

REPUBLIC OF KENYA



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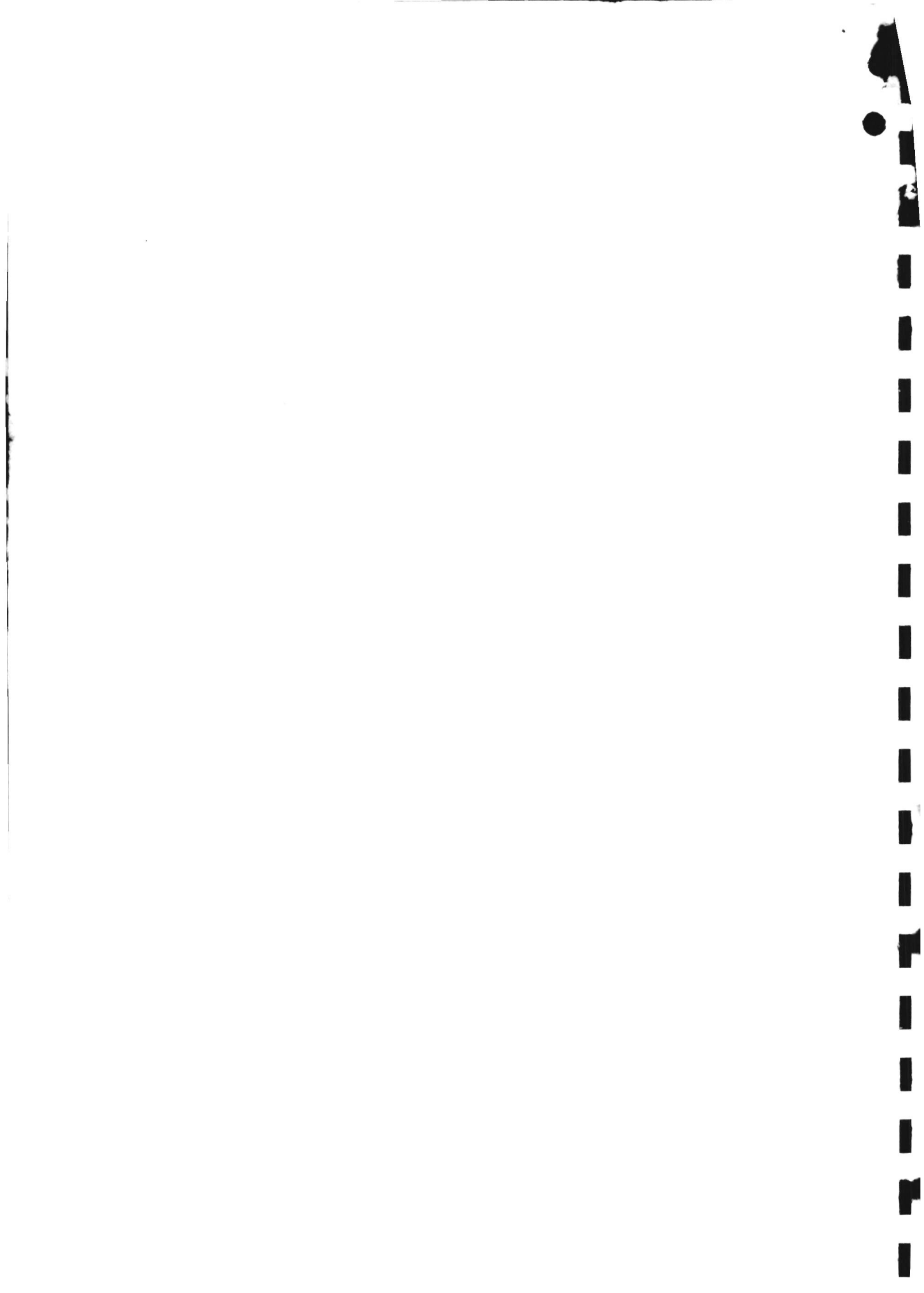
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
GARISSA UNIVERSITY COLLEGE

FOR THE YEAR ENDED
30 JUNE 2014







GARISSA UNIVERSITY COLLEGE
(A CONSTITUENT COLLEGE OF MOI UNIVERSITY)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Garissa University College was established on 12th August, 2011 through Legal Notice No. 116, The Moi University Act (Cap. 210A), The Garissa University College Order, 2011. At cabinet level, Garissa University College is represented by the Cabinet Secretary for Ministry of Education Science and Technology (MOEST), who is responsible for the general policy and strategic direction of Garissa University College.

(b) Principal Activities

The principal activity of the Garissa University College is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

(c) Key Management

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

- Principal;
- Deputy Principal (Administration, Finance and Planning); and
- Deputy Principal (Academic and Student Affairs);

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2013 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal;	Prof. Francis Jackim Mulaa
2.	Deputy Principal (AFP);	Prof. Kirimi Henry Kiriamiti
3.	Deputy Principal (ASA); and	Prof. Genevieve Atamba Mwayuli

(e) Fiduciary Oversight Arrangements

The Institution has a council which provides the overall key oversight; also the council has established Audit and risk committee activities as well as Finance and development committee to assist in the oversight activity.

