Service for the University employees.
- (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.

Building and Physical Development Committee

- (a) To consider and recommend to the Council the priority development projects and receives reports and recommendations of management on the progress of the physical development of the University.
- (b) 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.

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.

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.

Appointments Committee

The term of reference for the Appointments Committee is to consider appointments for teaching and non-teaching staff in Grade 14 and 15.

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.

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 Officer of the University.

Internal Controls

The management of the University has put in place a series of internal control mechanisms to ensure the reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement and Disposal Act, 2005.

Authorizations

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

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 availed to the audit committee.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

South Eastern Kenya University is committed to the sustainable development of our environment and to supporting the communities in which we operate. Indeed, as a University, our contribution towards the attainment of sustainable development of our environment remains one of our core values.

During the year under review, the University continued to support various educational, sports and other institutions particularly those catering for the aged and children homes. As a demonstration of its commitment to undertake corporate social responsibility initiatives, the University spent Kshs. 683,950.00. Among the initiatives which the University supported included the following:-

(a) Health care services-

The University set up a medical camp at Kwa-Vonza where integrated multi-disciplinary healthcare services including investigative and surgical interventions were done in make shift hospital environs by a dedicated team of medical experts. The health camp provided free diagnosis, medicines, food and surgical care.

Besides treatment facilities, the camp offered information to the visitors on personal hygiene, child health, preventive diseases and sanitation practices.

(b) Support to sports activities within the Kitui County

As a demonstration of its commitment to support extra-curricular activities, the University supported sports and games in Kitui County by donating trophies.

(c) Donation of trophies to schools for academic excellence

The University appreciated academic excellence by donating trophies to schools that excelled in National examinations within Kitui County.

VIII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits its report together with the audited financial statements for the year ended June 30, 2016 which show the state of affairs of South Eastern Kenya University.

Principal activities

The principal activities of the University are provided for in the South Eastern Kenya University Charter.

The Charter provides in Section 6 (1) the functions of the University which include:

- (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 the 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 intellect 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 needs.
- (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's degree courses and subjects of study.
- (f) 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) Contribute to industrial and technological development through innovations and technology transfer.
- (h) 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) Participate in commercial ventures and other activities to the benefit of the University, the community and stakeholders.
- (j) Contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology.

Results

The results of the University for the year ended June 30, 2016 are set out on page 1 to page 29

University Council

The members of the University Council who served during the year are shown on page vi and x in accordance with Regulation (12) of the University Charter.

Auditors

The Office of the Auditor General was responsible for the statutory audit of South Eastern Kenya University in accordance with provisions of the Public Audit Act, 2015.

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 of the University at the end of the financial year/period and the operating results of the University for that year/period. 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. The Council is also responsible for safeguarding the assets of the University.

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 entity.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) 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 PFM 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, 2016 and of the University financial position as at that date. The Council further confirms the completeness of the accounting records maintained for 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 control.

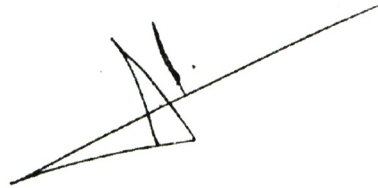
Nothing has come to the attention of the University Council to indicate that South Eastern Kenya University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The South Eastern Kenya University financial statements were approved by the Council during its 39th meeting held on 29th September, 2016 and signed on its behalf by:



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



PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL

REPUBLIC OF KENYA

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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 FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the South Eastern Kenya University set out on page 1 to 30, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets and statement of cash flows and statement comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Eastern Kenya University's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

As similarly reported in the previous year, the property, plant and equipment balance of Kshs.2,459,559,359 as at 30 June 2016 include three parcels of land under reference L.R No 13529, 209/10350 and 12970 valued at Kshs.1,036,600,000 which were not registered under the name of the University. Further, four other University's parcels of land in Kitui Town, Mwingi/Nzeluni, Wote and Mtito Andei of undetermined value were also not registered under the name of the University.

Consequently, the accuracy, ownership and security of three parcels of land valued at Kshs.1,036,600,000 as at 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the South Eastern Kenya University as at 30 June 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with South Eastern Kenya University Order 2008.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, the University had an approved a budget of Kshs.1,234,068,000 comprised of Kshs.1,065,584,000 for recurrent budget and Kshs.168,484,000 for development budget. The annual revenue for the University was projected at Kshs.1,234,068,000 comprising Kshs.843,568,000 from government grants of Kshs.813,568,000 (recurrent and development) and research grants of Kshs.30,000,000 and Kshs.390,500,000 from internally generated revenue sources (both development of Kshs.12,000,000 and recurrent of Kshs.378,500,000). The total revenue collected from internal and external sources during the period under review

translated to 93.7% of the targeted collection. An analysis for the Income and Expenditure budget versus the actual is as indicated below;

1.1 Recurrent Income

Items	Budgeted (Kshs.)	Actual (Kshs.)	Variance (Kshs.)	Performance %
Recurrent Grants (GoK Capitation)	657,084,000	647,626,262	9,457,738	98.5%
Research Grants	30,000,000	28,051,238	1,948,762	94%
Non-exchange transactions Income	687,084,000	675,677,500	11,406,500	98%
Tuition and other related fees	318,000,000	279,537,188	38,462,812	88%
Internally Generated	60,500,000	43,962,368	16,537,632	73%
Income From exchange transactions	378,500,000	323,499,556	55,000,444	85%
Total Income	1,065,584,000	999,177,056	66,406,944	93.7%

The University needs to enhance internal revenue collection to support its service delivery goal and objectives.

