

REPUBLIC OF KENYA



Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 JUN 2024 DAY OF WEDNESDAY

TABLED BY: MAJORITY PARTY W/HCP
HON. SILVANUS OSORO

CLERK AT THE TABLE: J. Lemerle

THE AUDITOR-GENERAL

ON

KARATINA UNIVERSITY

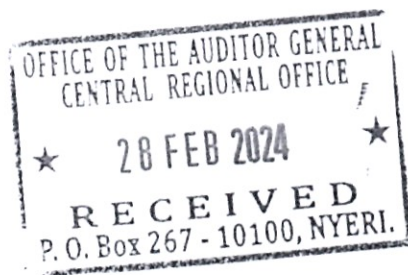
**FOR THE YEAR ENDED
30 JUNE, 2023**



Inspiring Innovation and Leadership

KARATINA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2023



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



Table of Contents

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS	III
2. KEY UNIVERSITY INFORMATION AND MANAGEMENT	III
3. MEMBERS OF THE UNIVERSITY COUNCIL	VII
4. MANAGEMENT TEAM	XI
5. COUNCIL CHAIRMAN'S REPORT	XIV
6. VICE CHANCELLOR'S REPORT	XVI
7. STATEMENT OF KARATINA UNIVERSITY PERFORMANCE.....	XIX
AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023	XIX
8 CORPORATE GOVERNANCE STATEMENT.....	XXII
9 MANAGEMENT DISCUSSION AND ANALYSIS	XXXI
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	XXXV
11. REPORT OF THE COUNCIL MEMBERS.....	XI
12. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES	XLIII
13. REPORT OF THE INDEPENDENT AUDITORS FOR THE FINANCIAL STATEMENTS OF KARATINA UNIVERSITY.....	I
I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023.....	I
II STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023.....	2
III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 TH JUNE 2023	3
IV STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 30 TH JUNE 2023	4
V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2023.....	6
14. NOTES TO THE FINANCIAL STATEMENTS.....	14
Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	41
Appendix II: PROJECTS IMPLEMENTED BY THE UNIVERSITY.....	42
Appendix III: INTER-ENTITY TRANSFERS	42
Appendix IV: LITIGATION STATUS.....	43
Appendix V: INTER-ENTITY CONFIRMATION	44
Appendix VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES.....	45
Appendix VII: DISASTER EXPENDITURE REPORTING.....	46

I. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

ARSA	Academic, Research and Student Affairs
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KRAs	Key Result Areas
P, F&A	Planning, Finance & Administration
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
UNEP	United Nations Environment Programme.
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization

Comparative Year- Means the prior period.