(f) Garissa University College Headquarters

P.O. Box 1801
GPO 70100
Garissa University College Building
College Road, Off. Kismayu Road
Garissa, KENYA

(g) Garissa University College Contacts

Telephone :(254) 773 827763
E-mail: infor@guc.ac.ke
Website: www.guc.ac.ke

(h) Garissa University College Bankers

1. Kenya Commercial Bank
Eldoret Main Branch
P.O Box 560 - 30100
Eldoret, Kenya
2. Equity Bank
Garissa Branch
P.O. Box 700 - 70100
Garissa, Kenya




(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

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

THE UNIVERSITY COLLEGE COUNCIL

	<p>Date of birth- 20/09/1952</p> <p>B.Ed (Nairobi) M.Ed (Nairobi), PhD (Reading)</p> <p>Has over 33 years of work experience. Served as Senior Lecturer Moi University, Ambassador to Zimbabwe, Mozambique, Lesotho, Swaziland and the Peoples Republic of China; served as Permanent Secretary in the Office of the Vice President Ministry of Home Affairs, Ministry of the East African Community and also in the Ministry of Northern Kenya and other Arid Lands.</p>
<p>1. Amb. Dr Hukka Wario Council Chairman B.Ed, M.Ed, PhD</p>	
	<p>Date of birth: 12/12/1951</p> <p>B.A (Warren), M.Sc Biology (Appalachian), M.Sc Plant Pathology (Oklahoma), D.Ed Agricultural Education and Extension (Oklahoma), PhD. (Nairobi)</p> <p>Over 37 years of work experience in academics.</p>
<p>2. Prof. Richard Kiprono Mibei VC Moi University B.A , M.Sc Biology , M.Sc Plant Pathology, D.Ed Agricultural Education and Extension, PhD.</p>	
	<p>Date of birth: 8/12/1972</p> <p>Graduate with M.Sc. Foods, nutrition and dietetics (Kenyatta university), and MBA Strategic Management (Moi University).</p> <p>Has over 15 years of work experience. Currently working with Teachers Service Commission (TSC) as an Assistant Deputy Secretary, administration department.</p>
<p>3. Mrs. Florence Lisa Chelimo Council Member M.Sc. Foods and dietetics, and MBA Strategic Management</p>	

	<p>Date of Birth: 29th November, 1967</p>
<p>4. Mr. Julius Mwabu Council Member BSc. Geology, MSc. Environmental & Information Systems, Professional Masters Degree – Applied Geomorphological & Engineering geological Survey.</p>	<p>MSc – Environmental & Information Systems (JKUAT); Professional Master Degree – Applied Geomorphological & Engineering geological Survey (ITC-Netherlands); BSc – Geology (UoN)</p> <p>Over 20 years in work experience in public sector.</p>
	<p>Date of Birth: 14/12/1978</p>
<p>5. Mr. Salah Abdi Sheikh Council Member PhD candidate, MBA Finance, BCom, CPA (K), MKIM</p>	<p>PhD candidate (JKUAT), MBA Finance (Nairobi), BCom (Nairobi), CPA (K), MKIM</p> <p>Over 10 years of working experience in Auditing, Management Consultancy and Teaching.</p>
	<p>Date of Birth: 1959</p>
<p>6. Mr. John Kahugu Munge Council Member Alternate to the PS National Treasury</p>	<p>CPA-Experience in Finance, Accounting and Investment</p> <p>Over 20 years of working experience in Public Management, Debt, Investments and Finances.</p>

	<p>Date of Birth: 1973</p> <p>Master in Education Planning.</p> <p>Over 14 years of work experience in Education Sector.</p>
<p>7. Mr. James Ndung'u Muchiri Council Member Alternate to the PS Ministry of Education, Science and Technology (MOEST) Master in Education Planning</p>	<p>Date of Birth: 13/07/1957</p> <p>Prof. Francis Jackim Mulaa PhD (BioChemistry; Protein Chemistry and Downstream Processing, Obafemi Awolowo Ile-Ife, Nigeria, 1990); MSc Biochemistry, University of Nairobi, Neuroendocrinology and Metabolism-1986); MSc Chemistry Specialization, Biochemistry Donetsk State University, Russia-USSR, 1983)</p> <p>Has over 28 years of work experience. Currently he is the Principal, Garissa University College</p>
	
<p>8. Prof. Francis Jackim Mulaa Council Secretary PhD BioChemistry, M.Sc. Chemistry and Biochemistry</p>	

COUNCIL MEMBERS

- | | |
|--------------------------|-----------------------------------|
| 1) Amb. Dr Hukka Wario | Chairman |
| 2) Prof. Richard Mibey | VC Moi University |
| 3) Mrs. Florence Chelimo | |
| 4) Mr. Julius Mwabu | |
| 5) Mr. Salah Sheikh | |
| 6) Mr. John Munge | Alternate to PS National Treasury |
| 7) Mr. James Muchiri | Alternate to PS MOEST |
| 8) Prof. Francis Mulaa | Secretary |

COUNCIL COMMITTEES

a) COUNCIL FINANCE, DEVELOPMENT AND GENERAL PURPOSE COMMITTEE

- | | |
|------------------------|-----------------------------------|
| 1) Mr. Julius Mwabu | Chairman |
| 2) Mr. John Munge | Alternate to PS National Treasury |
| 3) Mr. James Muchiri | Alternate to PS MOEST |
| 4) Prof. Richard Mibey | |
| 5) Amb. Dr Hukka Wario | |
| 6) Prof. Francis Mulaa | |




b) COUNCIL HUMAN RESOURCES COMMITTEE

- | | |
|--------------------------|-----------------------------------|
| 1. Mrs. Florence Chelimo | Chairperson |
| 2. Mr. Salah Sheikh | |
| 3. Mr. John Munge | Alternate to PS National Treasury |
| 4. Mr. James Muchiri | Alternate to PS MOEST |
| 5. Mr. Julius Mwabu | |
| 6. Prof. Richard Mibey | |
| 7. Amb. Dr Hukka Wario | |
| 8. Prof. Francis Mulaa | |

c) COUNCIL AUDIT AND COMPLIANCE COMMITTEE

- | | |
|--------------------------|-----------------------------------|
| 1) Mr. Salah Sheikh | Chairperson |
| 2) Mr. John Munge | Alternate to PS National Treasury |
| 3) Mr. James Muchiri | Alternate to PS MOEST |
| 4) Mrs. Florence Chelimo | |

