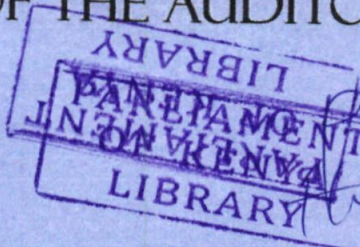


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*paper laid by Majority Whip on 20/7/2016 @unh*

**REPORT**

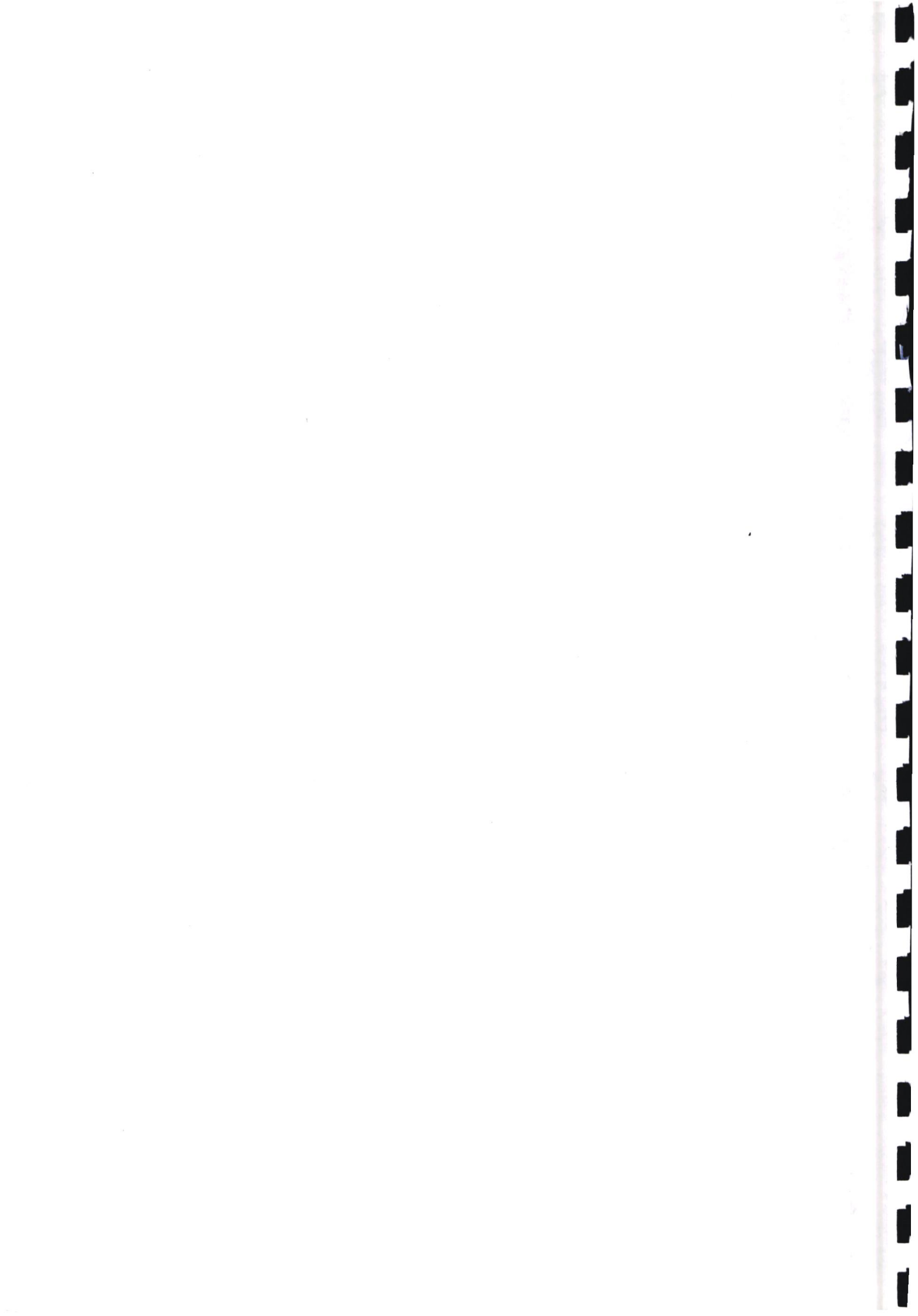
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KARATINA UNIVERSITY**

**FOR THE YEAR ENDED  
30 JUNE 2015**





*Inspiring Innovation and Leadership*

**KARATINA UNIVERSITY**

**ANNUAL REPORT  
AND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDING 30<sup>TH</sup> JUNE 2015**

## Table of Content

I.	Key University Information and Management .....	2
Ii.	Members of the University Council.....	4
Iii.	Management Team.....	6
Iv.	Council Chairman's Report .....	8
V.	Vice Chancellor's Report.....	9
Vi.	Corporate Governance Statement .....	10
Vii.	Corporate Social Responsibility Statement .....	12
Viii.	Report of The Council Members.....	13
Ix.	Statement of Council Members' Responsibilities.....	16
X.	Statement of Financial Performance .....	17
Xi.	Statement of Financial Position .....	18
Xii.	Statement of Changes In Net Assets.....	19
Xiii.	Statement of Cash Flows.....	20
Xiv.	Statement of Comparison of Budget and Actual Amounts.....	21
Xv.	Notes to the Financial Statements for the Year Ending 30 <sup>th</sup> June 2015 .....	28
	Progress on Follow Up of Auditor Recommendations.....	41

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

### **a) Background**

Karatina University was established on 1<sup>st</sup> of March 2013 under Karatina University Charter of 2013, through the Universities Act of 2012. The University operates under the Ministry of Education, Science and Technology.

### **b) Principal Activities**

The principal activity the University is found in its mission and vision statements below:

#### **Mission**

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

#### **Vision**

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

### **c) Key Management**

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

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

### **d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

Designation	Name
i) Vice Chancellor	Prof. Mucai Muchiri
ii) Deputy Vice Chancellor (P,F&A)	Prof. Linus Gitonga
iii) Deputy Vice Chancellor (ARSA)	Prof. Penina A. Obudho

### **e) Fiduciary Oversight Arrangements**

The Council has the overall mandate of ensuring the sound management of the University. This includes; employing staff, approving statutes and policies, approving the budget and recommending for appointment Instruments of Governance. For effective operation of the Council, the following committees have been charged with fiduciary oversight arrangement of the University activities.