1.2 Recurrent Expenditure

	Budgeted (Kshs.)	Actual (Kshs.)	Variance (Kshs.)	Absorption %
Administration	192,541,262	138,212,236	54,329,026	70%
Employee costs	664,050,000	663,573,717	476,283	100%
Other Operating and Maintenance Expenses	196,992,738	182,166,887	14,825,851	91%
Total Recurrent Expenditure	1,053,584,000	983,952,840	69,631,160	93%

The above analysis reflects an overall under expenditure of Kshs.69, 631,160 in the recurrent budget.

1.3 Development Budget

The development budget for the year under review amounted to Kshs.168,484,000 comprised of Government grants of Kshs. 156,484,000 and internally generated funds of Kshs.12,000,000. The University received Kshs.100,888,551 against a budget of Kshs.156,484,000 from the Government as capital grant to finance construction o various projects resulting in unreleased grants of Kshs.55,595,449.

In the circumstance, the University did not carry out development projects worth Kshs.55,595,449 being grants budgeted but not received from the government.



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

Nairobi

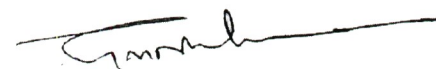
15 June 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

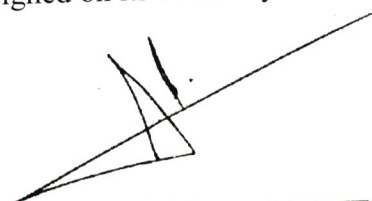
	Notes	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Recurrent grants	3	647,626,262	568,084,449
Research grants	4	28,051,238	18,694,760
Total revenue from non-exchange transactions		675,677,500	586,779,209
Revenue from exchange transactions			
Tuition and other related fees	5	279,537,188	270,099,051
Rental revenue income and other sources	6	18,634,003	13,223,262
Agency fees-research grants		-	378,547
Other income	8	25,328,365	27,391,605
Total revenue from exchange transactions		323,499,556	311,092,465
Total revenue		999,177,056	897,871,674
Expenses			
Administration expenses	9	138,212,236	116,533,503
Council expenses	10	13,849,830	9,012,215
Repairs and maintenance, rents & rates	11	29,768,319	35,607,497
Marketing Expenses	12	16,484,813	6,867,436
Catering and accommodation	13	33,197,174	36,034,862
Academic services	14	50,585,082	32,467,146
Employee costs	15	663,573,717	649,782,939
Depreciation and amortization expense	16	37,585,669	42,215,251
Audit fees	17	696,000	1,195,592
Total expenses		983,952,841	929,716,440
Surplus/(Deficit) for the period		15,224,216	(31,844,766)

The Financial Statements set out on pages 1 to 29 were approved by the Full Council during its 39th meeting held on 29th September, 2016 and signed on its behalf by:



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

Date..... 7/4/17



PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL

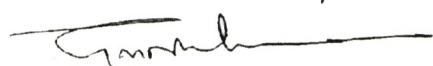
Date..... 12/4/17

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

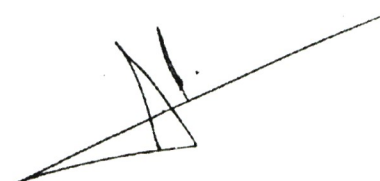
Assets	Notes	2015-2016	2014-2015
Current assets		Kshs	Kshs
Cash and cash equivalents	18	76,117,263	66,471,599
Receivables from exchange transactions	19	95,564,731	96,700,620
Receivables from non-exchange transactions	20	-	47,340,371
Inventories	21	4,712,388	3,733,497
Total current assets		176,394,382	214,246,087
Non-current assets			
Biological Assets	22	2,453,940	1,645,900
Property, plant and equipment	16	2,459,559,359	2,387,998,855
Total assets		2,638,407,681	2,603,890,842
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	246,488,412	333,949,083
Deferred research grants	24	18,925,280	19,218,641
Refundable deposits from students-caution money	25	17,746,700	22,683,000
Contingent liabilities-tax penalty and interest	26	3,454,154	-
Total liabilities		286,614,546	375,850,724
Net assets		2,351,793,135	2,228,040,118
Revenue reserves	27	(45,010,037)	(78,798,628)
Capital fund	28	1,897,310,797	1,796,422,246
Revaluation reserve	29	499,492,375	510,416,500
Total net assets and liabilities		2,638,407,681	2,603,890,842

The Financial Statements set out on pages 1 to 29 were approved by the Full Council during its 39th meeting held on 29th September, 2016 and signed on its behalf by:



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

Date..... 7/4/17



PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL

Date..... 12/4/17

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Capital fund Kshs	Revenue reserves Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 30 June 2014	1,644,011,579	(31,713,430)	466,720,000	2,079,018,149
Deficit for the period	-	(31,844,766)	-	(31,844,766)
Adjustment on revenue reserves (deferred research grants)	-	(15,240,432)	-	(15,240,432)
Capital grants-capital receipts	152,410,667	-	-	152,410,667
Motor vehicles revaluation	-	-	43,696,500	43,696,500
Balance as at 30 June 2015	1,796,422,246	(78,798,628)	510,416,500	2,228,040,118
Surplus for the period	-	15,224,216	-	15,224,216
Adjustment on deferred grants	-	293,359	-	293,359
Adjust. on depreciation for revalued motor vehicle	-	10,924,125	(10,924,125)	-
Capital grants-capital receipts	100,888,551	-	-	100,888,551
Adjustment on provision for audit fees	-	638,392	-	638,392
Adjustment on caution money account balance	-	6,708,500	-	6,708,500
Balance as at 30 June 2016	1,897,310,797	(45,010,037)	499,492,375	2,351,793,135

XIV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities			
Surplus for the year		15,224,216	(31,844,766)
Increase in net worth of biological assets	8	(808,040)	(109,525)
Adjust for depreciation	16	37,585,669	42,215,252
Adjustment on caution money account balance	25	6,708,500	-
Adjustment for prior dep.on motor vehicles		-	(2,641,976)
		58,710,345	7,618,984
Operating surplus/deficit before working			
Decrease in trade & other receivables		48,476,260	(43,962,826)
Increase in inventories		(978,891)	3,235,138
Decrease in trade & other payables		(87,460,671)	18,661,458
Decrease in refundable caution money		(4,936,300)	3,035,500
Increase in contingent liabilities	26	3,454,154	-
		17,264,897	(11,411,745)
Net cash inflow from operating activities			
Cash flow from investing activities			
Purchase of non-current assets	16	(15,821,611)	(36,537,415)
Increase in net worth of biological assets	8	808,040	109,525
Work in progress	16	(93,324,562)	(72,738,077)
		(91,073,237)	(120,577,712)
Net cash flow from investing activities			
Cash flow from financing activities			
Decrease in deferred research grants		(169,650)	751,990
Government grants on capital projects	28	100,888,551	152,410,666
		9,645,664	32,584,945
Net cash flow from financing activities			
Increase/(decrease) in cash and cash equivalents	18	9,645,664	32,584,946
Cash & cash equivalents as start of the year	18	66,471,599	33,886,653
		76,117,263	66,471,599
Analysis of balances of cash and cash equivalent			
Cash and bank balances	18	76,117,263	66,471,599
Total		76,117,263	66,471,599

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2016

	Original budget 2015-2016 Kshs	Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants (GoK Capitation)	657,084,000	-	657,084,000	647,626,262	(9,457,738)
Research Grants	30,000,000	-	30,000,000	28,051,238	(1,948,762)
Exchange transactions					
Tuition and other related fees	306,000,000	12,000,000	318,000,000	279,537,188	(38,462,812)
Internally Generated	60,500,000	-	60,500,000	43,962,368	(16,537,632)
Total revenue	1,053,584,000	12,000,000	1,065,584,000	999,177,056	(66,406,944)
Expenses					
Administration	189,270,000	3,271,262	192,541,262	138,212,236	54,329,026
Council	10,000,000	3,900,000	13,900,000	13,849,830	50,170
Repairs and maintenance	16,818,000	13,000,000	29,818,000	29,768,319	49,681
Marketing, publicity and advertisement	10,848,000	6,000,000	16,848,000	16,484,813	363,187
Catering and accommodation	39,240,000	(5,000,000)	34,240,000	33,197,174	1,042,826
Academic services	127,008,000	(93,517,262)	33,490,738	22,240,481	11,250,257
Employee costs	629,600,000	34,450,000	664,050,000	663,573,717	476,283
Research	30,000,000	-	30,000,000	28,344,601	1,655,399
Depreciation and amortization	-	38,000,000	38,000,000	37,585,669	414,331
Audit fees	800,000	(104,000)	696,000	696,000	-
Total expenditure	1,053,584,000	-	1,053,584,000	983,952,841	69,631,159
Surplus for the period	-	-	-	15,224,216	3,224,216

XVI. 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 general 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 this Act.
- (d) Prescribe formats for financial statements and reporting by all the 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 and comply 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 cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Revenue

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

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

Transfers from other government entities

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

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.

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information – 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 entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

Statement of comparison of budget and actual amounts:

Recurrent Grants

The Government had initially allocated the University Kshs. 657,084,450.00. This amount was reduced to Kshs. 647,626,262.00 through the supplementary budget for the 2015/2016 financial year.

Tuition and other related fees

The University had projected to collect Ksh. 318,000,000 in the financial year, however the difference between the beginning and ending periods of academic and financial years caused part of the forecasted amount to go down to Kshs. 279,537,188.00

Administrative expenses

Additional premises in Kitui and Machakos undertaken last financial year in anticipation of increased student numbers continued to keep the cost of rent and utilities high over the year.

Due to shortage of water through Katheka Water Project, the University continued to buy water from water service providers which are very costly.

Employee costs

As per University schemes of service basic salaries and house allowances increased in course of the financial year. Other factors that led to the increase in spending was as a result of Government circular to enhance hardship allowance.