MANAGEMENT TEAM

 <p>1. Prof. Francis Jackim Mulaa PhD (BioChemistry; Protein Chemistry and Downstream Processing, Obafemi Awolowo Ile-Ife, Nigeria, 1990); MSc Biochemistry, University of Nairobi, Neuroendocrinology and Metabolism-1986); MSc Chemistry Specialization, Biochemistry Donetsk State University, Russia-USSR, 1983)</p>	<p>Principal</p> <p>Areas of Specialty/Research interest: Agricultural, Industrial & Environmental Biotechnology.</p> <p>Professional/key Skills; Industrial and Environmental Enzyme Biotechnology. Processing & Protein Chemistry (28)</p>
 <p>2. Prof. Henry Kirimi Kiriamiti PhD (Chemical and Environmental Engineering, Enciacet, Toulouse 1999); Advanced post-graduate degree (DEA) Process Engineering: Major in specific reactors and new separation methods Ensiacet, Toulouse, France 1993; Bachelors & Masters Chemical & processes Engineering Technical University of Wroclaw, Poland 1986</p>	<p>Deputy Principal Administration, Finance and Planning</p> <p>Chemical and Environmental Engineering(17)</p>
 <p>3. Prof. Genevieve Atamba Mwayuli PhD- Moi University (2004); M.Phil- Moi University (1995); B.Ed- University of Nairobi (1984).</p>	<p>Deputy Principal Academic and Student Affairs</p> <p>Environmental Biology(13)</p>

CHAIRMAN'S STATEMENT

I am pleased to present this report for the year ended 30 June 2014. This was another great year where the Institution made great strides in its development.

Garissa University College has continued to grow from strength to strength since its inception in 2011 and subsequent operation in 2013. The University College Council has been focused in ensuring that the necessary learning infrastructure is provided and that qualified academic and administrative staff are recruited. Despite the existing financial constraints, the Council has to a large extent achieved these objectives through prudent utilization of funds.

The University College has commenced on construction of a 750 students' hostels.

The Institution is still pursuing the acquisition of a larger parcel of land, to be able to roll out some of its programmes and for expansion. In this regard, the University College has commenced on construction of a 750 students' hostels. We therefore appeal to the Government to assist in the allocation of more land.

The University College Council is pleased with the efforts of the University College management and the bold strides that the University College has undertaken to enhance the variety and quality of degree programmes offered by the University College.

I would like to appeal to the Government to consider increasing both our recurrent and capital budgets to enable the Institution meet its funding deficit which will negatively impact on the development of the Institution.

I thank all our partners, staff and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.



Amb, Dr Hukka L. Wario, PhD, CBS

Chairman, Garissa University College Council

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the report for the year ended 30 June 2014. This year witnessed remarkable achievements in the growth of the Garissa University College.

The expansion programme that the University College has embarked on will see the Institution enhance access to higher education to many students across the country and more so in the Northern region. I commend the University College Council for taking a leading role in this exercise.

The demand for higher education continues to increase in the coming years as a consequence of the free primary education programme and tuition waiver at the secondary school level. Public Universities therefore have to hasten their capacity building strategies in order to address this demand.

I believe the time is ripe for GUC to clearly define the impact that it seeks to achieve and this year's business plans bear testimony to our state of readiness to do this. Our mandate and value system as an institution guides us on what training and research we undertake; how we perform it; and how we choose to use the knowledge gained through our training and research programs.

Institutions such as the GUC need to play a central role in providing viable and sustainable solutions to the country's current and anticipated challenges. At GUC, it is our search for progress and solutions to social-economic and environmental challenges that stimulate our work. We share, as an institution, a solution-driven and innovative approach.

To achieve greater impact and increase uptake of our training and research and innovations, we need to make our work more visible and accessible so that we are widely recognised as the first port of call for relevant information and solutions to dry-land agriculture, health, engineering education, natural sciences and environment and a broad range of industry-related issues. Besides expansion of our infrastructure to accommodate more students, the University College also seeks to develop a campus ICT network infrastructure that will form the basis of campus network interconnectivity. The need for campus network development has been occasioned by lack of sufficient network infrastructure within the institution. Subsequently, this network will form the foundation of developing automation systems within the institution to support the library, learning, research and records management. Managing record remains the responsibility of each GUC's employee. We encourage staff and students to take active roles in research by organizing seminars and conferences.

As we move into the new financial year, I trust that we will be geared up for yet another successful year and that we will continue to capitalise on the multidisciplinary skills and expertise that reside within the institution to produce brilliant work for the benefit of all Kenyans.

Financial Performance Highlights

During the year, there was an increase in both the number of students and the programmes offered in the University.

Despite the great strides made, the University is still faced with escalating costs occasioned by general price increases and the rise in the cost of teaching and training systems necessary to provide quality and innovative programmes.

There has also been an increase in operations and maintenance expenses because the funding level has not kept pace with the growing need of the Institution and increase in student numbers.

I appeal to the Government to increase the amount allocated to the University College in the recurrent and capital budgets to enable us meet the costs and improve the learning infrastructure necessary for providing quality education



Prof. Francis J. Mulaa, PhD

Principal

CORPORATE GOVERNANCE STATEMENT

Council Oversight: Garissa University College's oversight responsibility is placed with the University Council in compliance with statutory and regulatory requirements. The Council is independent and discharges its mandate at arm's length from other operations of the Institution. All the Members of the Council, except the Principal, are independent thus enabling the Council to provide independent oversight as well as strategic challenge to Management in the implementation of the Institution's strategies.

The current Council has the appropriate blend of skills ranging from education, food and nutrition, business administration, human resources, finance and investment, environmental and information systems to geology. The synergy in these skills is continuously directed in the much needed oversight for value addition. The Council has not yet received the required gender balance. This issue has been a subject of discussion in Council meetings hence it is desired that the appropriate candidate be gazetted to ensure the required balance.

To effectively discharge this mandate, the Council has devolved its responsibilities to Council Committees. The Council discharges its responsibilities through regularly scheduled meetings and ad-hoc meetings. During the period under review, the Council held 13 meetings.

Council Committees

The Council discharges its oversight responsibility through Council Committees. There are three main Committees of the Council namely, Council Human Resources and Strategy Committee, Council Audit and Risk Committee and Council Finance and General Purpose Committee. The membership of the Committees is as indicated on page VII of this Report.