- Finance, Planning, Resource Mobilization Committee

- Audit and Risk Management Committee
- Sealing, Statutes & Recognitions Committee
- Research, Innovation and Enterprise Development Committee

**f) Registered Place of Business**

Karatina University  
P.O BOX 1957 - 10101,  
KARATINA

**g) Contacts**

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

**h) University Bankers**

1. Kenya Commercial Bank  
P. O. BOX, 192-10101  
KARATINA
2. Co-operative Bank of Kenya  
P.O .BOX, 931-10101  
KARATINA
3. Equity Bank of Kenya  
P.O. Box 855 – 10101  
KARATINA





**i) Independent Auditors**

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

**j) Principal Legal Adviser**





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

## II. MEMBERS OF THE UNIVERSITY COUNCIL

Title	Names	Qualification
Council Chairman	Prof. Charles O. Okidi 	B.A. (Magna Cum Laude) Alaska Methodist University, M.A, M.A.L.D., Ph.D (The Fletcher School of Law and Diplomacy) – Tufts University
Vice Chancellor / Secretary	Prof. Mucai Muchiri 	B.Sc. (Hons) (Nairobi), Ph.D. (University of Leicester)
Member	Ms. Jane Mumbi Weru 	LLB. (Nairobi), Dip. Law(KSL), M.Sc. (London School of Economics)
Member	Mr. Tejpal S. Bedi 	B.Sc. (Hons) (University of Wales), MBA (University of Leicester )

Member	<p>Ms. Grace Jemutai Kemei</p> 	LLB (University of Nairobi), Master in Law (Nairobi)
Member	<p>Mr. Musau Antony Kiilu</p> 	B.Com (University of Nairobi), MBA (Birmingham University)
Rep. MoEST	<p>Mr. Charles Obiero</p> 	B.ed (Arts) (Kenyatta), Dip. Personnel Mgt (ICS, London) Honours Dip. Mgt (Cambridge- London), PGD (Guidance and Counseling) (IMTRI, India), M.Ed (Admin.) (MVNU, India)
Rep. National Treasury	<p>Mr. Samuel Macharia</p> 	CPA(K), Bcom (UoN), EMBA (JKUAT)
Member	<p>Mr. Silas Laimaru</p> 	B.Com (Nairobi), MBA (USIU), CoP (Insurance College of Kenya), CPA(K)

**III. MANAGEMENT TEAM**

S No.	Names	Key Professional/ Academic Qualification	Area of responsibility
1.	Prof. Mucai Muchiri 	BSc. ( Nairobi) PhD ( Leicester)	Vice Chancellor
2.	Prof. Linus M. Gitonga 	B. Ed (Sc.), M. Sc (Kenya), PhD (JKUAT)	Deputy Vice Chancellor (Planning, Finance and Administration)
3.	Prof. Penina Aloo- Obudho 	Cert. Higher Ed. Mgt (Kassel), B.Ed. (Sc.) M.Sc (Nairobi), PhD (Kenya)	Deputy Vice Chancellor (Academics, Research and Student affairs)
4.	Dr. Wangari Gathuthi 	B. Ed-Arts (Moi), M. Ed (Nairobi), MBA (Moi), D.Phil. (Moi), MKIM	Registrar (Academics, Research and Student affairs)

S No.	Name	Key Professional/ Academic Qualification	Area of responsibility
5.	Dr. Humphrey R. Omondi 	B. Ed-Arts, M. Phil, D.Phil. (Moi)	Registrar (Planning, and Administration)
6.	Ms. Grace G. Kakiya 	BBM (MOI), MBA (Egerton) CPA (K)	Deputy Finance Officer
7.	Ms. Ann Mumbi 	LLB (Nairobi) Dip. Law (KSL)	Legal Officer

#### IV. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year ended 30th June 2015. This was a great year, being the third year in operation as a fully fledged University.

The Council of Karatina University was appointed in March 2013 and subsequently took up the challenge bestowed upon it of managing resources of the University.


During the financial year 2014/15, financial commitments were geared towards implementation of the key milestones in University's strategic plan. This included provision of teaching facilities, development of new curricula and recruitment of staff. The number of academic and administrative staff has grown tremendously since the inception of the institution. The University Council initiated the process of recruiting additional Senior Management staff as well as academic staff and reasonable staff numbers are in place. This will enable the University to implement new programmes and offer quality services to its stakeholders.

In addition, several infrastructural developments have been completed such as; 256 bed capacity student hostels, tuition and office block in order to accommodate the increased student and staff population. The university has two ongoing projects under construction, that is, 750 bed capacity hostel and a modern resource centre.

The Council appreciates the significant growth of the University assets and capital base that has promoted a good learning and teaching environment for both students and staff. Council is also pleased with the efforts of University management to ensure prudent management of resources.

I thank the Government for its financial support so far. However, I would like to appeal for more funding for capital development. This will enable the institution build new infrastructure that will support the growing student population.

I also wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.

  
Prof. Charles O. Okidi, PhD

Chairman, Karatina University Council

## V. VICE CHANCELLOR'S REPORT

We hereby present the Annual Report and Financial Statements of Karatina University for the year ended 30<sup>th</sup> June 2015 as required by the Universities Act 2012, Karatina University Charter and Public Financial Management Act 2012.

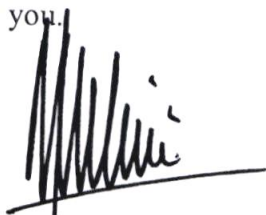
During the year under review, the University generated Kshs. 377M from students' fees which was used to finance purchase of equipment, recruit more academic members of staff and support operations of the institution. The Government contributed a total of Kshs. 218M to support capital development and Kshs. 536M for recurrent expenditure.

The University has continued with its core business of disseminating knowledge through, training, research, innovation and community outreach. The current student population is 6,500 and is expected to increase to 7,875 by the end of financial year 2015/2016 distributed in the various campuses namely; Karatina Town, River Bank, Itiati and Nanyuki campuses. Staff population stood at 412 at the close of financial year 2014/2015 and is expected to rise to 453 for both academic and administrative staff in the next financial year.

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

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

Thank you.



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

## **VI. CORPORATE GOVERNANCE STATEMENT**

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

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. Our approach to governance is predicated upon the belief that there is a clear link between high-quality university governance and the creation of long-term confidence and hence enhanced employability of our graduates and the overall Karatina brand and stakeholder's value. The University council's governance role, basis and conduct of business are guided by the Universities Act no. 42 of 2012; the Karatina University Charter, 2013; Mwongozo Code, 2015; Commission for University Education regulations and standards, and Karatina University Statutes, 2013.

Our expectations of the University staff, students and those to whom we conduct business are set out in our Code of Conduct and service charter. This statement outlines our system of governance. In formulating our governance framework, the regulatory requirements of the Commission for University Education 2014, Public Finance Management Act, 2012; the Public Officers Ethics Acts, 2003; The Constitution of Kenya, 2010; Basic Education Act, 2013; Employment Act, 2007; Labour Relations Act, 2007 and Universities Act, 2012 have been taken into account, together with prevailing standards of best practice.

It is our view that governance is not just a matter for the Council; a good governance culture must be percolated through the University system. The current social-economic, business and political environment in which the University operates underscores the need for continued high standards of corporate governance and accountability. The emerging realities unmasked with the promulgation and implementation of the new constitution, an enlarged space for expression and a more enlightened clientele, calls for diligence in governance. The council consists of nine (9) council members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the University. The Council is confident that it has the right balance of skills and experience appropriate for the requirements of the university, all members participated in the decision making and that the council operated effectively throughout the year and continues to do so.

While the council provides the direction and guidance and general policy matters and remains responsible for establishing and maintaining internal controls, it has delegated authority to the Vice Chancellor who, assisted by the University Management Board, conducts the day to day business of the university.

The council governs through clearly mandated council committees, accompanied by monitoring and reporting systems. Each standing council committee has specific terms of reference issued by the council and adopted in the full council. All committee chairmen report the proceedings of their committees at the next meeting of the council, and the briefs of the meetings of all council committees are distributed to council members in the next council meeting. The council acknowledges the need for strategic partnerships and encourages the participation of the private sector in our financial matrix. The pressing needs for more financing and the clear need for transparency makes engagement with and reporting to the government and other stakeholders shareholders more important than ever. The increasing requirement for prudent financial management has heightened the level of interest in the university's approach to risk management and assurance. The Council has a standing and active Audit and Risk Management Committee (ARMC), to fulfill this requirement. The Finance, Planning and Resource Mobilization committee critically scrutinizes the budgets and other financial requirements before they are presented to the full council. The executive committee of council sets the agenda for the full council and attends to all urgent and emergency issues.