Revision of the budget

An expected decrease in some of the budget line items necessitated a realignment of the expenditure. This was approved by the University Council on 2nd April, 2016.

(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 value during a 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.
- (iv) Explanations to changes in values in form of a reconciliation analysis is as shown below:

Biological assets

As at 30 June 2016	Balance at the beginning Kshs	Addition Kshs	Loss on disposal Kshs	Revelation Kshs	Balance at the end Kshs
Cattle	539,500	-	-	562,880	1,102,380
Poultry	17,100	-	-	8,100	25,200
Goats	1,077,300	-	(175,638)	146,058	1,047,720
Pigs	-	80,670	-	185,970	266,640
Donkey	12,000	-	-	-	12,000
Total	1,645,900	80,670	(175,638)	903,008	2,453,940

The above reconciliation 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.

d) Property, plant and equipment – IPSAS 17

Property, plant and equipment under construction/work in progress has been valued on the basis of expenditure incurred and certified gross progress claim certificates up to 30th June, 2016.

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

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

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

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

The annual rates are:

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
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 benefit 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 all testing is substantially completed. The system software in place was still being implemented hence no amortization was done.

The ownership of land 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. Other pieces of land awaiting ownership by the University are land in Kitui, land in Wote and land in Mtito-andei – plot No. 3756.

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 has physical possession and title deed over the land in Mwingi/Nzeluni /1970 which was given to us and date 13th July 2015. However the value of this land is not included in the Financial Statements as it awaits valuation during the current financial year.

Fully depreciated assets

Included in the net book value of motor vehicle is revaluation resulting from vehicles which had ben depreciated to zero. The gross carrying amount as at 30th June 2015 was Kshs. 66, 911,535 which was revalued by Automobile Association of Kenya to Kshs. 43,696,500. This was written back from part of motor vehicles cost and will be depreciated at 25% p.a. for the next three years.

An adjustment of one 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 to recognise revenue.

Financial instruments

Financial assets and financial liabilities are initially measured at a fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognized in the surplus or deficit.

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 the 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:

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

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

Deferred research grants

This represents unspent external grants and donations for sponsored research and other restricted purposes. The balance has increased from the previous year due to the timing of research expenditures. Actual research grants received in the year were greater than the actual research expenditures.

If the expenditures are less than the actual grant revenues then this amount is recorded as a “deferred research grants and treated as a liability as the grants would have to be paid back to the granting agency if not used for the research purpose intended.

If the research expenditures are greater than research grants, then this amount is first taken from previous years’ grants unexpended and any further amount would be recorded as a grant receivable assuming that this amount over spent is eligible for funding from a granting agency.

The unspent balance of research funds at the beginning of the year is to be transferred from deferred contributions on the statement of financial position to “research grants for restricted purposes” to match the spending in the financial year.

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:

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the 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 is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The University had a potential liability relating to penalty and interest due to delay in payment of tax expense (PAYE) lost through fraud for the month of June 2015. This amount of Kshs.3,454,154.00 was recognised as a contingent liability in the Financial Statements.

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 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.

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 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 at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. 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. Bank account balances include amounts held at various commercial banks at the end of the financial year.

k) Income tax

Income tax has not been provided for in these accounts as the University is recognized as not for profit making organizations, subject to section 26 of the Income Tax Act CAP. 470.

The income of the University being a body of public character established solely for the purposes of the advancement of education has been 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.

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, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

o) Related party disclosures– IPSAS 20

The University is 100% owned by the Government of Kenya.

Related party transactions:-

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 entity and another entity are subject to common control.

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

(i) Members of the 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.69,331,011.00 as salaries

(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.

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

	2015-2016	2014-2015
	Kshs	Kshs
Council expenses		
Sitting allowance	4,420,060	4,542,528
Travelling and accommodation allowances	7,269,770	2,328,087
Honorarium	2,160,000	2,141,600
Total council expenses	13,849,830	9,012,215

p) Financial risk management objectives- 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 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 risk 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.

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 and 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 in 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 rate exposure to the University is continuously monitored and the aggregate value of transactions concluded in 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 objective, 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.

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 follow:

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

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Credit risk

As at 30 June 2016

	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs
Outstanding imprest	1,670,023	-	-
Students debtors	91,800,644	-	-
General debtors	589,929	-	-
Internal debtors	10,000	-	-
Staff debtors	113,718	-	-
Government recurrent grant	-	-	-
Bank balances	76,117,263	-	-
Total	170,301,577	-	-

As at 30 June 2015

	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs
Outstanding imprest	6,445,364	-	-
Students debtors	87,442,882	-	-
General debtors	678,591	-	-
Internal debtors	64,775	-	-
Staff debtors	159,218	-	-
Government recurrent grant	47,340,371	-	-
Bank balances	66,471,599	-	-
Total	208,602,800	-	-

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 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.

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties in meeting its maturing obligations attributed 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

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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 be reasonably predicted.