2. KEY UNIVERSITY INFORMATION AND MANAGEMENT

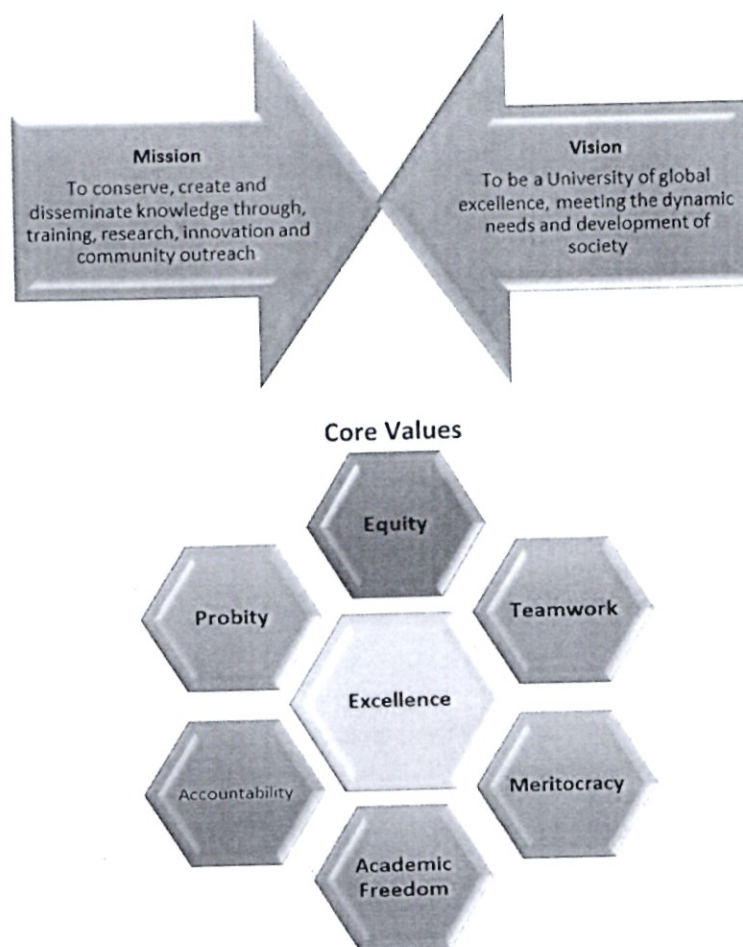
a) Background

Karatina University is a public chartered institution of higher learning as provided for in the Universities Act of 2012, domiciled in Kenya - Nyeri County. It is located 140km North of Nairobi (0039'S37014'E) and 15km from Karatina town, off the Nairobi-Nyeri highway, in an area rich in agricultural soils and endowed with vast natural resources. The serene environment makes it very conducive for scholarly and academic work. The University has established six schools namely: School of Agriculture and Bio-technology, School of Business, School of Education and Social

Sciences, School of Natural Resources and Environmental Studies, School of Pure and Applied Sciences and School of Nursing and Health Sciences.

b) Principal Activities

The principal activities of the University are stipulated in its vision, mission statements and core values shown below:



c) Key Management

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

- i) University Council (Governance organ)
- ii) Vice Chancellor's Office
- iii) Planning, Finance and Administration Division
- iv) Academic, Research and Student Affairs Division

d) Fiduciary Management

The key management personnel who held office during the financial period ending 30th June 2023 and who had direct fiduciary responsibility were:

S No.	Designation	Name	Functions
1	Ag. Vice Chancellor	Prof. Linus Muthuri Gitonga	Is the overall administrative and academic head and also the accounting officer of the University
2	Ag. Deputy Vice Chancellor (P,F&A)	Prof. Richard Kiai	Is the head of the planning, finance and administration division and is responsible for human resource, administrative, financial, infrastructural and development matters of the University
3	Ag. Deputy Vice Chancellor (ARSA)	Prof. Hellen Kamiri	Is the head of the academic division and in charge of all academic, research and student affairs of the University
4	Ag. Finance Officer	Dr. Grace Kakiya	Is the head of Finance Department and responsible for the day to day running of financial matters in the University.
5	Procurement Officer	Ms. Agnes Wanjiru	Is the head of Procurement Department and responsible for the day to day running of all procurement matters of the University.

NBI Prof. Mucai Muchiri served as the Vice Chancellor until 3rd June 2023 when his term of service came to an end. Prof. Peninah Aloo-Obudho served as Deputy Vice Chancellor (ARSA) until 7th June 2023 when she proceeded for unpaid leave after being appointed as Ag. Vice Chancellor- Masaai Mara University.

e) Fiduciary Oversight Arrangements

The Council has the overall mandate of ensuring sound management of the University. This includes: - approving statutes and policies; strategic planning; reviewing management implementation of strategies, policies and plans; risk assessment and management, approving budgets and enhancing sound financial management; promoting quality assurance and recommending Instruments of Governance. For effectiveness, the Council governs through clearly mandated council committees, coupled with robust monitoring and reporting systems.

Each standing council committee has specific terms of reference as set out in the corporate governance statement on pages (xxiv) to (xxviii).

f) Registered Place of Business

Karatina University
P.O BOX 1957 - 10101,
KARATINA

g) Contacts

Telephone nos: +254-(0)729-721-200 / 020-2176713
Web: www.karu.ac.ke
Email: 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
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 - 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

3. MEMBERS OF THE UNIVERSITY COUNCIL



Chairman of Council; Independent & Non-Executive Director

Prof. Francis Gichaga was born in 1942. He has previously served as the Chairman; Board of Governors - Kenya Technical Teachers College (1992-2011); Kenya Polytechnic University College Council (2009-2011); National Irrigation Board (2007-2010); Water Services Regulatory Board (2003-2007); Kenya Agricultural Research Institute Board (2002-2003); Kenya Institute for Public Policy Research and Analysis Board (1998-2004); and National Council for Science and Technology (1992-2003).