The council governs the university consistent with the stated business strategy indicated in the university's values of equity, team work, meritocracy, Academic freedom accountability, excellence, and probity all contributing to the governors commitment to a transparent and high-quality governance system.



Fig. 1 Committees of Karatina University Council

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The University is committed to improving the lives of the underprivileged by making contributions of both time and resources to their courses. During the financial year, a team of Karatina University Staff and students participated in the cleanup exercise of Karatina Town as part of the institution's CSR. Donations of clothes and food were also made to several Children's homes during the year. Central to our Vision and mission is meeting the needs of society. The University took part in the First ladies marathon in Nairobi in support of maternal health. The group that participated in the run demonstrated the selfless spirit embodied in the institution.

In addition, the University provided a free eye clinic service to the students and neighboring community in partnership with Lions group.

The School of Agriculture and Biotechnology also undertook the training of local farmers on the growing and storage of indigenous vegetables.

As part of Karatina University's outreach, fish farmers were trained on fish farming in the institution. This was followed up with demonstrations in the fish farms operating in the county. Fingerlings were also supplied to the farmers by the University.

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

Karatina University Charter provides for the objects and functions of the Council under paragraph 22 as follows:-

- (1) Subject to this Charter, the Council shall be the governing body of the University through which the University as a body corporate shall act and—
  - (a) shall administer the property and funds of the University in a manner and for the purposes which shall promote the best interest of the University ; but the Council shall not charge or dispose of immovable property of the University except in accordance with procedures laid down by the Government of Kenya.
  - (b) shall receive, on behalf of the University , donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons.
  - (c) shall approve the appointment criteria and the terms and conditions of service of staff;
  - (d) shall provide for the welfare of the staff and students of the University .
  - (e) may enter into association with other universities, university s or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and
  - (f) shall, after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University .
- (2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Principal or any other members of the Council generally or specifically authorized by the Council in that behalf.
- (3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.
- (4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.
- (5) The Council shall constantly review the viability and financial sustainability of the University and shall do so once every year
- (6) The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices accounting and auditing standards

## Principal activities

The principal activities of the University as stated in its mandate which are stipulated in the Karatina University Charter 2013, under paragraph 7 include:

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

## Results

The results of the University for the Year ended June 30, 2015 are set out on page 17

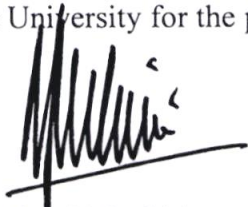
## Council Members

The members of Council who served during the year are shown on pages 4 & 5 in accordance with Karatina University Statutes and University Act 2012.

## Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 38 and 39 of the Public Audit Act (2003), 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 for the period ended June 30, 2015.



Prof. Mutai Muchiri  
Council Secretary/ Vice Chancellor

Date: 18/4/2014

## IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

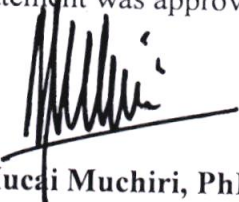
Council is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial period ended on 30<sup>th</sup> June 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act and State Corporations Act. The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30<sup>th</sup> June 2015 and the University's financial position. Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the internal financial control systems.

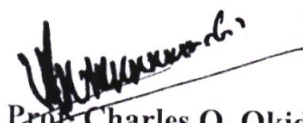
University Council is optimistic that the University will remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

This statement was approved by Council on --- August, 2015 and it is signed on their behalf by:



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



**Prof. Charles O. Okidi, PhD**  
Chairman of Council

# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Karatina University set out on pages 17 to 41, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 independent opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. 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 judgment, 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 University'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 Karatina University 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. Granted Assets from Moi University**

As previously reported, the Property, Plant and Equipment balance of Kshs.297,609,783 as at 30 June, 2015, includes land on which the University is situated valued at Kshs.10,796,000 granted by Moi University. However, the title deed for this land is in the name of Moi University.

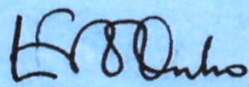
Further, the financial statements include assets brought forward with a net book value of Kshs.251,174,885 as at 1 July 2011. The explanation obtained from the University management is that the opening balance relates to assets granted by Moi University when Karatina University was established. However, no signed handing over report or memorandum of understanding was availed for audit verification.

#### **2. Receivables from Exchange Transactions**

As previously reported, Included in the receivables from exchange transactions balance of Kshs.98,498,692 as at 30 June 2015, is an amount receivable from Moi University of Kshs.19,116,170 in respect to students' fees that was erroneously sent to Moi University bank account over a period of time. This amount has been outstanding for long, some dating back to 2007/2008 but has not been recovered to date. In the circumstances, it has not been possible to confirm recoverability of this amount.

### **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 Karatina University as at 30 June 2015, 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.



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

**Nairobi**

**13 June 2016**

X. STATEMENT OF FINANCIAL PERFORMANCE

**KARATINA UNIVERSITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

<b>INCOME</b>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Revenue from Non Exchange Transaction</b>			
Government Grants	3	525,435,315	511,596,099
Amortization of Granted Assets	4	8,716,593	9,547,289
Donations	5	1,094,715	166,600
		<b>535,246,623</b>	<b>521,309,988</b>
<b>Revenue from Exchange Transaction</b>			
Tuition and Related Charges	6	377,717,725	271,326,004
I.G.A and Other Incomes	7	20,852,265	19,797,580
		<b>398,569,990</b>	<b>291,123,584</b>
<b>Total Income</b>		<b>933,816,613</b>	<b>812,433,572</b>
<b>EXPENDITURE</b>			
Administration Expenses	8	167,524,144	159,801,600
Employment Expenses	9	498,612,138	462,234,700
Academic Expenses	10	133,656,555	112,345,088
Repairs and maintenance	11	15,947,865	15,723,252
Board Expenses	12	8,572,882	8,788,430
Finance Expenses	13	594,152	563,578
Depreciation and amortization expense	14	45,895,727	38,904,432
<b>Total Expenditure</b>		<b>870,803,461</b>	<b>798,361,080</b>
<b>Surplus</b>		<b>63,013,151</b>	<b>14,072,492</b>



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

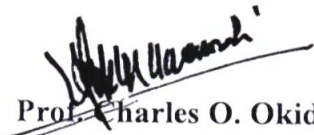
**Prof. Charles O. Okidi, PhD.**  
Chairman of Council