Key Management Team: The Principal, as the leader of the management team, is responsible for effectively and efficiently managing the resources of the Institution on behalf of the Council and delivering value for the stakeholders through implementation of the strategy and policies of the Institution as approved by the Council. The core mandate of the management Team is to efficiently and effectively convert the resources of the Institution in order to deliver the strategic outcomes of the Institution, develop initiatives that are Student focused and to inspire confidence and trust with all stakeholders both internally and externally.

Internal interaction between the Council and the Management: The Council works closely with the Management Team to formulate the Institution's strategy which is then approved by the Council once all the parameters have been agreed. Whereas delivery of the Institution's strategy is the responsibility of the management Team, the governance of the processes and performance monitoring is the responsibility of the Council.

In all, the Institution and the Council and management are committed to upholding the highest standards of good corporate governance throughout the operations.



Prof. Francis J. Mulaa, PhD

Principal

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Garissa University College (GUC) has been involved in a cross section of diverse corporate social responsibility activities broadly touching on environment, social and economic interventions. GUC has been involved in activities ranging from education, health, sports, environmental activities that have been directed at the community and country at large. Thus during the period CSR continued to remain an integral part of the operations at Garissa.

EDUCATION:

GUC has invested resources in providing access to quality education and empowering the youth with knowledge. The Institution has achieved this in a number of ways.

The Institution also held an open day during the year and this enabled it showcase the programmes we are offering and mentoring the students from various secondary schools who attended like Garissa High School, Iftin Girls Secondary, MbalaMbala Secondary school.

ENVIRONMENT:

GUC continues to actively engage in environmental conservation and management programmes as its contribution to cleaner and better environment so as to deliver on environmental concerns other than the social and economic considerations. This year, the Institution carried out tree planting exercise in the 'Greening Garissa initiative'.

Garissa University College joined the World in the celebration of the World Environment Day on 5th June 2014. The theme for this year was focussed on Small Islands and climate Change and the official slogan for the year is 'Raise Your Voice Not the Sea Level'. The Institution embarked on a weeklong awareness creation towards Environment protection and conservation. The Institution initiated activities such as tree planting and community clean-ups. Students from the Institution were involved in the clean-up exercise and tree planting to give them a sense of ownership. School children were encouraged each to adopt a tree as a way of ensuring sustainability. A joint clean-up exercise involving the Institution staff, Students and Garissa County Council Staff, was carried out at Garissa Market and Garissa General Hospital during the period under review.

HEALTH:

Contribution to Garissa General Hospital and the dispensary within the Institution. In an effort to supplement effects from both public sector health gains, GUC offers support and is host to a dispensary facility which basically serves the surrounding community in terms of immunization & growth monitoring of children, family planning activities, ante-natal care for pregnant women, and VCT services around the Institution and the region.

We've been involved in clean-up exercises for the general hospital, which was well received by the general public and the health personnel.

REPORT OF THE COUNCIL

The Council submit their report together with the draft financial statements for the year ended June 30, 2013 which show the state of the Garissa University College's affairs.

Principal activities

The principal activity of the Garissa University College is to be nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

Results

The results of the Garissa University College for the year ended June 30, 2014 are set out on page 1 to 5.

Council

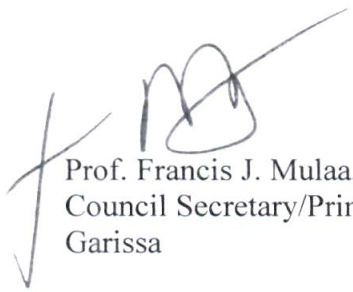
The members of the University College Council who served during the year are shown on page IV. In accordance with Gazette Notice No. 13076 of the Kenya Gazette.

Auditors

The Auditor General is responsible for the statutory audit of Garissa University College in accordance with the Section 6 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staffs were nominated by the Auditor General to carry out the audit of the University College for the period ended June 30th, 2014.

By Order of the Council


Prof. Francis J. Mulaa, PhD
Council Secretary/Principal
Garissa

Date:

STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 6 of the Public Finance Management Act, 2012 and section 33 of the Universities Act, require the University College Council to prepare financial statements in respect of Garissa University College, which give a true and fair view of the state of affairs of the Garissa University College at the end of the financial year and the operating results of Garissa University College for that period. The council is also required to ensure that Garissa University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The council is also responsible for safeguarding the assets of the Institution.

The council is responsible for the preparation and presentation of the Garissa University College's financial statements, which give a true and fair view of the state of affairs of the Institution for and as at the end of the financial year ended on June 30, 2014. 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 Garissa University College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Garissa University College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for Garissa University College'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 State Corporations Act. The Council is of the opinion that Garissa University College's financial statements give a true and fair view of the state of the Institution's transactions during the financial year ended June 30, 2014, and of the Institution's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Institution, which have been relied upon in the preparation of the Institution's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Institution 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 Garissa University College's financial statements were approved by the Council on 14th September, 2014 and signed on its behalf by:



Prof. Francis J. Mulaa, PhD
Secretary of Council



Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GARISSA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Garissa University College set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of cash flows and statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229(4) of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 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 (ISSAIs). 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 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 Non-Current Assets

The statement of financial position reflects non-current assets balance of Kshs.174,838,000 as at 30 June 2014. However, the University does not own the land upon which it has buildings worth Kshs.34,756,000. As a result, the accuracy and completeness of the ownership and value of the non-current assets balance of Kshs.174,838,000 could not be confirmed.

2.0 Irregular Procurement of Stores

Examination of available records and payment vouchers revealed that the University purchased through direct procurement stores worth Kshs.30,978,758 contrary to Public Procurement and Disposal Act, 2005. Further, stores totalling Kshs.21,089,559 out of the Kshs.30,978,758 were not taken on charge in the respective stock ledgers and other related records as required.

In view of the foregoing, it has not been possible to confirm if the goods paid for worth Kshs.30,978,758 were delivered, recorded, used for the intended purposes and accounted for.