Prof. Gichaga has served in Public Universities in various capacities; Chancellor of Jomo Kenyatta University of Agriculture and Technology (2010); Vice-Chancellor of the University of Nairobi (1991-2002) among other senior administrative positions. Prof. Gichaga holds a First Class Honors degree in Civil Engineering, Masters in Civil Engineering and PhD. in Highway Engineering all from the University of Nairobi. He has a honorary DSc in Human Resource Management from JKUAT. He is a member of Institution of Engineers of Kenya; a Fellow of the Institution of Engineers of Kenya, a Registered Engineer, a member of Institution of Civil Engineers U.K. and a Fellow of the Institution of Civil Engineers. Prof. Gichaga has two presidential awards; Moran of the Order of the Burning Spear (MBS)-1990 and Elder of the Order of the Burning Spear (EBS) -1986.



Vice Chancellor & Council Secretary, Executive Director

Prof. Linus Gitonga is the Acting Vice Chancellor of Karatina University. He was appointed to the position on 4th June, 2023 for a period of six months or until a substantive holder is appointed; whichever comes earlier. He is substantively the Deputy Vice Chancellor in charge of Planning, Finance and Administration. Previously, he served as the Deputy Principal in charge of the same portfolio before the institution's transition to University status. In his capacity as head of Planning, Finance and Administration Division, he has been responsible for overseeing preparation and implementation of budgets, performance contracting and general infrastructural growth of the university. He also served as a member of the Board at the Kenya Innovation Agency (KENIA) where he was chair of the Finance and HR Committee.

Prof. Linus Gitonga is a professor of entomology and holds a PhD from JKUAT and Masters from Kenyatta University. He has long teaching and research experience at JKUAT. In the course of his work he has supervised many postgraduate students and is well published. He was born in 1964.



Independent & Non-Executive Director

Mr. Felix Okatch is the Chair of Audit and Risk Management Committee of Council. He has over 15 years working experience on multilateral trade and related bilateral trade negotiations. He has carried out projects for EAC, COMESA, EU and World Trade Organization (WTO). He has served as Marketing Manager -

National Bank of Kenya (1998-2005); Marketing Manager - Kenya Wines and Spirits (1995-1998) and Channels Manager- XEROX, Kenya (1990-1994).

Mr. Okatch has also served a board member of Kenya Reinsurance Corp. Ltd (2010-2020); Chairman at Association of Professional Societies in East Africa (2019-date); Vice Chairman at Outward Bound Trust (Kenya Chapter) and Board Chairman Nyawara Girls High School - Yala (2007-2009). He is a member of the Kenya Institute of Management and Institute of Directors.

Mr. Okatch holds B. Com (Hons) - marketing option from the University of Nairobi; MBA in Finance and Marketing from Assam Don Bosco University, India) and is pursuing a PhD from Catholic University of Eastern Africa. He has published several books and articles. Mr Okatch is a recipient of Head of State Commendation award; Elder of the Order of the Burning Spear (EBS). He was born in 1951.



Independent & Non-Executive Director

Ms. Susan Gitonga is the Chair of Academic, Research and Enterprise Development Committee and has previously served as the Chair of Governance and Planning Committee of Council. She is an entrepreneur dealing in real estate development and management. Ms. Gitonga has been member of board of management of Kibirichia Girls Secondary School. She worked as a Private Consultant in

Nutrition (2009-2010), Consultant in Nutrition at Kenyatta National Hospital (2006-2008) and High School Teacher in Biology and Chemistry (1991-2006).

Ms. Gitonga holds B.Ed Science from Egerton University and Masters in Food Nutrition and Dietetics from Kenyatta University. She was born in 1968.



Independent & Non-Executive Director

Eng. David Opiyo holds an MBA in Financial Management and Investment and a degree in Mechanical Engineering (Hons). He is the Director of Enterprise Management, EMR Consult Ltd in Nairobi. He also chairs the Boards of Space and Style Ltd and Centre for Enterprise Development and Innovation. He is a Lead Consultant in Environmental Impact Assessment and Environmental Audit since 2009. He has been a Lead

Expert in Resource profiling and Development of Industrialization policy for Kisii, Nyamira, Meru, Baringo and Uasin Gishu among others. He is a member of Engineers Registration Board, Kenya from 1977. Previously he has worked as Acting Chief Executive Officer of Kenya Industrial Estates Ltd (2002-2003), a position he rose to from a Project Officer then to General Manager Operations. He is the current Chair of Finance, HR and Resource Mobilization Committee of Council. He was born in 1955.