## XI. STATEMENT OF FINANCIAL POSITION

**KARATINA UNIVERSITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2015**

	Notes	2015 Kshs.	2014 Kshs.
<b>Current Assets</b>			
Cash & Bank Balances	15	28,738,165	26,644,919
Prepayments	16	6,594,409	3,350,535
Receivable from exchange transaction	17	98,498,692	51,360,695
Receivable from non-exchange transaction	18	44,706,829	38,350,721
Inventories	19	9,359,457	6,295,427
<b>Total Current Assets</b>		<b>187,897,552</b>	<b>126,002,298</b>
<b>Non-Current Asset</b>			
Biological Assets	20	6,007,936	6,247,552
Property, Plant & Equipment	21	297,609,783	275,057,646
Intangible Assets- Computer software	22	4,938,322	6,794,764
Capital Work in Progress	23	812,583,600	622,680,000
<b>Total Non Current Assets</b>		<b>1,121,139,642</b>	<b>910,779,962</b>
<b>Total Assets</b>		<b>1,309,037,194</b>	<b>1,036,782,260</b>
<b>Current Liabilities</b>			
Trade & Other Payables	24	153,584,215	153,852,507
<b>Total Current Liabilities</b>		<b>153,584,215</b>	<b>153,852,507</b>
<b>Non-Current Liabilities</b>			
Deferred Income - Grant	4	128,099,534	136,816,127
<b>Total Non-Current Liabilities</b>		<b>128,099,534</b>	<b>136,816,127</b>
<b>Capital Funds</b>			
Accumulated Capital Fund	25	905,011,550	686,784,882
Revenue Reserve	26	122,341,895	59,328,744
<b>Total Capital Fund</b>		<b>1,027,353,444</b>	<b>746,113,626</b>
<b>Total Funds &amp; Liabilities</b>		<b>1,309,037,194</b>	<b>1,036,782,260</b>

  
 Prof. Mucai Muchiri, PhD  
 Vice Chancellor

  
 Prof. Charles O. Okidi, PhD  
 Chairman of Council

## XII. STATEMENT OF CHANGES IN NET ASSETS

***Karatina University***  
**Statement of Changes in Net Asset**  
**for the Year Ended 30th June 2015**

	Capital Fund	Revenue Reserves	Total
	Kshs	Kshs	Kshs
<b>Balance as at 30/06/12</b>	<b>243,443,313</b>	<b>19,052,577</b>	<b>262,495,890</b>
Surplus/Deficit for the year	-	28,249,970	28,249,970
Capital Grants	239,703,675	-	239,703,675
Prior year Adjustment- Amortization of Library Books	-	(2,046,295)	-2,046,295
Prior year Adjustment- tea bushes	2,053,896	-	2,053,896
<b>Balance as at 30/06/13</b>	<b>485,200,884</b>	<b>45,256,252</b>	<b>530,457,136</b>
Surplus/Deficit for the year	-	14,072,492	14,072,492
Capital Grants	201,583,998	-	201,583,998
<b>Balance as at 30/6/14</b>	<b>686,784,882</b>	<b>59,328,744</b>	<b>746,113,626</b>
Surplus/Deficit for the year	-	63,013,151	63,013,151
Capital Grants	218,226,667	-	218,226,667
<b>Balance as at 30/6/15</b>	<b>905,011,550</b>	<b>122,341,895</b>	<b>1,027,353,444</b>

NB/

Prior year Adjustment on tea bushes relates to adjustments in under cast of the value of tea bushes for the financial year 2012/2013. In addition, the prior year adjustment on Property, Plant and Equipment (P,P&E- Library Books) relates to correction on the depreciation charged on Library Books for the financial year 2012/2013.

## XIII. STATEMENT OF CASH FLOWS

**KARATINA UNIVERSITY**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

		<b>2015</b>	<b>2014</b>
<b>Cash flow from Operating expenses</b>	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs.</b>
Surplus		63,013,151	14,072,492
<b>Adjustment For</b>			
Depreciation & Amortization	14	45,895,727	38,904,432
Biological Asset	8	239,616	58,344
Disposal / Loss of P,P&E	8	918,737	-
Amortization of Granted Assets	4	(8,716,593)	(9,547,289)
		<b>101,350,638</b>	<b>43,487,979</b>
<b>Operating Activities</b>			
<b>Change in:-</b>			
Inventories	19	(3,064,029)	(913,836)
Receivable from exchange transaction	17	(47,137,997)	4,886,599
Receivable from non-exchange transaction	18	(6,356,108)	(7,517,388)
Prepayments	16	(3,243,874)	(254,970)
Accounts Payable	24	(268,291)	(47,303,306)
<b>Cash From Operating Activities</b>		<b>(60,070,300)</b>	<b>(51,102,902)</b>
<b>Net Cash from Operating Activities</b>		<b>41,280,338</b>	<b>(7,614,923)</b>
<b>Investing Activities</b>			
Property, Plant & Equipment	21	(66,002,159)	(106,762,243)
Capital Work-in-Progress	23	(189,903,601)	(78,962,025)
Intangible Assets- Computer software	22	(1,508,000)	(3,400,810)
Biological Asset		-	(30,000)
<b>Net cash from investing activities</b>		<b>(257,413,759)</b>	<b>(189,155,078)</b>
<b>Financing Activities</b>			
Capital Reserve		218,226,667	201,583,998
<b>Net cash flow from financing activities</b>		<b>218,226,667</b>	<b>201,583,998</b>
Net increase/(Decrease) In Cash & Cash Equivalents		2,093,246	4,813,997
Cash & Cash Equivalent at Start of Year	15	26,644,919	21,830,922
<b>Cash &amp; Cash Equivalent at End of Year</b>	<b>15</b>	<b>28,738,165</b>	<b>26,644,919</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>			
<b>Cash &amp; Bank Balances</b>		<b>28,738,165</b>	<b>26,644,919</b>

## XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

KARATINA UNIVERSITY							
STATEMENT OF BUDGET Vs ACTUAL AMOUNTS AS AT 30TH JUNE 2015 (KSHS)							
S/No	DESCRIPTION	Notes	Original Budget	Adjustments	Final Budget	Actual	Variance
	INCOME		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1	Exchequer grants	1	536,481,950	-	536,481,950	525,435,315	(11,046,635)
2	Tuition fees and related charges	2	278,900,000	23,139,500	302,039,500	377,717,725	75,678,225
3	Catering Services	3	12,500,000	-	12,500,000	11,053,746	(1,446,254)
4	Research and Consultancies Income		5,000,000	-	5,000,000	4,279,116	(720,884)
5	Farm Income		2,500,000	-	2,500,000	2,013,755	(486,245)
6	Other income	4	3,000,000	-	3,000,000	4,577,384	1,577,384
7	GOK Capital Grants		189,060,000	29,166,667	218,226,667	218,226,667	-
			<b>1,027,441,950</b>	<b>52,306,167</b>	<b>1,079,748,117</b>	<b>1,143,303,708</b>	<b>63,555,591</b>
	<b>EXPENDITURE</b>						
	Personnel Expenses						
8	Payroll expenses	5	496,341,022		496,341,022	492,076,168	4,264,854
9	Gratuity		6,800,000		6,800,000	6,535,970	264,030
			<b>503,141,022</b>	<b>-</b>	<b>503,141,022</b>	<b>498,612,138</b>	<b>4,528,884</b>
	Board Expenses						
10	Council Expenses	6	8,000,000	600,000	8,600,000	8,572,882	27,118
11	University Committees		2,000,000	3,700,000	5,700,000	5,675,223	24,778
12	Dean & Senate Committees		800,000		800,000	794,505	5,495
			<b>10,800,000</b>	<b>4,300,000</b>	<b>15,100,000</b>	<b>15,042,609</b>	<b>57,391</b>
	<b>Operating/ Administrative Expenses</b>						
13	Advertising & Publicity		5,000,000	400,000	5,400,000	5,328,054	71,946
14	Audit Fees		700,000		700,000	696,000	4,000
15	Catering Expenses		16,000,000		16,000,000	16,626,124	(626,124)
16	Cleaning/Sanitary Materials		2,000,000		2,000,000	1,786,209	213,791