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

Liquidity risk

As at 30 June 2016

	6 months Kshs	6-12 months Kshs	1 > years Kshs	Total Kshs
Unpaid contractors certificates	14,440,384	4,813,461	-	19,253,845
Recurrent creditors suppliers	8,776,307	2,925,436	-	11,701,743
Internal creditors	122,862	40,954	-	163,816
Contractor's retention	28,976,608	9,658,869	-	38,635,477
Commissioner of domestic taxes (Withholding tax)	1,112,960	370,987	-	1,483,947
Withholding tax (VAT)	1,492,429	497,476	-	1,989,905
Refundable customer deposits	68,063	22,688	-	90,750
Total	54,989,612	18,329,871	-	73,319,483

As at 30 June 2015

	6 months Kshs	6-12 months Kshs	1 > years Kshs	Total Kshs
Unpaid contractors certificates	10,348,095	3,449,365	-	13,797,460
Recurrent creditors suppliers	16,476,750	5,492,250	-	21,969,000
Internal creditors	122,862	40,954	-	163,816
Contractor's retention	26,863,110	8,954,370	-	35,817,480
Commissioner of domestic taxes (Withholding tax)	273,147	91,049	-	364,196
Withholding tax (VAT)	1,492,429	497,476	-	1,989,905
Refundable customer deposits	7,313	2,438	-	9,750
Total	55,583,705	18,527,902	-	74,111,607

n) 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, 2016.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
3 Recurrent grants	647,626,262	568,084,449
These are non-conditional funds received from the Government to support recurrent expenditure of the University.		
4 Research grants		
National academy of service	-	2,762,536
ICRAF 12017 Project	283,784	-
IGAD/INWRMP	511,206	-
MOHEST	-	287,882
Sorghum for multiple use	-	343,392
Niche Project	10,390,395	5,961,685
NACOSTI Project	848,689	-
Asali project (Tare)	13,092,037	7,406,265
ASDSP Kitui county	-	1,933,000
EDULINK Project	2,925,128	-
Total research grants	28,051,238	18,694,760
5 Tuition and other related fees		
Tuition fees	166,362,246	166,270,868
Application fees	1,334,500	1,558,500
Registration fees	5,906,850	6,012,500
Student identification card fees	2,710,250	2,575,111
Activity fees	6,483,577	5,711,500
Student medical fees	14,844,000	13,773,550
Examination fees	20,844,200	19,255,700
Library fees	10,347,065	8,719,210
Supervision fees	624,000	798,000
Field trips/attachment fees	500,500	985,000
Thesis fees	279,000	108,000
Project fees	2,035,000	3,090,000
Computer fees	19,231,350	17,130,200
Student Union fees	1,481,850	1,108,900
Teaching practice fees	5,341,000	1,500,000
Admissions fees	-	1,336,500
Student union subscription fees	577,200	44,550
Accommodation fees	20,634,600	20,120,962
Total tuition and other related fees	279,537,188	270,099,051

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
6 Rental revenue income and other sources		
Student damages charges	5,000	136,630
Library fine	3,313	4,095
Graduation fees	3,263,600	1,631,500
Tender fees	47,500	169,100
General fines-keys and others	631,226	381,171
Miscellaneous income	4,870,418	2,359,384
Gain on foreign exchange	899,254	-
Rent income	1,173,127	2,782,694
Income from computer science	10,825	-
Photocopying charges	-	3,757
Sale of commercial goods	27,035	1,315
Milk & dairy products	42,465	33,015
Sale of silage and fodder crops	-	33,280
Accommodation receipts guest house	931,845	860,085
Food sales- income generating activities	5,548,052	4,750,405
Farm proceeds	203,880	400
Other grants & donations	976,463	76,431
Total rental income and other sources	18,634,003	13,223,262
7 Agency fees-research grants	-	378,547
This is income earned by the University on account of rendering technical services in projects implementation carried out by various principal investigators in the University.		
8 Other income-		
Increase in net worth of biological assets	808,040	109,525
Students mess sales-Pay as you eat	24,520,325	27,282,080
Total other income	25,328,365	27,391,605
9 Administration expenses		
Student bursaries expenses	2,849,500	1,500,000
Student sponsorship expenses	587,800	1,431,808
Corporate social responsibility	683,950	337,673
Guest house expenses	3,278,114	-
Cafeteria expenses	1,591,665	5,146,468
Travelling and subs. staff	13,748,313	9,688,005
Passage & baggage and leave days	503,378	637,999
External travel & accommodation	366,485	440,565
Staff training and development	993,850	631,598

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
Staff fees waiver	1,666,200	1,474,100
Medical insurance cover & staff hospitalization expenses	27,585,699	23,874,524
Staff funeral expenses	50,000	100,000
Postage & courier services	34,960	109,755
Electricity expenses	10,667,414	13,223,806
Water expenses	11,313,437	13,561,536
General insurances - properties and others	5,489,883	7,101,043
Professional, Legal and other fees	5,688,522	3,517,932
Bad debts written off	-	682,380
Official entertainment	892,221	1,119,534
Internet and ICT infrastructure expense	15,241,870	7,519,800
Office running expenses	5,594,379	5,782,872
Students union expenses	1,596,504	1,782,130
Mgmt, Senate & other internal comm. Expenses	1,957,445	1,451,079
Cleaning and Sanitary Services	2,151,392	2,046,184
Performance contracting	667,365	502,926
Telephone expenses	222,803	266,088
Farm expenses	427,871	722,509
Transport expenses	6,523,636	9,454,381
Loss on foreign exchange	632,407	928,851
Alcohol and drug abuse	66,375	498,000
HIV/AIDS Control unit	137,242	-
Tax expense	13,844,707	-
Bank charges, commissions and errors	1,156,849	999,957
Total administration expenses	138,212,236	116,533,503