Independent & Non-Executive Director

CPA Pauline Kitsao Luganje holds Master of Business and Administration in Finance from Kenya Methodist University and Certified Public Accountant of Kenya. She retired from the Civil Service at the position of Chief Finance Officer. She is a member of two professional associations; Institute of Public Accountants of Kenya (ICPAK) and Women Accountants of Kenya (AWAK). She is a registered Member of Kenya Accountants Board.

She brings a wealth of experience having served within the Public sector in respect to Strategic leadership, project development, budget formulation and execution, expenditure controls and reporting, procurement processes and corporate governance. She was born in 1961.

Independent & Non-Executive Director



Mr. Nicholas Kunga Ngece holds Master of Science, Bachelor degree in Science and is PhD Candidate in Management Economics. He is the Convener/ Coordinator for the Sustainability Impact Network Africa. He is an Expert in Project Cycle Design, Planning & Management of Finance Grants and Human Resources. He has done consultancies in Programme Design, Management, MEAL. He has previously worked as a Resource Mobilization Specialist at DETRA- Africa Consulting. He has experiences as Programme/Grants Manager in Environment, Natural Resources and Climate Change for Swedish International Development Agency (SIDA)/ Embassy of Sweden. Further, he has served as a Regional Projects Coordinator for Carbon-zero Balance Africa Ltd. Mr. Ngece has also served as a Director at Kenya Trade Remedies Agency in the Ministry of Trade. He was born in 1975.

Representative of Principal Secretary, National Treasury & Non-Executive Director



Dr. Dunstone Ulwodi has 15 years' experience working in the public sector. He joined the National Treasury as an Economist/Statistician in 2006 and has risen through the ranks to the position of Deputy Director. He holds a PhD in Economics from the University of Nairobi, Master of Arts in Economics, Master of Science in Population Studies and Bachelor of Education, Arts from the same university. He has been instrumental in the development of the digital bond program in Kenya having spearheaded the issuance of the first ever Mobile-Based bonds. He serves as the Manager of the M-Akiba Bond Project at the National Treasury. He was born in 1977.

Representative of Principal Secretary, Ministry of Education & Non-Executive Director – Upto 16th June 2023



Dr. Scholastica Ndambuki holds a degree in Law from the University of Nairobi; Masters and Doctor of Laws degree from University of South Africa. She was admitted as an Advocate of the High Court of Kenya in 1992.

Dr. Ndambuki is well experienced in handling legal matters. She has worked in the Office of the Attorney General as a Chief State Counsel from 2016; Deputy Chief State Counsel (2013-2016); Deputy Registrar- Industrial Court of Kenya, Nairobi (2007-2013); Magistrate and Senior Deputy Registrar - High Court of Kenya, Nairobi (1993-2007). She was born in 1967.

4. MANAGEMENT TEAM



Prof. Linus Gitonga

Ag. Vice Chancellor

Academic Qualification

Ph.D. (JKUAT); M. Sc. (Kenyatta); B. Ed (Sc.) (Kenyatta)

**Ag. Deputy Vice Chancellor
(Planning, Finance &
Administration)**

Academic Qualification

Ph.D. (KarU); MBA(JKUAT); B.Sc. (Egerton); CPA(K); CIFA; CISA



Prof. Richard Kiai



Prof. Hellen Kamiri

**Ag. Deputy Vice Chancellor
(Academic, Research & Student
Affairs)**

Academic Qualification
Ph.D. (University of Bonn); M.Sc. (Moi);
B.Sc. (Moi);

**Registrar
(Academic Affairs)**

Academic Qualification

D.Phil (Moi); MBA(Moi); M. Ed (UoN);
B. Ed (Arts)(Moi); MKIM



Dr. Wangari Gathuchi



Dr. Humphrey Omondi

**Registrar
(Planning & Administration)**

Academic Qualification

D. Phil; M. Phil; B. Ed (Arts) (Moi)



Dr. Grace Kakiya

Ag. Finance Officer

Academic Qualification

D. Phil(Moi); MBA(Egerton); BBM
(Moi); CPA(K); FA(K); Cert IPSAS



Ms. Anne Mumbi

Legal Officer

Academic Qualification

LLB (UoN); Dip. Law(KSL); CPS (K)

5. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year that ended on 30th June 2023. This was the tenth year in operation as a fully-fledged University; and the third year that the current council is steering activities of the University. We are pleased with the progress made in the University and equally acknowledge the contribution of the former VC whose term ended in early June 2023.