3.0 Procurement of Double Decker Beds and Lecture Hall Chairs

During the period under review, the University purchased four hundred (400) double decker beds and 500 no. lecture hall chairs at a total cost of Kshs.7,600,000 through single sourcing, contrary to Section 30 of the Public Procurement and Disposal Act, 2005.

Further, the University bought the beds at an inflated price of Kshs.12,000 per piece while the market survey carried out by the audit team on 18 February, 2014 revealed that a bed was costing Kshs.8,800 resulting into a difference of Kshs.2,200 per piece which translates to an overpayment of Kshs.880,000, for the 400 units.

In the circumstances, the University did not get value for money for the Kshs.880,000 overpayment and no reason has been given for single sourcing.

4.0 Acquisition of Computers

During the year under review, the University purchased ninety (90) computers and printers through direct procurement at a total cost of Kshs.7,500,000. Further, the first

batch of twenty five (25) computers were received by the University in Nairobi instead of the supplier delivering them to the point of use. In addition, the second batch of seventy five (75) computers were delivered at the University but the user department did not endorse the goods receipt note. Further, no inspection and acceptance certificate was issued because as at the time of audit, the University had no inspection and acceptance committee in place. It was also noted that the procuring entity had no specifications for the computers they planned to procure hence they adopted those of the supplier which is unprocedural. In addition, physical verification conducted during the audit revealed that out of ninety (90) computers procured only forty one (41) were in use.

Consequently, the propriety of the expenditure of Kshs.7,500,000 could not be ascertained.

5.0 Payment for Uncompleted Works

During the year under review, the University had an approved budget of Kshs.14,595,000 for rehabilitation of sewerage works, renovation of hostels, lecture halls and other support infrastructures. However, physical verification revealed that although the approved budget had been spent fully and paid for, works valued at Kshs.2,721,106 had not been done as listed below:-

Works not done	Amount (Kshs.)
Power supply to sewerage site (3 phase) not connected	- 64,880
Principal Duty House Repairs	- 335,618
Beddings and Kitchen appliances not supplied	- 128,265
Theatre Hall Repairs	- 853,330
Large Lecture Hall Repairs	- 1,058,500
Library and Walkway Paining	- 55,400
Incinerators 2no. not installed	- 225,113
Total	<u>2,721,106</u>

In view of the foregoing, the propriety and value for money in the expenditure of Kshs.2,721,106 could not be ascertained.

6.0 Unsupported Variation of Tender

Examination of payment voucher no.132 of Kshs.1,355,000 payable to M/s Bilal Timber and Metal Workshop revealed that price variations were done without following the laid down procedures.

The University awarded M/s Bilal Timber & Metal Workshop contracts through L.P.O No. 0045 of 11 October, 2013 to supply, one hundred (100) office chairs at Kshs.8,000 and twenty (20) executive office chairs at Kshs.10,000 amounting to Kshs.1,000,000. However, the supplier requested the University to review the prices upwards for office chairs from Kshs.8,000 to Kshs.11,000 per unit and executive office chairs from Kshs.10,000 to Kshs.13,000 and Kshs.12,500 respectively. The University raised a local purchase order L.P.O No. 0070 adjusting the grand total of the stores procured from

Kshs.1,000,000 to Kshs.1,355,000 resulting into an increase of Kshs.355,000 which is contrary to Section 47(a) and (b) of the Public Procurement and Disposal Act, 2005.

Under the circumstances, the propriety of the additional expenditure of Kshs.355,000 could not be confirmed.

7.0 Irregular Payment of Per Diems

Examination of payment vouchers revealed that two (2) officers who were seconded from Moi University to Garissa University were irregularly paid per diem amounting to Kshs.1,065,200 between 25 June 2013 and 10 January 2014. Further, the officers continued earning their monthly salaries from Moi University, contrary to the Collective Bargaining Agreement (CBA) which states that when officers are on secondment, they should be paid per diem allowance for the first ten (10) days.

In view of the foregoing, the amount of Kshs.1,065,200 paid to the officers is considered irregular.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Garissa University College as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Universities Act, 2012.

Other Matter

1.0 Budgetary Control and Performance

1.1 Budget Performance Analysis

During the year under review, the approved budget for Garissa University was Kshs.347.7million with Kshs.223.5million (64.3%) allocated to capitation and Kshs.124.2million (35.7%) to development as follows:-

ITEM	Actual Kshs. "000"	Budgeted Allocation Kshs. "000"	Absorption Rate %	% Of Total Expenditure
Capitation	158.3	223.5	70.8%	100%
Development	Nil	124.2	Nil	Nil
TOTAL	158.3	347.7	70.9%	-

Review of the budget performance shows that the University did not incur any expenditure on development due to non-release of funds by the Ministry of Education, Science and Technology, thus affecting implementation of the planned programs.

1.2 Over/Under Expenditure

ITEM	Budget 2013/2014 Kshs. "000"	Actuals 2013/2014 Kshs. "000"	Over	Under Kshs."000"
Personal Emoluments	138,105	78,041	-	60,064
Council Committee Expenses	10,500	8,434	-	2,066
Operation & Maintenance Costs	119,027	75,527	-	43,500
TOTAL	267,632	162,002	-	105,630

The University under spent on personal emoluments, council committee expenses and operations and maintenance by Kshs.105,630,000 because the anticipated recruitment of additional teaching and non-teaching staff that had not been achieved as at 30 June, 2014. Further, there was also an under enrolment of students as the University was allocated 726 students by Kenya Universities College Central Placement Board out of which only 486 students were enrolled.