S/No	DESCRIPTION	Notes	Original Budget	Adjustments	Final Budget	Actual	Variance
	EXPENDITURE		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
17	Electricity Expenses	7	15,000,000		15,000,000	8,897,270	6,102,730
18	External Travelling		2,500,000		2,500,000	1,579,160	920,840
19	Farm Expenses		2,000,000		2,000,000	1,735,814	264,186
20	Fuel – Vehicles		4,800,000		4,800,000	4,665,720	134,280
21	Insurance Expenses	8	3,400,000	2,150,000	5,550,000	7,548,929	(1,998,929)
22	Internet Services		10,526,400		10,526,400	10,576,453	(50,053)
23	Legal Expenses		500,000		500,000	98,867	401,133
24	Medical Expenses		9,500,000		9,500,000	9,326,397	173,603
25	Office Entertainment Expenses		480,000		480,000	445,455	34,545
26	Office Expenses		2,100,000		2,100,000	1,054,053	1,045,947
27	Postal Expenses		400,000		400,000	103,020	296,980
28	Public Celebrations & Funerals		1,500,000		1,500,000	1,024,715	475,286
29	Rent & Rates		31,000,000	5,000,000	36,000,000	35,915,072	84,928
30	Security Services		4,500,000	1,600,000	6,100,000	6,010,719	89,281
31	Stationery		6,550,000	900,000	7,450,000	7,416,789	33,211
32	Telephone Expenses		2,412,000		2,412,000	2,209,000	203,000
33	Travelling & Accommodation		5,400,000	1,139,500	6,539,500	6,426,921	112,579
34	Uniforms		500,000		500,000	554,054	(54,054)
35	Water & Sewerage Expenses	9	9,600,000		9,600,000	11,545,994	(1,945,994)
36	ISO Training & Implementation		2,500,000		2,500,000	2,291,485	208,515
37	Strategic Plan Implementation & Monitoring & Review	10	3,000,000		3,000,000	5,124,032	(2,124,032)
38	Subscription		1,000,000		1,000,000	186,083	813,917
39	Library Subscription		2,000,000		2,000,000	1,970,000	30,000
40	Professional Services		2,000,000		2,000,000	1,124,204	875,796
41	Performance Contracting		2,000,000		2,000,000	1,185,104	814,896

S/No	DESCRIPTION	Notes	Original Budget	Adjustments	Final Budget	Actual	Variance
	EXPENDITURE		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
42	Purchase of Plant & Equipment	11	10,000,000		10,000,000	255,179	9,744,821
43	Purchase of Furniture		6,000,000		6,000,000	5,922,355	77,645
44	Purchase of Medical Equipment		800,000		800,000	-	800,000
45	Purchase of Generator	12	2,000,000		2,000,000	3,437,650	(1,437,650)
46	Purchase of Motor Vehicle		4,800,000		4,800,000	4,831,400	(31,400)
			<b>172,468,400</b>	<b>11,189,500</b>	<b>183,657,900</b>	<b>167,898,283</b>	<b>15,759,617</b>
	<b>Academic Expenses</b>	14					
47	Teaching Materials		3,500,000		3,500,000	2,617,256	882,744
48	Students Activities		2,500,000		2,500,000	3,005,952	(505,952)
49	PSSP Disbursement	13	62,527,328		62,527,328	89,195,559	(26,668,231)
50	Purchase of Lab Equipment		10,000,000		10,000,000	4,269,160	5,730,840
51	Field Trip		3,500,000		3,500,000	3,647,045	(147,045)
52	External Examiners		2,400,000		2,400,000	307,708	2,092,292
53	Seminars & Conferences		3,000,000		3,000,000	2,776,338	223,663
54	Graduation Expenses		5,000,000		5,000,000	5,480,887	(480,887)
55	Publishing & Printing		1,800,000		1,800,000	1,592,395	207,605
56	Purchase of Library Books		7,000,000		7,000,000	3,792,592	3,207,408
57	Research Expenses		3,500,000		3,500,000	6,074,731	(2,574,731)
58	Staff Training Expenses		1,200,000		1,200,000	1,660,495	(460,495)
59	Industrial Attachment/ Teaching Practice		4,000,000		4,000,000	3,518,614	481,386
60	Examination Materials		2,500,000		2,500,000	1,038,978	1,461,022
61	Computer Expenses & Maintenance		400,000		400,000	489,574	(89,574)
62	Games & Sports		1,750,000		1,750,000	1,995,920	(245,920)
63	ICT Infrastructure		3,500,000		3,500,000	3,117,511	382,489
64	Newspaper & Journals		2,095,200		2,095,200	1,242,590	852,610
65	Open Day & Cultural Celebration		600,000		600,000	829,905	(229,905)

S/No	DESCRIPTION	Notes	Original Budget	Adjustments	Final Budget	Actual	Variance
	<b>EXPENDITURE</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
66	Shows & Exhibition Expenses		3,000,000		3,000,000	2,889,565	110,435
67	Purchase Of Computer & Accessories	15	8,000,000		8,000,000	10,675,062	(2,675,062)
68	Purchase Of Sports Equipment		750,000		750,000	701,250	48,750
69	Curriculum Development/Review		3,250,000		3,250,000	3,629,740	(379,740)
70	Annual International Conference		2,000,000		2,000,000	1,578,120	421,880
71	Botanical Garden		500,000		500,000	349,980	150,020
			<b>138,272,528</b>	<b>-</b>	<b>138,272,528</b>	<b>156,476,926</b>	<b>(18,204,398)</b>
	<b>Repairs And Maintenance</b>						
72	Vehicle Repairs & Maintenance		2,950,000		2,950,000	2,699,568	250,432
73	Maintenance Of Building		3,500,000	150,000	3,650,000	3,636,354	13,646
74	Maintenance Of Plant & Equipment		500,000		500,000	483,490	16,510
75	General Refurbishment		4,300,000	7,500,000	11,800,000	11,522,381	277,619
76	Maintenance Of Play Grounds		450,000		450,000	4,050	445,950
77	Maintenance Of Catering Equipment		250,000		250,000	238,235	11,765
78	Maintenance Of Hostel Equipment		250,000		250,000	-	250,000
79	Water Supply Equipment		1,500,000		1,500,000	63,355	1,436,645
			<b>13,700,000</b>	<b>7,650,000</b>	<b>21,350,000</b>	<b>18,647,433</b>	<b>2,702,567</b>
	<b>Development</b>						
80	Purchase of land		29,000,000		29,000,000	29,000,000	-
81	Construction of Ongoing/ Work in progress		189,903,601		189,903,601	189,903,601	-
			<b>218,903,601</b>	<b>-</b>	<b>218,903,601</b>	<b>218,903,601</b>	<b>-</b>
	<b>Total</b>		<b>1,057,285,551</b>	<b>23,139,500</b>	<b>1,080,425,051</b>	<b>1,075,580,989</b>	<b>4,844,061</b>

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

1. Exchequer grants

The funds were received as expected. However, the unfavourable variance of Kshs 11,046,635 is due to CBA 2010/2013 monies returned to UoN JAB Account during the financial year.

2. Tuition and related charges

Incomes relating to tuition had a favourable variance of Kshs 75.6M due to income recognized from billing student accounts who had failed to register to their respective semesters of studies. This has led to a huge surplus being reported in the statement of financial performance and significant increase in student debtors amounts reported in the statement of financial position.