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
10 Council expenses		
Sitting allowance	4,420,060	4,542,528
Travelling and accommodation allowances	7,269,770	2,328,087
Honorarium	2,160,000	2,141,600
Total council expenses	13,849,830	9,012,215
11 Repairs and maintenance, rents & rates		
Repairs and maintenance of teaching equipment	-	900
Repairs and maintenance of motor vehicles	7,065,455	6,942,971
Repairs and maintenance of fence	-	773,454
Repairs & maintenance-water supply	-	22,500
Repairs and maintenance of buildings	5,298,855	10,857,115
Repairs and maintenance equipment & machinery	4,352,282	1,536,105
Rent and rates	12,751,326	15,474,452
Land improvement expenses	300,401	-
Total repairs and maintenance, rents and rates	29,768,319	35,607,497
12 Marketing Expenses	Kshs	Kshs
Printing & publishing	1,599,850	4,177,532
Marketing, Publicity & advertising	14,606,463	906,516
Shows & exhibitions	278,500	1,783,388
Total marketing expenses	16,484,813	6,867,436
13 Catering and accommodation		
Catering and accommodation	33,197,174	36,034,862
This is expenditure incurred to purchase food stuff for students at the University.		
14 Academic services		
Teaching materials expenses	4,440,349	5,732,626
laboratory expenses	-	205,090
Graduation expenses	6,112,050	5,817,733
Student project & research materials	-	213,000
Sports expenses	2,944,800	3,000,000
Teaching practice & field attachment	3,155,249	1,761,793
Academic field trips	1,487,184	997,262
Research expenses	28,344,601	7,516,763
Subsistence allowance - external examiners	1,220,238	888,445
Student activities	949,952	953,387
Library expenses	1,930,659	5,381,047
Total academic services	50,585,082	32,467,146

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
15 Employee costs		
Basic pay	256,421,622	244,580,641
House allowances	153,630,422	143,510,436
Commuting allowance	48,510,124	45,270,221
Entertainment allowance	7,633,000	5,943,740
Hardship allowance	44,482,210	22,552,667
Professorial allowance	468,000	470,000
NSSF-employer contribution	1,014,000	972,200
Pension-employer contribution	39,384,882	37,847,108
Acting allowance	70,158	153,794
Leave travelling allowance	1,772,535	1,673,729
Responsibility allowances	15,444,920	10,590,920
Remunerative allowances	1,901,977	1,197,919
Uniform expense	231,250	30,000
Call allowance	490,944	43,570
Book Journal/ICT allowance	1,020,000	910,000
Gratuity & pensions contributions	11,188,756	4,929,684
Teaching claims - part-time lecturers	24,529,074	76,554,186
Casual labour expenses	28,165,200	27,069,584
Telephone allowances	5,455,300	4,298,200
Time Tabling allowances	832,312	902,274
Facilitation allowance	280,500	308,500
Extraneous allowances	1,651,833	1,093,516
Security guard allowances	1,904,000	2,064,000
Water and electricity allowances	2,569,000	1,524,000
Risk allowances	540,200	284,600
Other employee allowances	13,981,498	15,007,450
Total employee costs	663,573,717	649,782,939

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16 **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016**

Property, plant and equipment

Description	Land		Buildings		Furniture & equipment		Motor vehicles		Computer accessories		Work in Progress		Computer soft ware		Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Cost															
At 1 July 2014	1,036,600,000	243,008,364	-	-	81,644,024	72,968,053	31,434,167	962,086,173	3,246,000	2,430,986,781					
Additions	-	-	-	-	10,977,940	14,560,695	8,667,180	72,738,077	2,331,600	109,275,492					
Revaluation	-	-	-	-	-	43,696,500	-	-	-	43,696,500					
Adjustments on Revaluation	-	-	-	-	-	(66,911,535)	-	-	-	(66,911,535)					
Disposal	-	-	-	-	-	-	-	-	-	-					
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-					
At 30 June 2015	1,036,600,000	243,008,364	-	-	92,621,964	64,313,713	40,101,347	1,034,824,250	5,577,600	2,517,047,238					
Additions	-	-	-	-	13,457,491	-	415,000	93,324,562	1,949,120	109,146,173					
Revaluation	-	-	-	-	-	-	-	-	-	-					
Adjustments on Revaluation	-	-	-	-	-	-	-	-	-	-					
At 30 June 2016	1,036,600,000	243,008,364	-	-	106,079,455	64,313,713	40,516,347	1,128,148,812	7,526,720	2,626,193,411					
Depreciation and impairment															
At 1 July 2014	-	(18,436,249)	-	-	(35,176,260)	(69,939,794)	(27,550,388)	-	-	(151,102,691)					
Depreciation	-	(4,860,167)	-	-	(13,893,295)	(16,078,428)	(10,025,337)	-	-	(44,857,227)					
Prior-year adjustments	-	-	-	-	-	2,641,976	-	-	-	2,641,976					
Sub total	-	(4,860,167)	-	-	(13,893,295)	(13,436,452)	(10,025,337)	-	-	(42,215,251)					
Impairment	-	-	-	-	-	66,911,535	-	-	-	66,911,535					
Prior-year adjustments	-	-	-	-	-	2,641,976	-	-	-	2,641,976					
At 30 June 2015	-	(23,296,416)	-	-	(49,069,555)	(19,106,687)	(37,575,725)	-	-	(129,048,382)					
Depreciation	-	(4,860,167)	-	-	(15,911,918)	(16,078,428)	(735,155)	-	-	(37,585,669)					
Prior-year adjustments	-	-	-	-	-	-	-	-	-	-					
Impairment	-	-	-	-	-	-	-	-	-	-					
Disposal	-	-	-	-	-	-	-	-	-	-					
At 30 June 2016	-	(28,156,583)	-	-	(64,981,473)	(35,185,115)	(38,310,880)	-	-	(166,634,052)					
Net book values															
At 30 June 2016	1,036,600,000	214,851,781	-	-	41,097,982	29,128,598	2,205,466	1,128,148,812	7,526,720	2,459,559,359					
At 30 June 2015	1,036,600,000	219,711,948	-	-	43,552,409	45,207,026	2,525,622	1,034,824,250	5,577,600	2,387,998,855					