Some of the most outstanding achievements during the year include:

- a) Reviewed and promoted a significant number of teaching and non-teaching staff who had stagnated in one job group for a long period. This has motivated the workforce and is expected to result in improved performance.
- b) Initiated the process of recruiting senior management by considering and submitting relevant details to the Public Service Commission.
- c) Enhanced ODeL infrastructure to ensure full and efficient adoption of virtual learning. Council aims at increasing student population by targeting students who would not ordinarily attend physical classes.
- d) Completed the last phase of partitioning and internet networking for the Resource Centre. This has increased available office space giving a conducive environment for staff to work in.
- e) Commendable progress in the construction of the University Library. The progress was slowed down by inadequate provision of funds. However, Council is doing what it can to seek for additional funds that will facilitate its completion.
- f) Payment of pending bills and an Up-to date remittance of statutory deductions such as NHIF, NSSF and PAYE. This includes remitting of check-off deductions made by staff members.

The University has also faced several challenges that include:

- i. Inadequate budgetary allocation for capital development. It was therefore not possible to complete the University Library as envisaged. This means the University will not commence new capital project in 2023/2024.
- ii. Inability to review and promote all qualified members of staff as would have been desired due to inadequacy of resources.

As a Council, we continue encouraging academic staff to explore and implement alternative resource mobilization strategies. We will therefore enhance training of staff to build their capacity to write competitive funding proposals.

We are grateful that so far, the Government has supported the University by timely remittance of recurrent grants. We also thank H.E the President of the Republic of Kenya and the Cabinet Secretary for Education for having given us the opportunity to serve Karatina University and indeed the country at large.

I wish to thank members of Council for their immense contributions, ideas and presence in both meetings and other activities they were required to participate in. I also wish to thank the University Management for ensuring that there was prudent use of resources. Finally, I wish to thank members of staff, students and guardians for taking up their roles and supporting the University achieve its mission of conserving, creating and disseminating knowledge

Prof. Francis J. Gichaga, PhD
Chairman, Karatina University Council

6. VICE CHANCELLOR'S REPORT

I hereby present the Annual Report and Financial Statements of Karatina University for the year that ended on 30th June 2023 as required by the Universities Act 2012, Karatina University Charter and the Public Financial Management Act 2012.

Economy and Sector Review

Kenya's economic growth was subdued by suppressed agricultural production, owing to adverse weather conditions during the year. The real Gross Domestic Product (GDP) decelerated from a growth of 6% in 2021/22 to 4.8% in 2022/23. The period under review was characterized by a build-up of inflationary pressures as prices of various commodities increased. During the review period, inflation rose from 6.1% in 2021/22 to 7.4% in 2022/23, mainly driven by a surge in food and energy prices. Key sectors that supported the growth in 2022/23FY were Transportation and Storage (5.6%), Financial and Insurance (12.8%), Information and Communication (9.9%) and Accommodation and Food service activities (26.2%). Year-on-year overall inflation rate remained stable and within the policy target range of +/-2.5% of 5 percent.

During the period under review, the Education sector reported an increase in the number of public universities from 32 in 2021/22 to 35 in 2022/23. This is due to awarding of charters to Kaimosi Friends University, Tom Mboya and Tharaka-Nithi University. Besides, the total number of Technical and Vocational Education and Training (TVET) institutions went up by 5.7% to 2,401 in 2022/23. Enrolment in Technical and Vocational Education and Training (TVET) institutions grew by 11.7% from 503,800 in 2021/22 to 562,500 in 2022/23. Whereas, University enrolment increased marginally by 0.2% from 562,100 in 2021/22 to 562,900 in 2022/23 academic year. This resulted in slight increase in first year's enrolment in Karatina University from 2,123 to 2,226 students and a total student population of 7,518 during the review period.