Secondly, the figure for tuition and related charges comprise Kshs 23,139,500 relating to fines paid by students in respect of the damages caused by the student arrest. These amounts have been redistributed to finance various expenditure lines affected such as council expenses, university committees, rent and rates, insurance expenses, security expenses and general refurbishment.

3. Catering Income

The catering income was not realised because the University was closed after students' unrest thus a change of semester dates the amounts which affected the amounts collected.

4. Other incomes

Other incomes have a favourable variance Kshs 1.5M due to death benefits received of Kshs 2M from insurance claims after the decease of one member of academic staff.

5. Personnel Expenses

The favourable variance of Kshs 4.2M is due to clearance with respective institutions thus delay in reporting dates of members of staff recruited during the financial year.

6. Council expenses

The additional funds allocated to this vote were due to a special meeting held in October to report on the student unrest among other issues discussed. We are keen to report that the expenditure for the period was within the approved budget.

7. Electricity Expense

The University had a favourable variance of Kshs 6.1M because the projected figures in the budget had provided for increase in unit cost of electricity to be consumed.

8. Insurance expense

The budget line for insurance expense has unfavourable variance of Kshs 1.9M due to payment of death benefits to the family of a deceased member of staff.

9. Water & Sewerage Expenses

The unfavourable variance of Kshs 1.9M is because of increased cost charged on water consumed by the institution during the financial year.

10. Strategic Plan

The University is reporting unfavourable variance of Kshs. 2.1 M due to expenditures incurred relating to drafting and reviewing of its ten year strategic plan.

11. Purchase of Plant and Equipment

The vote for purchase of Plant and equipment has a favourable variance of Kshs 9.7M because the equipment to be used for demonstration of tea processing is yet to be procured.

12. Purchase of Generator

The institution had under estimated the cost of two generators procured during the financial year thus leading to unfavourable variance of Kshs 1.4M

#### 13. PSSP Disbursement

The unfavorable variance of Kshs 26.7M is due to payments made in respect to part-time teaching lectures for the various programmes offered by the institution

#### 14. Academic expenses

The expenditure lines under this heading with favourable variance are because of items were yet to be procured due to the nature and value of procurement. In addition, some activities could not be carried out due to change of semester dates e.g. examination materials and external examination.

#### 15. Purchase Of Computer & Accessories

The unfavorable variance of Kshs 2.6M is due to additional computers procured during the period as a response to some of needs raised by students during the students unrest in October 2014

**XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING  
30<sup>TH</sup> JUNE 2015**

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

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and do comply with the said standards. The University adopted IPSAS in the year 2014 following the gazette of Public Sector Accounting Standard Board (PSASB), which was established under the Public Finance Management (PFM) Act No. 18 of 24<sup>th</sup> July 2012. PSASB, issued financial reporting standards and guidelines to be adopted by all state organs and public entities, of which the University complies with.

The statements are prepared on accrual basis and presented in Kenya shillings as the functional and reporting currency of the University.

In addition, figures have been reported on historical cost basis, unless stated otherwise. The cash flow statement is prepared using the indirect method.

**2. Summary of significant accounting policies**

**a) Revenue recognition**

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

**Government grants**

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

**Donations**

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

**Deferred income**

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

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

**Rendering of services**

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

**b) Budget information – IPSAS 24**

The 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.

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

Property, plant and equipment are stated at cost less any depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

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

**d) Intangible assets – IPSAS 31**

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

**e) Work in progress**

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

**f) Inventories –IPSAS 12**

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

**g) Biological assets**

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27)

**h) Receivables**

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

**i) Cash and cash equivalents**

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

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

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

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

**k) Related Party Disclosures – IPSAS 20**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. The National Government and Members of Council are regarded as related parties in preparation of these financial statements. National Government transactions have been disclosed under revenue from non- exchange transactions- government grants while Members of Council have been disclosed under board expenses in the statement of financial performance.

**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**

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

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

***Impairment losses***

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

***Property and equipment***

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

**n) Financial Risk Management**

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

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

**(i) Credit risk**

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

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

As at 30 June 2015	Non		Total
	Performing	Performing	
	Kshs	Kshs	Kshs
KTDA Bonus Payment	707,929	-	707,929
Student Balances	77,078,720	-	77,078,720
Moi University	-	19,116,170	19,116,170
<b>Total</b>	<b>77,786,649</b>	<b>19,116,170</b>	<b>96,902,819</b>
<b>As at 30 June 2014</b>			
KTDA Bonus Payment	1,284,506	-	1,284,506
Student Balances	27,105,874	-	27,105,874
Moi University	-	19,116,170	19,116,170
<b>Total</b>	<b>28,390,380</b>	<b>19,116,170</b>	<b>47,506,550</b>

**(ii) Liquidity risk management**

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

	Performing	Non	Total	Remarks
	Kshs	Performing	Kshs	Period due
	Kshs	Kshs	Kshs	
Trade Creditors	22,823,690	-	22,823,690	One month
Part time Lecturers	46,104,893	-	46,104,893	One year
Contractors' Balance	22,725,965	-	22,725,965	One & half month
Contractors' Retention Fees	61,233,668	-	61,233,668	Within Contract period
	<b>152,888,215</b>	<b>-</b>	<b>152,888,215</b>	

**(iii) Market risk**

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

**Foreign exchange risk**

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

	<b>2015</b>	<b>2014</b>
<b>Note 3: Government Grants</b>	<b>Kshs</b>	<b>Kshs</b>
July	44,706,829.15	42,630,000
August	44,706,829.15	30,833,333
August	-	53,900,000
September	44,706,829.15	37,730,000
October	44,706,829.15	39,726,062
November	44,706,829.15	38,346,569
December	44,706,829.15	38,346,569
January	44,706,829.15	38,346,569
February	44,706,829.15	38,346,569
March	44,706,829.15	38,346,569
April	44,706,829.15	46,641,852
April	-	16,590,567
May	44,706,829.15	38,346,569
June	44,706,829.15	38,350,721
CBA Monies*	(11,046,635)	(24,885,850)
	<b>525,435,315</b>	<b>511,596,099</b>

NB/ \*The CBA monies relates to amounts transferred to UoN JAB Account to cater for 2010-2013 CBA issues across all other public universities.

<b>Note 4: Deferred Income- Granted Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Deferred Income	136,816,127	146,363,416
Amortization of Granted Assets	(8,716,593)	(9,547,289)
Deferred Income C/Forward	<b>128,099,534</b>	<b>136,816,127</b>

<b>Note 5: Donations</b>	<b>Kshs</b>	<b>Kshs</b>
University Events	430,000	100,000
Library Books	396,815	-
Needy & Vulnerable Student Fund	267,900	66,600
	<b>1,094,715</b>	<b>166,600</b>

<b>Note 6: Tuition and Related Charges</b>	<b>Kshs</b>	<b>Kshs</b>
Tuition & Accommodation JAB	178,486,947	113,537,219
Tuition & Accommodation SSP	198,067,278	156,625,285
Student Application Fees	1,163,500	1,163,500
	<b>377,717,725</b>	<b>271,326,004</b>