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

16B Work in progress includes

	2015-2016	2014-2015
	Kshs	Kshs
Contracted projects-GoK Funded		
(i) Students hostel and kitchen-II-Elephant Const. ltd	9,427,186	18,806,867
(ii) Cabro works-Charwins	5,799,763	-
(iii) Tuition and office block-II-Northern Const. ltd	27,486,253	19,897,810
(iv) Students hostel phase V -Glanak Investments	20,599,778	-
(v) Internal road-Elicon General Contractors ltd	-	9,281,610
(vi) Water works-Benma Technical Services	-	3,299,608
(vii) Students hostel and kitchen-I-Njarie Agencies	-	4,936,763
(viii) Street lighting-Alwex Elect. Services	-	422,000
(ix) Sports ground-Geokarma Const. ltd	7,324,523	14,440,959
(x) Earth dam-County Government of Kitui	-	1,304,460
(xi) Security Flood lights- Beshamu Enterprises	2,894,000	-
(xii) Fencing of Hostels-Ponika Enterprises	1,037,799	-
(xiii) Fencing of Hostels-Civistruct ltd	1,052,885	-
(xiv) Fencing of Hostels-Ngaaka Yakwa const.	623,152	-
(xv) Fencing of Hostels-Pacific General works.	999,340	-
(xvi) ICT-cabling-Net Plus	-	348,000
(xvii) Centrl stores - Jap International	15,123,883	-
(xviii) Car shades-Pavetract Const.	956,000	-
Total	93,324,562	72,738,077

- No depreciation is charged on work in progress

- Depreciation and amortization expense

	37,585,669	42,215,251
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17 Audit fees

	696,000	1,195,592
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This is fee paid to the Office of the Auditor General for services rendered of auditing the University financial statements.

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
18 Cash and cash equivalents		
Account no.0102152862000-Nbk-current collection	934,056	439,472
Account no.0102153129200-Nbk development	35,546,861	48,206,718
Account no.0102153129100-Nbk -IGU	805,734	556,591
Account no.0102153302500-Nbk -research	1,803,041	6,959,176
Account no.0202052862000-Nbk- Us dollar	2,439,022	2,820,124
Account no.0302052862000-Nbk-uero	9,662,018	3,274,112
Account no.01020088710300-Nbk-payment	1,025,432	240,495
Account no.01020088710400-Nbk(Cas)	48,710	21,914
Account no.1127693166-Kcb fees collection	1,867,371	743,184
Account no.01129300544600-Co-op fees collection	16,136,154	743,220
Account no.0720295920757-Equity fees collection	2,430,115	1,036,178
Account no.2021558152-Bbk fees collection	2,162,264	482,485
Account no.01020017462300-SEKU Caution money	392,657	196,750
Cash in hand	540	4,400
Account no.167543262-SEKU-ASDSP Kcb	769,978	746,780
M-PESA Fees payment account	62,270	-
M-PESA IGU payment account	31,040	-
Total cash and cash equivalents	76,117,263	66,471,599
19 Receivables from exchange transactions		
Outstanding imprest	1,670,023	6,445,364
Students debtors	91,800,644	87,442,882
General debtors	589,929	678,591
Internal debtors	10,000	64,775
Staff debtors	113,718	159,218
Other current assets		
BOC cylinders deposits	171,000	171,000
KPLC co ltd. deposits	110,000	80,000
Prepaid rent	789,417	448,980
Prepaid rates	-	14,300
Prepaid insurance	-	972,040
Prepaid general expenses	-	127,220
Rent deposits	310,000	96,250
Total receivables from exchange transactions	95,564,731	96,700,620
20 Receivables from non-exchange transactions	-	47,340,371
Total receivables	95,564,731	144,040,991

The Government disbursed all capitation in support of recurrent expenditure in the year under review.