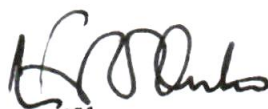
1.3 Revenue Analysis

The University had a budget of revenue of Kshs.21,062,000. However, the revenue collected for the period was Kshs.25.147 million which resulted to over collection of Kshs.4,085,000 from tuition and other charges, other incomes and sundry incomes as listed below:-

ITEMS	BUDGET 2013-2014 Kshs. '000'	ACTUALS Kshs. '000'	OVER 'Kshs.000'	UNDER
Tuition and other incomes	17,272	18,074	802	
Other Services Rendered	3,790	6,889	3,099	
Sundry Incomes	-	184	184	
TOTAL	21,062	25,147	4,085	

It was not clear why the University under budgeted for tuition and other income and other services rendered or why the targets were lowered at the time of budget.

My opinion is not qualified in respect of this matter.



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

Nairobi

20 September 2016

Garissa University College – Annual Report and Financial Statements for the year ended 30 June 2014

**STATEMENT OF FINANCIAL
PERFORMANCE**

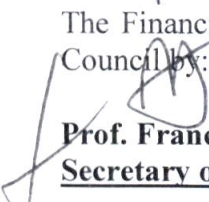
GARISSA UNIVERSITY COLLEGE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014			
	NOTE	2013 - 2014 Kshs '000	2012 - 2013 Kshs '000
Revenue from Non-exchange Transactions			
Capitation grants	3	241,550	173,550
		241,550	173,550
Revenue from Exchange Transactions			
Tuition and related charges	4	18,074	-
Other services rendered	5	6,889	-
Sundry income	6	184	-
		25,148	-
Total Revenue		266,698	173,550
EXPENSES			
Personal Emolument	7	78,041	-
Council committee Expenses	8	8,434	830
Depreciation Expenses	9	8,918	-
Operations and Maintenance cc	10	75,527	744
Audit Fees	17	700	-
		171,619	1,574
SURPLUS FOR THE PERIOD		95,079	171,976

The notes set out on pages 6 to 17 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION**GARISSA UNIVERSITY COLLEGE****STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2014**

	NOTE	2013 - 2014 Kshs '000	2012 - 2013 Kshs '000
ASSETS			
CURRENT ASSETS			
Inventories	11	1,331	-
Trade and other receivables	12	125,622	-
Bank Guarantee		280	
Cash and bank balances	13	84,521	169,827
		<u>211,754</u>	<u>169,827</u>
NON- CURRENT ASSETS			
Buildings	18	34,736	2,076
Work in Progress	18	113,553	80
Computers ,copiers	18	6,283	-
Motor Vehicles	18	10,792	-
Furniture Plant Equipment	18	10,321	-
		<u>175,686</u>	<u>2,156</u>
TOTAL ASSETS		<u><u>387,440</u></u>	<u><u>171,984</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	73,127	-
Bank liability		8	8
Provisions	17	700	-
		<u>73,835</u>	<u>8</u>
NON-CURRENT LIABILITIES			
		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u><u>73,835</u></u>	<u><u>8</u></u>
NET ASSETS		<u><u>313,605</u></u>	<u><u>171,976</u></u>
RESERVES			
Revenue Reserves		220,505	171,976
Capital Reserves		93,100	-
TOTAL RESERVES		<u><u>313,605</u></u>	<u><u>171,976</u></u>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the University College Council by:


Prof. Francis J. Mulaa, PhD
Secretary of Council


Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council

STATEMENT OF CHANGES IN NET ASSETS
GARISSA UNIVERSITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014

	Capital Reserves Kshs '000	Revenue Reserves Kshs '000	Total Kshs '000
Balance as at 30 June 2012	-	-	-
Surplus/(deficit) for the year	-	171,976	171,976
Balance as at 30 June 2013	-	171,976	171,976
Transfers to/from revenue reser	46,550	(46,550)	-
Surplus/(deficit) for the year	-	95,079	95,079
Capital grants	24,200	-	24,200
Balance as at 30 June 2014	70,750	220,505	291,255

Note:

The capital reserve included in the statement for the period under consideration represents the transfers from revenue transfer and capital grant for the period.

STATEMENT OF CASHFLOWS**GARISSA UNIVERSITY COLLEGE**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2013 - 2014 Kshs '000	2012 - 2013 Kshs '000
CASH FLOWS FROM OPE	20		
Receipts			
Government grants		241,550	173,550
Finance income		-	8
Tuition Fees		18,074	
Accommodation		2,106	
Catering Sales		4,783	
Sale of tender documents		178	
Fines & Penalties		6	
Total Receipts		266,698	173,558
Payments			
Personal Emolument		78,041	-
Council committee Expenses		8,434	830
Operations and Maintenance costs		75,527	744
Audit Fees		700	
Total Payments		162,701	1,574
Surplus/(Deficit)		103,997	171,984
Non-Cash Movement			
Increase in Payables		73,127	-
Increase in Provisions		700	
Increase in other Current Assets		(1,331)	-
Increase in Receivables		(125,902)	-
Net cashflows from operating activities		50,591	171,984
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	18	(182,447)	(2,156)
Net cash flows used in investing activities		(182,447)	(2,156)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Reserve		46,550	-
Repayments of Borrowings		-	
Net cash flows from financing activities		46,550	-
Net increase in cash and cash equivalents		(85,306)	169,827
Cash and cash equivalents at the beginning of		169,827	-
Cash and cash equivalents a	15	84,521	169,827

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

GARISSA UNIVERSITY COLLEGE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2014

		ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
		2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
		Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
	REVENUE					
1	Exchequer Grants	347,720,400	23,050,000	370,770,400	202,450,400.00	(168,320,000.00)
2	Tuition & Other Charges	19,000,000	(1,728,100)	17,271,900	18,831,850.00	1,559,950.00
3	Other Income	1,500,000	2,289,620	3,789,620	4,789,550.00	999,930.00
	TOTAL INCOME	368,220,400	23,611,520	391,831,920	226,071,800	(165,760,120)
	EXPENSES					
1	Personal Emoluments	142,397,603	(4,292,551)	138,105,052	77,872,289.00	60,232,763.00
2	Council Committee Expenses	7,500,000	3,000,000	10,500,000	8,548,372.20	1,951,627.80
3	Operations and Maintenance costs	132,955,900	(13,929,032)	119,026,868	75,713,678.68	43,313,189.32
	Total Expenditure	282,853,503	(15,221,583.00)	267,631,920	162,134,340	105,497,580
	Budget Surplus/(Deficit)	85,366,897	38,833,103	124,200,000	63,937,460	(60,262,540)