**Note 7: I.G.A and Other Incomes**

	<b>Kshs</b>	<b>Kshs</b>
Kitchen Food Sales	11,053,746	13,296,086
Tea Farm	1,279,000	1,923,049
Farm & Milk Sales	734,755	422,225
Laundry	30,210	42,720
Photocopier	67,958	46,222
Conference Facilities	651,000	1,194,816
Sale of Tender document	66,000	105,000
Hire of Facilities	383,297	127,969
Fines	284,204	77,671
Graduation	-	1,363,000
Research funds	2,540,116	900,262
Transport Charges	-	298,560
Insurance & Deposit refund	2,018,978	-
Exam remarking	4,000	-
Consultancy & Survey works	1,739,000	-
	<b>20,852,265</b>	<b>19,797,580</b>

**EXPENDITURE****Note 8: Administrative costs**

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Stationery	7,416,789	6,876,676
Motor vehicle expenses	7,365,288	7,390,258
Office expenses	1,499,508	2,140,860
Postage	103,020	517,272
Printing and Publishing	1,592,395	247,833
Computer expenses	489,574	859,493
ISO expenses	2,291,485	1,379,592
Shows and Exhibitions	2,889,565	2,963,635
Performance contracting	1,185,104	1,038,605
Legal expenses	98,867	294,950
Strategic Plan	5,124,032	-
Subscription to Professional Bodies	186,083	608,720
Professional Services	1,124,204	630,302
News papers and Journals	1,242,590	1,293,620
Cleaning materials	1,786,209	1,567,824
Telephone expenses	2,209,000	1,848,500
Insurance expenses	7,548,929	4,296,007
Open & Cultural Celebrations	829,905	613,475
Public celebrations and funerals	1,024,715	1,608,332
Training expenses	1,660,495	1,663,471
Security	6,010,719	2,582,780
Water & Sewer	11,545,994	10,965,063
Electricity	8,897,270	10,730,051

**2015****2014**

<b>Note 8: Administrative costs (cont'd)</b>	<b>Kshs</b>	<b>Kshs</b>
Rent & Rates	35,915,072	39,743,107
Staff Uniforms	554,054	4,000
Medical Expenses	9,326,397	7,728,119
Advertising	5,328,054	5,821,639
Internet Charges	10,576,453	14,290,887
Farm Expenses	1,735,814	1,090,293
Catering Expenses	16,626,124	16,466,723
Audit Fees Expense	696,000	696,000
Loss of Tea bushes	239,616	58,344
Loss of assets	918,737	-
Traveling & Accommodation	6,426,921	9,083,144
External Travel & Accommodation	1,579,160	2,702,025
Master plan – JKUATES	3,480,000	-
	<b>167,524,144</b>	<b>159,801,600</b>

<b>Note 9: Employment Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Payroll expenses	482,074,588	434,787,036
Gratuity	6,535,970	17,734,253
Contract Staff expenses	10,001,580	9,713,411
	<b>498,612,138</b>	<b>462,234,700</b>

<b>Note 10: Academic Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Students activities	3,005,952	2,310,760
Curriculum development/review	3,629,740	-
External Examiners	307,708	2,377,120
Graduation	5,480,887	4,311,831
Industrial Attachments/ Teaching Practice	3,518,614	3,785,652
Games & Sports	1,995,920	2,122,290
Subscription to E-library	1,970,000	-
Deans & Senate expenses	794,505	1,188,232
University Committees	5,675,223	3,621,183
Teaching materials	2,617,256	5,451,240
Field courses	3,647,045	6,259,270
Research Program	6,424,711	1,846,732
PSSP Disbursement	89,195,559	73,875,277
Examination material	1,038,978	1,474,651
Seminars & Conferences	4,354,458	3,720,851
	<b>133,656,555</b>	<b>112,345,088</b>

<b>Note 11: Repairs &amp; maintenance costs</b>	<b>Kshs</b>	<b>Kshs</b>
General Refurbishment	11,522,381	11,857,978
Maintenance of buildings	3,636,354	3,212,965
Maintenance of Catering / Hostel equipment	238,235	70,600
Maintenance of plant & Equipment	483,490	394,004
Maintenance of playground	4,050	105,600
Water Supply Expenses	63,355	82,105
	<b>15,947,865</b>	<b>15,723,252</b>

<b>Note 12: Boards Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Sitting Allowance	5,210,000	5,848,572
Travelling & Subsistence	1,378,889	1,436,568
Accommodation	1,260,100	1,393,290
Other expenses	723,893	110,000
	<b>8,572,882</b>	<b>8,788,430</b>

<b>Note 13: Finance Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Bank Charges	594,152	563,578
	<b>594,152</b>	<b>563,578</b>

<b>Note 14: Depreciation and amortization expense</b>	<b>Kshs</b>	<b>Kshs</b>
Depreciation Buildings	5,455,365	5,455,365
Depreciation Computer & Accessories	14,966,333	11,210,972
Depreciation Library books	2,160,776	1,688,357
Depreciation Motor Vehicle	11,611,948	10,404,098
Depreciation Equipment & Furniture	8,336,863	7,233,599
Amortization of intangible assets-Computer Software	3,364,442	2,912,042
	<b>45,895,727</b>	<b>38,904,432</b>

<b>Note 15: Cash &amp; Bank Balances</b>	<b>Kshs</b>	<b>Kshs</b>
Co-operative Bank Of Kenya- Cash at bank	6,217,054	13,150,804
Kenya Commercial Bank - 1138274968	1,180,292	1,692,982
KCB - Cash at hand	42,391	158,072
Kenya Commercial Bank-1106185382	15,381,888	3,991,437
Equity Bank- Cash at Bank	5,916,540	7,651,624
<b>Total Cash &amp; Bank Balances</b>	<b>28,738,165</b>	<b>26,644,919</b>

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Note 16: Prepayments</b>		
Deposits : Rent (River Bank Campus)	1,010,730	1,010,730
Deposits : Rent (Town Campus)	1,058,085	1,058,085
Deposits :Fuel	1,026,750	1,026,750
Deposits : Rent (Nyeri centre)	596,070	254,970
Deposits : Rent (Nairobi Campus)	2,902,774	-
<b>Total Prepayments</b>	<b>6,594,409</b>	<b>3,350,535</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 17: Receivables from exchange transactions</b>		
KTDA Bonus Payment For year 2014/15 & Tea Farm sales for the month of June 2015	707,929	1,284,506
Student Balances	77,078,720	27,105,874
Moi University	19,116,170	19,116,170
Imprest Debtors	1,595,873	3,854,145
	<b>98,498,692</b>	<b>51,360,695</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 18: Receivables from non-exchange transactions</b>		
MoEST - Capitation June	44,706,829	38,350,721
	<b>44,706,829</b>	<b>38,350,721</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 19: Inventories</b>		
Stores	9,359,457	6,295,427
	<b>9,359,457</b>	<b>6,295,427</b>

NB/ The increase in inventory is due to laboratory chemicals and reagents that had been procured for conducting students' practicals and yet to be utilized due to the shift in semester dates

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 20: Biological Assets</b>		
Tea Bushes	5,655,936	5,895,552
Cows	352,000	352,000
	<b>6,007,936</b>	<b>6,247,552</b>