Performance Review

During the year under review, the University undertook its principal activities by use of physical and virtual interactions. All academic activities were conducted smoothly. The University continued to invest in ICT infrastructure so as to ensure business continuity during changes in the business environment.

The University had a student population of 7,518 and 418 members of staff at the end of the financial year. A total of 1,112 students were conferred with various degrees and awarded diplomas during the 10th graduation ceremony in December, 2022. The reduction in the number of graduands can partly be attributed to the effects of Covid -19 pandemic which destabilized household incomes.

Operations and Management Review

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

- i. Developed and submitted to CUE additional academic programmes in the School of Health Sciences. These were further inspected and we hope to receive students from KUCCPS soon.
- ii. Procured pasteurizer yoghurt machine to support commercialization of purple tea product. It is expected that the University will obtain KEBS certification soon to facilitate commercialization.
- iii. Organized an International Conference on Climate change with support from Alinea, an international development consultancy firm from Canada.
- iv. Undertook a pedagogy reengineering virtual training to equip Academic Staff with diverse teaching methods in preparation for internationalization and to receive CBC learners.
- v. Received technical support from Academic Without Borders (AWB) to formulate a five (5) year Internationalization Strategy. The strategy is expected to increase the number of international students admitted through the ODeL platform.
- vi. Undertook a One-Day Training for National Government officers in Nyeri County on Leadership and Governance. A diploma course in Leadership, Governance and Public Administration is being designed by the School of Education and Social Sciences to be offered to these cadres of officers.
- vii. The University has been working with Huawei ICT Academy to support students and staff ICT skills. On the 21st October, 2022, Huawei ICT Academy held a sensitization programme to encourage students to participate in the Huawei ICT Competition 2022/2023.
- viii. Supported students' participation in various co-curricular activities such as sports, drama and music. This has helped students showcase and make use of their talents outside of the lecture rooms.
- ix. Engaged in various mentorship programmes in secondary schools with the aim of guiding students on career choices. The Centre for Community Outreach also sensitized primary schools in the neighborhood on environmental conservation.

The challenges experienced by the University include;

- i) Students Enrolment has gone down; especially of postgraduate students. Strategies are being put in place to improve postgraduate enrolment and trends in graduation. The University looks forward to higher numbers of students placed by KUCCPS.

Risk Management

The University has put in place a robust risk management strategy. This involves a quarterly review of the risks the University faces and developing mechanisms to mitigate them. In addition, the University has ensured a strict adherence to statutory requirements.

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2023

Future Developments

Karatina University Strategic Plan for the period 2021-2025 focuses on four KRAs; - academic excellence; research; financial sustainability; and institutional capacity.

Some of the specific areas the University will be focusing on include:

- i. Strengthening the School of Nursing and Health Sciences by developing new academic programmes, enhancing the infrastructure and human resources to ensure quality training that meets international standards.
- ii. Enhancing Open and Distance Learning (ODEL) to build capacity so as to recruit more privately sponsored students.
- iii. Adopt a system-wide approach/ framework to inspire and empower students to complete their studies in time.
- iv. Active engagement with leading partner organizations for research projects and for the purpose of generating additional funds.
- v. Emphasis on the Green Entrepreneurial University Concept so as to incorporate environmental sustainability and efficiency in its operations, curriculum development and implementation, physical developments and university lifestyles. In addition, there will be greater effort in building the capacity of its human resource so as to achieve a sustainable future through training, research, innovation and community outreach.

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 community who worked conscientiously to ensure smooth and successful operations of the University. I also acknowledge the leadership of the former Vice Chancellor, Prof. Mucai Muchiri for leading the University in a financially sustainable manner in the last year.

Thank you.