Notes:

- 1) **Exchequer Grants {Kes. 168,320,000 (A)}**: This is attributed to capital development money that was allocated to the University College but was not disbursed as at 30th June, 2014.
- 2) **Personnel Emoluments {Kes. 60,232,763 (F)}**: The University College had anticipated recruitment of additional teaching and non-teaching staff; especially Academic leaders i.e. Professors and Associate Professors. However, as at 30th June, 2014, this had not been achieved.
- 3) **Operations and Maintenance costs {Kes. 43,313,182 (F)}**: This is attributed to the population of staff and students of the University College, who were below the anticipated as at 30th June, 2014. We were allocated 726 students by Kenya Universities and Colleges Central Placement Board (KUCCPB), out of which 486 students were enrolled.

NOTES TO THE FINANCIAL STATEMENTS

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

The Garissa University College'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 Garissa University College and all values are rounded to the nearest thousand (Ksh000). 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 direct method. The financial statements are prepared on accrual basis.

The entity has not applied any transitional provisions in any IPSAS since this is the first financial statement and we started off on IPSAS.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Exchequer Grants

Exchequer grants and other grants from the government are recognised as income in the period in which they relate

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Income from students is recognized as it accrues unless collectability is in doubt.

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 entity. 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.

c) Taxes – IAS 12

Current income tax

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

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

The University College is exempted from tax under the 1st schedule of the income tax act, cap 470.

d) Property, plant and equipment – IPSAS 17

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.

Fixed Assets Depreciation: Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Buildings	2%
Furniture, plant and equipment	12.5%
Motor vehicles	25%
Computers	33 ¹ / ₃ %

Freehold land is not depreciated as it is deemed to have an infinite life. Leasehold land is amortised over the unexpired lease period.

e) Research and development costs

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

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

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

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

g) Provisions – IPSAS 19

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

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

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

Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

i) Changes in accounting policies and estimates – IPSAS 3

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

j) Employee benefits – IPSAS 25

Retirement benefit plans

The Entity provides retirement benefits for its employees and councillors. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

The University College joined the Moi University Pension Scheme, a contributory pension scheme for eligible employees.

The assets of the scheme are held in a separate trustee administered fund that is funded by both the university and the employees

The University College also contributes to statutory contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs. 200 per employee per month.

The Institution's contributions to the above schemes are charge to the income and expenditure account in the year which they relate

k) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance. Interest income is accrued on a time proportion basis

l) Related Parties – IPSAS 20

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

COUNCIL COMMITTEE EXPENSES		
	2014	2013
	Kshs '000	Kshs '000
Council's committee expenses	8,434	830
Total Council Expenses	8,434	830

These expenses comprise of siting and subsistence allowances when the council members meet.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest and advances to authorised public officers and/or Institutions which were not surrendered or accounted for at the end of the financial year.

n) Comparative figures

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

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses,

assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

p) 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, 2014

3. CAPITATION GRANTS		
	2014	2013
	Kshs '000	Kshs '000
July	-	-
August	68,980	-
September	15,070	-
October	17,357	-
November	15,264	-
December	15,264	50,350
January	15,264	-
February	-	50,350
March	30,528	50,350
April	21,282	11,250
May	12,035	11,250
June	30,506	-
Total Capitation Grants	<u>241,550</u>	<u>173,550</u>
4. TUITION AND RELATED CHARGES		
	2014	2013
	Kshs '000	Kshs '000
Tuition fees	9,526	-
Registration fees	97	-
Students' ID charges	121	-
Examination fees	580	-
Medical fees	725	-
Activity fees	484	-
Application fees	63	-
Amenity fees	484	-
Computer Fees	4,835	-
GUSCO Fees	193	-
GUSCO Ann. Subscip	484	-
Caution Money	484	-
	<u>18,074</u>	<u>-</u>
5. OTHER SERVICES RENDERED		
	2014	2013
	Kshs '000	Kshs '000
Accommodation	2,106	-
Catering sales	4,783	-
	<u>6,889</u>	<u>-</u>

6. SUNDRY INCOME

	2014 Kshs '000	2013 Kshs '000
Sale of tender documents	178	-
Fines, penalties	6	-
	<u>184</u>	<u>-</u>

7. PERSONAL EMOLUMENTS

	2014 Kshs '000	2013 Kshs '000
Basic Salary	41,197	0
House Allowance	21,170	0
Gratuity & Pension	6,123	0
Commuter Allowance	4,473	-
Passage , Baggage & Leave	275	-
Other Personal Allowance	4,803	0
Total Personal Personal Emoluments	<u>78,041</u>	<u>0</u>

COUNCIL COMMITTEE EXPENSES

	2014 Kshs '000	2013 Kshs '000
Council's committee expenses	8,434	830
Total Council Expenses	<u>8,434</u>	<u>830</u>

9. DEPRECIATION & AMORTIZATION EXPENSE

	2014 Kshs '000	2013 Kshs '000
Property, plant and equipment	8,918	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization Expense	<u>8,918</u>	<u>-</u>

10. OPERATIONS AND MAINTENANCE COSTS

The following are included in Operations and Maintenance Costs:

	2014 Kshs '000	2013 Kshs '000
Insurance Expense	168	-
Postal & Telegram Expense	59	-
Electricity, water & Conservan	2,506	-
Publishing & printing	140	-
Advertising & Publicity	6,416	-
Legal expense	145	-
GUSO welfare	706	-
Staff Medical care	944	-
Purchase of plant& Equipt-acad	151	-
Recruitment Expense	1,160	-
External Examiners	719	-
Medical expense & healthcare	35	-
Maintainace of catering & Host	488	-
Devlpt of Academic Programme&	515	-
Hotel Accomd&Hospitality expen	515	-
Staff delpt-Non academic	50	-
Computer expense & software	288	-
Internet services& comm expens	1,996	-
Contract services&subscriptn	15	-
Bank charges	125	21
Corporate social responsility	50	-
Pre-establishment Expense	14,615	-
Stationeries	4,584	-
Substance, Travelling&Accomm	10,559	221
Vehicle running&Maintainance	1,291	-
Telecomm Expense	3	-
Teaching Materials	80	-
KU & Colleges Central placement	100	-
Library books & other Expense	586	-
Exam materials & Expense	226	-
Sport& Recreational Activities	2,250	-
Catering & Hostel materials	2,827	-
Cleaning materials & detergent	312	-
Oil, lubricants & LPG Gas	322	-
Tyres & TuBes	125	-
Maintainance of building & sta	1,272	-
Maintenance of Water & Sewerage	522	501
Security service, system&equipt	1,914	-
Catering Expenses	16,749	-
Total Operations & Maintenance Costs	75,527	744

11. INVENTORIES

	2014 Kshs '000	2013 Kshs '000
Consumable stores (Stationeries)	860	-
Central Stores ~Fixed Assets (Computers & Projector)	-	-
Catering	471	-
Total inventories at the lower of cost and net realizable value	1,331	-

12. TRADE AND OTHER RECEIVABLES

	2014 Kshs '000	2013 Kshs '000
Amounts falling due within one year:-		
Student fees debtors	1,422	-
Other debtors and accruals	124,200	-
Other PSSP debtors	-	-
	125,622	-
Provision for doubtful debts	-	-
	125,622	-

13. CASH AND BANK BALANCES

	2014 Kshs '000	2013 Kshs '000
KCB-Capital Development A/c	56,126	169,826
KCB- Payment A/c	3,387	0
KCB- Deposit A/c	9	0
Equity - GSSP Collection A/c	15,951	-
Equity - PSSP Collection A/c	2,107	-
Equity Bank- Accomodation A/c	6,940	-
	84,521	169,827

14. BANK BALANCES

	2014 Kshs '000	2013 Kshs '000
Kenya Commercial Bank	59,523	169,827
Equity Bank	24,999	-
	84,521	169,827

15. CASH AND CASH EQUIVALENTS

	2014 Kshs '000	2013 Kshs '000
Bank	84,521	169,827
Cash-on-hand and intransit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	84,521	169,827

16. TRADE AND OTHER PAYABLES

	2014 Kshs '000	2013 Kshs '000
Amounts falling due within one year:-		
Recurrent and capital creditors	71,808	-
PSSP Creditors	42	-
Prepaid Fees	1,277	-
	73,127	-

17. OTHER LIABILITIES AND PROVISIONS

	2014 Kshs '000	2013 Kshs '000
Provision for audit fees	700	-
	700	-

18. PROPERTY, PLANT AND EQUIPMENT

COST/VALUATION	Land	Buildings	W.I.P	Furniture, plant and equipment	Computers, copiers and printers	Motor vehicles	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2013	-	2,156	-	-	-	-	2,156
Disposals/capitalized	-	-	-	-	-	-	-
Additions	-	33,289	113,553	11,796	9,420	14,389	182,447
At 30 June 2014	-	35,445	113,553	11,796	9,420	14,389	184,604
DEPRECIATION				22,338	11,753	29,054	
At 1 July 2013	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Charge for the year	-	709	-	1,474	3,137	3,597	8,918
Amortization for the year	-	-	-	-	-	-	-
At 30 June 2014	-	709	-	1,474	3,137	3,597	8,918
NET BOOK VALUE							
At 30 June 2014	-	34,736	113,553	10,321	6,283	10,792	175,686
At 30 June 2013	-	2,156	-	-	-	-	2,156

18. (a) LAND & BUILDINGS

The land in which the University College is operating on does not have a title deed though it is under the management of Garissa Teachers Training College (GTTC); further, other buildings on the land are occupied by GTTC. However, the University College has made efforts to reach a formal understanding with GTTC on the status of the land and buildings pending settlement of the matter with Government assistance.

19. REFUNDABLE DEPOSITS FROM CUSTOMERS

	2014 K.shs '000	2013 K.shs '000
Consumer deposits (Caution money)	482	-
Other deposits	0	-
Total Deposits	482	-

20. CASH FLOWS FROM OPERATING ACTIVITIES

	NOTE	2014 K.shs '000	2013 K.shs '000
Receipts			
Government grants		241,550	173,550
Finance income		-	8
Tuition Fees		18,074	
Accommodation		2,106	
Catering Sales		4,783	
Sale of tender documents		178	
Fines & Penalties		6	
		266,698	173,558
Payments			
Personal Emolument		78,041	-
Council committee Expenses		8,434	830
Operations and Maintenance costs		75,527	744
Audit Fees		700	-
		162,701	1,574
Operating Surplus/(Deficit)		103,997	171,984
Non-Cash Movement			
Increase in Payables		73,127	-
Increase in Provisions		700	-
Increase in other Current Assets		(1,331)	-
Increase in Receivables		(125,902)	-
Net cashflows from operating activities		50,591	171,984

21. CAPITAL GRANTS

	2014 K.shs '000	2013 K.shs '000
Capital grants	24,200	-
Total Capital Grants	24,200	-

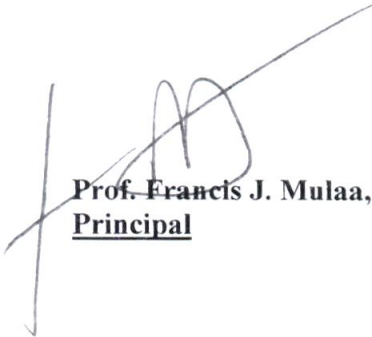
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

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)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


Prof. Francis J. Mulaa, PhD
Principal


Amb. Dr Hukka L. Wario PhD, CBS
Chairman of Council