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
21 Inventories		
Building materials	3,701,872	2,817,852
Cleaning materials	45,518	82,463
Food stuffs inventory-catering and accommodation	355,988	465,282
Medical drugs	369,905	267,400
Purchases for sale IGU	103,750	-
Farm inventory	135,355	100,500
Total inventories	4,712,388	3,733,497
22 Biological assets		
Cattle	1,102,380	539,500
Poultry	25,200	17,100
Goats	1,047,720	1,077,300
Pigs	266,640	-
Donkey	12,000	12,000
Total biological assets	2,453,940	1,645,900
23 Trade and other payables from exchange transactions		
Unpaid contractors certificates	19,253,845	13,797,460
Recurrent creditors suppliers	11,701,743	21,969,000
Internal creditors	-	163,816
Retention-contractors	38,635,477	35,817,480
Commissioner of domestic taxes (Withholding tax)	1,483,947	364,196
Withholding tax (VAT)	2,441,240	1,989,905
Customer deposits(refundable)	90,750	9,750
Insurance and investments	-	276,758
Net outstanding salaries	-	19,645,147
Pay as you earn tax	77,287	10,390,553
SEKU pension scheme	4,618,148	4,611,300
Kenya Univ. and Colleges placement services fee	327,000	-
SEKU Sacco deductions	-	2,187,336
Staff bank loan deductions	3,119,427	7,054,703
Staff unions- COTU	-	5,600
Kudheiha workers union	-	31,354
Kenya universities staff union	397,297	397,297
UASU	-	98,543
Other societies deductions	24,077	693,847
Student pre-paid fees	53,379,297	46,023,914
Provision for part-time claims	102,681,392	154,124,199
Provision for audit fees	696,000	834,800
HELB-Loan	637,820	1,891,500
CDF- Constituency development fund	1,976,335	5,959,108

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
HELB-loan repayment	-	246,095
Other pensions scheme	122,424	223,034
National Hospital Insurance Fund	1,700	133,740
National Social Security Fund	800	166,000
Non- Registered students deposit refunds	-	60,500
Imprest recoveries refund	442,890	309,766
SEKU-general recoveries	-	826,880
Payroll fees payment	-	349,600
Other sponsors	361,430	-
Un-identified direct bankings	4,018,086	3,246,012
Needy students kitty	-	49,890
Total	246,488,412	333,949,083

24 Deferred research grants

This constitutes the unspent money on account of research projects

	18,925,280	19,218,641
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25 Refundable deposits from students-caution money

Balance at the beginning	22,683,000	19,647,500
Provision for class 2013 to be paid in 2017	(3,390,000)	-
Caution money collected in financial year 2014/2015	-	3,035,500
Caution money collected in financial year 2015/2016	5,162,200	-
Adjustment on provision for 2012/2013 financial year	(6,708,500)	-
Bal at the end	17,746,700	22,683,000

This a provision in recognition of money paid by students on account of caution money During the financial year 2012/2013 a provision of Kshs 14,200,500.00 was set aside to cater for 2010-2013 financial years that was not done by then.

A thorough analysis of caution refunded or to be paid from this amount showed that it was over provided and therefore there was need to reduce it in line with expected number of graduands belonging to the class of 2013 financial year.

An adjustment of Kshs 6,708,500.00 to the revenue reserve was passed to correct the over-provision of caution money.

26 Contingent liabilities

Tax penalty and interest

	3,454,154	-
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
27 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	(78,798,628)	(31,713,430)
Surplus/Deficit for the period	15,224,216	(31,844,766)
Adjustment on deferred grants	293,359	-
Adjustment on revenue reserves(deferred research grants)	-	-
Adjustment of depreciation on revalued motor vehicles	10,924,125	10,924,125
Adjustment on provision for audit fees	638,392	-
Adjustment on caution money account balance	6,708,500	6,708,500
Balance at the end	(45,010,037)	(78,798,628)
28 Capital fund		
Balance at the beginning	1,796,422,246	1,644,011,579
Capital grants receipts	100,888,551	152,410,667
Balance at the end	1,897,310,797	1,796,422,246
29 Revaluation reserves		
Balance at the beginning	510,416,500	466,720,000
Motor vehicles revaluation	-	43,696,500
Adjustment of depreciation on revalued motor vehicles	(10,924,125)	-
Balance at the end	499,492,375	510,416,500

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 extended economic lifespans.

Subsequent depreciation on re-valued amount is charged against the reserves and an entry is passed to the revenue reserves.

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

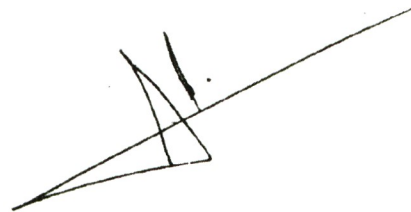
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. Our principal legal adviser and the University Management are doing everything possible to help resolve the various legal cases in court relating to land occupancy ownership 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)
2.0	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 or 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..... 7/4/17



PROF. LOUIS M. MUMERA, Ph.D
CHAIRMAN OF COUNCIL

Date..... 12/4/17



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