Prof. Linus Gitonga, PhD
Vice Chancellor

7. STATEMENT OF KARATINA UNIVERSITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Karatina University has four key result areas (KRAs) and six objectives within its Strategic Plan for the FY 2021- 2025. The key result areas and their respective strategic objectives are as shown below:

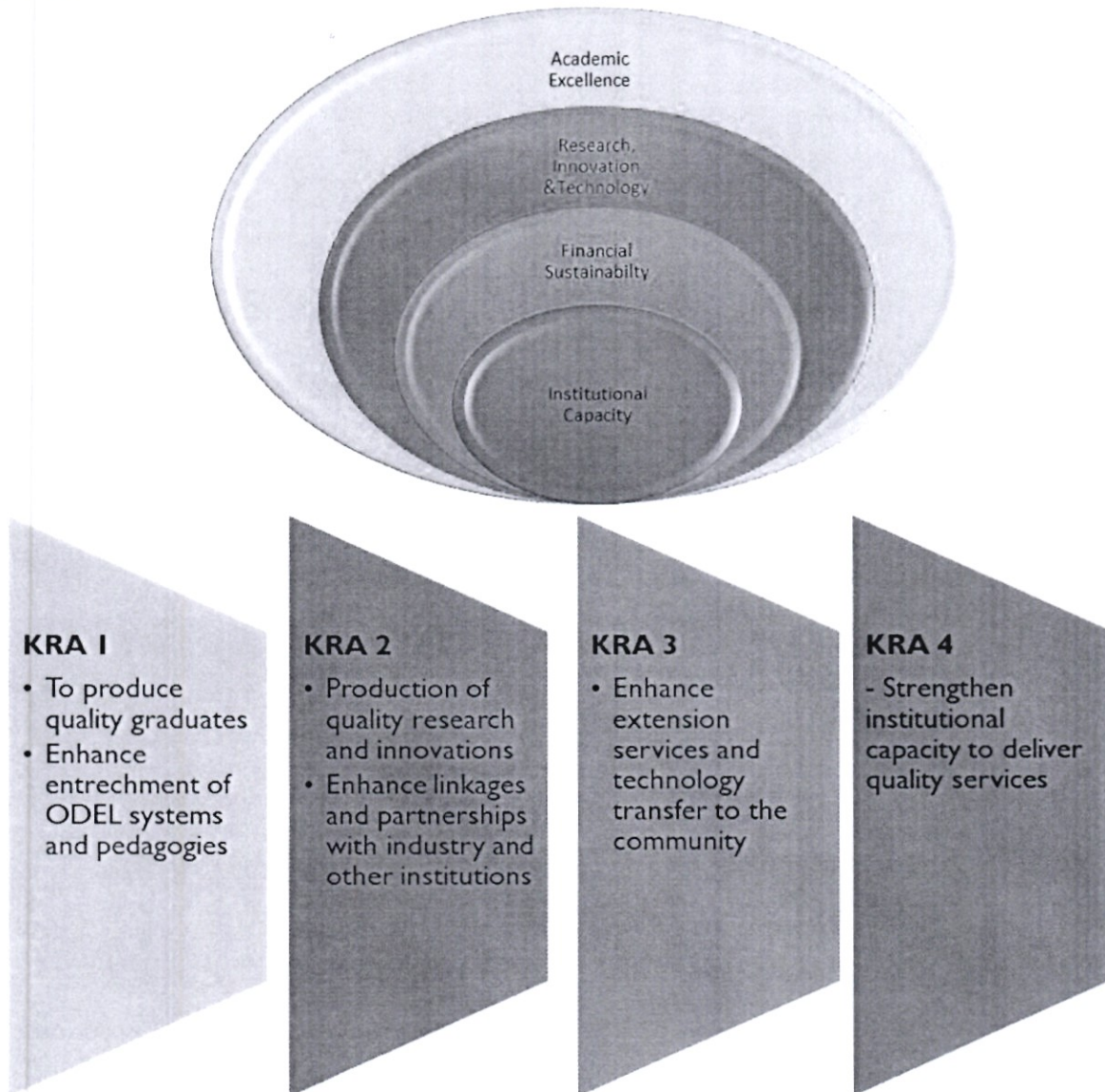


Figure 1: Karatina University Key Result Areas and Strategic objectives

During the year under review, Karatina University pursued strategic intentions within its Strategic Plan. The University included its strategic pillars in the Performance Contract for FY 2022/2023 and developed its annual work plans. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The University achieved its performance targets set for the FY 2022/2023 period as indicated in the table