<b>KARATINA UNIVERSITY</b>							
<b>Note (21) FIXED ASSET SCHEDULE</b>							
	<b>LAND</b>	<b>BUILDINGS</b>	<b>COMPUTER &amp; ACCESSORIES</b>	<b>LIBRARY BOOKS</b>	<b>MOTOR VEHICLES</b>	<b>EQUIP &amp; FURNITURE</b>	<b>TOTAL</b>
<b>DESCRIPTION</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>BAL AS AT 30.06.2013</b>	<b>10,796,000</b>	<b>132,611,946</b>	<b>23,167,350</b>	<b>6,535,035</b>	<b>33,016,392</b>	<b>44,046,699</b>	<b>250,173,422</b>
ADDITIONS		66,658,084	14,608,675	6,971,819	8,600,000	9,923,665	106,762,243
<b>BAL AS AT 30.06.2014</b>	<b>10,796,000</b>	<b>199,270,030</b>	<b>37,776,025</b>	<b>13,506,854</b>	<b>41,616,392</b>	<b>53,970,364</b>	<b>356,935,665</b>
ADDITIONS	29,000,000	-	13,792,573	3,792,592	4,831,400	14,585,594	66,002,159
DISPOSALS	-	-	(905,500)	(13,237)	-	-	(918,737)
<b>BAL AS AT 30.06.2015</b>	<b>39,796,000</b>	<b>199,270,030</b>	<b>50,663,098</b>	<b>17,286,208</b>	<b>46,447,792</b>	<b>68,555,959</b>	<b>422,019,087</b>
<b>DEPRECIATION</b>							-
<b>ACCUMULATED DEPRECIATION 30.6.13</b>		<b>7,577,826</b>	<b>10,686,189</b>	<b>1,359,861</b>	<b>16,479,446</b>	<b>9,782,308</b>	<b>45,885,630</b>
AMORTISATION FOR THE YEAR		3,788,913	110,760	524,505	4,104,426	1,018,685	9,547,289
DEPRECIATION FOR THE YEAR		1,666,452	11,100,212	1,163,852	6,299,672	6,214,914	26,445,101
<b>ACCUM DEPRE 30/6/2014</b>		<b>5,455,365</b>	<b>11,210,972</b>	<b>1,688,357</b>	<b>10,404,098</b>	<b>7,233,599</b>	<b>35,992,390</b>
<b>ACCUMULATED DEPRECIATION 30.6.14</b>		<b>13,033,190</b>	<b>21,897,161</b>	<b>3,048,218</b>	<b>26,883,544</b>	<b>17,015,907</b>	<b>81,878,020</b>
AMORTISATION FOR THE YEAR		3,788,913	-	524,505	4,104,426	298,749	8,716,593
DEPRECIATION FOR THE YEAR		1,666,452	14,966,333	1,636,271	7,507,522	8,038,113	33,814,692
<b>ACCUM DEPRE 30/6/2015</b>		<b>5,455,365</b>	<b>14,966,333</b>	<b>2,160,776</b>	<b>11,611,948</b>	<b>8,336,863</b>	<b>42,531,285</b>
<b>ACCUMULATED DEPRECIATION 30.6.15</b>		<b>18,488,555</b>	<b>36,863,494</b>	<b>5,208,994</b>	<b>38,495,492</b>	<b>25,352,770</b>	<b>124,409,304</b>
<b>Net Book Value 30/6/2015</b>	<b>39,796,000</b>	<b>180,781,475</b>	<b>13,799,604</b>	<b>12,077,214</b>	<b>7,952,301</b>	<b>43,203,189</b>	<b>297,609,783</b>
<b>Net Book Value 30/6/2014</b>	<b>10,796,000</b>	<b>186,236,840</b>	<b>15,878,865</b>	<b>10,458,636</b>	<b>14,732,848</b>	<b>36,954,457</b>	<b>275,057,646</b>

**Note 22 :Intangible Assets- Computer Soft ware**

	<b>Kshs</b>
<b>BAL AS AT 30.06.2013</b>	<b>6,305,996</b>
ADDITIONS	3,400,810
<b>BAL AS AT 30.06.2014</b>	<b>9,706,806</b>
ADDITIONS	1,508,000
<b>BAL AS AT 30.06.2015</b>	<b>11,214,806</b>
<b>ACCUMULATED AMORTIZATION 30.6.13</b>	<b>-</b>
AMORTIZATION FOR THE YEAR	2,912,042
<b>ACCUMULATED AMORTIZATION 30.6.14</b>	<b>2,912,042</b>
AMORTIZATION FOR THE YEAR	3,364,442
<b>ACCUMULATED AMORTIZATION 30.6.2015</b>	<b>6,276,484</b>
<b>Net Book Value 30/6/2015</b>	<b>4,938,322</b>
<b>Net Book Value 30/6/2014</b>	<b>6,794,764</b>

	<b>2014</b>	<b>Additions For The Year</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Note 23: Capital Work-In-Progress</b>			
Resource Center	349,979,562	109,847,272	459,826,834
Student Hostel 750 bed capacity	200,548,597	80,056,328	280,604,925
Tuition and Office Block	72,151,841	-	72,151,841
	<b>622,680,000</b>	<b>189,903,601</b>	<b>812,583,600</b>

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Note 24: Trade &amp; Other Payables</b>		
Trade Creditors	22,823,690	28,416,629
Part time Lecturers	46,104,893	44,910,249
Contractors' Balance	22,725,965	21,711,244
Contractors' Retention Fees	61,233,668	58,118,384
Audit Fees Expense	696,000	696,000
	<b>153,584,215</b>	<b>153,852,507</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>Note 25: Accumulated Capital Fund</b>		
Balance B/F	686,784,883	485,200,884
Capital Grants for the year	218,226,667	201,583,999
Balance as at 30/06/15	<b>905,011,550</b>	<b>686,784,883</b>

2011/12- 2014/15 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants 2011/2012	157,120,452
Granted Assets from Moi Univ.	86,322,861
Capital Grants for FY 2012/2013	239,703,675
Prior year Adjustment- tea bushes	2,053,896
Capital Grants for FY 2013/2014	201,583,999
<b>Balance as at 30/06/14</b>	<b>686,784,883</b>

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

**Granted Assets from Moi Univ.**


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

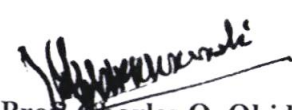
	2015	2014
	Kshs	Kshs
<b>Note 26: Revenue reserve</b>		
Surplus/Deficit B/F	59,328,744	45,256,252
Surplus/Deficit for the year	63,013,151	14,072,492
<b>Surplus/ Deficit C/F</b>	<u>122,341,895</u>	<u>59,328,744</u>

## PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Under Property, Plant & Equipment; Opening balance of Kshs. 164,852,024 related to granted assets including Land worth Kshs. 10,796,000. The University neither had a signed handing over report nor title deed from Moi University to Karatina University	Management agreed that the figure of Property, Plant and Equipment has an opening balance of Kshs.164, 852,024 which has no signed handing over report. The recognition of those assets in the financial statement was based on the legal order establishing the institution.	VC	Not Resolved	2015/16 FY
2	Receivables from exchange transactions included Kshs. 19,116,170 in respect to student fees balance sent to Moi University bank account. The amount has been outstanding for a long period and it was not possible to confirm recoverability of the same.	The University had made efforts of contacting Moi University and evidence of communications was provided to the auditors. However the amounts have not yet been recovered.	VC	Not Resolved	2015/16 FY
3	Accumulated Capital Fund included Kshs. 86,322,861 granted assets by Moi University which had no signed handing over report.	The figure of accumulated fund contained an amount of Kshs. 86,322,861 in the opening balance, which was generated from granted assets by Moi University. The handing over report has not yet been signed but the University is making effort to have it signed.	VC	Not Resolved	2015/16 FY

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

  
**Prof. Charles O. Okidi, PhD**  
**Chairman of Council**