Table 1: Review of Karatina University Performance for FY 2022/2023

KRA	Objective(s)	Key performance indicators	Activities	Achievements
1. Academic Excellence	1.To produce quality graduates	Integrating ICT in Teaching and Learning	Acquire and install micro learning instructional design.	The University procured Articulate Story line software and installed Camtasia and Smart Notebook learning suite to aid in content development The process of fabricating a recording studio also commenced
		Quality of Teaching and Learning improved	Undertake audit on status of postgraduate students	- Audit was done and some of the interventions put in place include sensitizing postgraduate students on publishing of journal articles and research
	2. Research, Innovation and Technology	2. Position the University as a leading research and technology institution	Enhancing the Green Concept	Hold one Green Cycling Competition And Install solar security lights
3.Enhance linkages and partnerships with industry and other institutions			To establish collaborative linkages with industries and other academic institutions	Identify industries, sign and implement MoUs

KRA	Objective(s)	Key performance indicators	Activities	Achievements
3. Community outreach	4. Enhance extension services and technology transfer to the community	Capacity building and Mentorship	<p>Conduct training for National Government officials (ACCs and Chiefs)</p> <p>Mentor Form 4 students in selected secondary schools in Kenya on life skills and career choices</p>	<p>Done in May, 2023. The University is preparing a more detailed programme that will likely lead to certification</p> <p>Held mentorship sessions in ten (10) secondary schools. The University also hosted students for its career week to guide students on future professional growth.</p>
		Assist Community deal with emerging issues	Organize a medical camp in collaboration with leading hospitals	Organized two (2) medical camps, one with Karen Hospital and the other with Lion Sight First Eye Hospital, Nairobi. Over 700 residents benefited.
4. Resource mobilization and institutional capacity	5.To mobilize financial resources	Enhanced resources	Conduct sensitization on resource mobilization	Undertook two sensitization sessions for academic staff on resource mobilization. Several funding proposals have been submitted.
	6. To strengthen institutional capacity to deliver quality services	Develop required infrastructure for tea institute	Commercialize tea-related products	<ul style="list-style-type: none"> - Acquired yoghurt pasteurizing machine - Pursuing KEBS certification to be able to sell the purple tea products.

8. CORPORATE GOVERNANCE STATEMENT

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

Corporate Governance Principles

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. The University council's governance role, and conduct of business are guided by the Universities Act no. 42 of 2012; the Karatina University Charter, 2013; Mwongozo Code, 2015; Commission for University Education regulations and standards, 2014 and Karatina University Statutes, 2021.

Size and Composition of Council

The council consists of nine (9) members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the University as shown on pages (viii) to (xi). In addition, the Inspector General, State Corporations seconded a member to be attending regular meetings of Council.

The Role and Functions of Council

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

Appointment, Removal from Office and Succession Plan

Council members are appointed by the Cabinet Secretary - Ministry of Education through a competitive process advertised to the public. The appointment process takes into consideration the following; development of university education, balanced competencies, gender equity, and the inclusion of stakeholders, persons with disabilities, the marginalized and other minority groups. The Council members were appointed on 4th November 2020 while the Chairman was appointed on 5th February 2021 for a period of three years. Three (3) new members were appointed to replace two who resigned in February and fill a gap that had existed for some time.

Appointed Council members are required during the first meeting to determine by lot which two of their number shall vacate office after a period of three and four years respectively to ensure continuity in the activities of the Council. It has not been possible to actualize this since appointments and renewals are the prerogative of the Cabinet Secretary. As happened with the new Council it is expected the Cabinet Secretary will retain some of the members for purposes of continuity.

Capacity building for Council members

The University organized an annual training for Council members in September, 2022. The training that took place in Nanyuki was facilitated by among others, CPA Jones Makau as well as officials from the Commission on Revenue Allocation (CRA) and Retirement Benefits Authority (RBA). Members were also sensitized on Council self-evaluation.

In addition to this training, the State Corporations Advisory Committee (SCAC) in conjunction with the Institute of Certified Secretaries (ICS) organized a three days induction course for members in April, 2023. The purpose of the training was to take Council members through their roles and to equip them with necessary skills required in discharging their mandate. Some of the topics covered during the induction included:

- a) Corporate Governance Principles under Mwongozo and Emerging Issues;
- b) Duties and Liabilities of the Board, Chairperson, Members, CEO and Corporation Secretary;
- c) Values and Principles of Public Service;
- d) Emotional Intelligence in Managing Board Dynamics; and
- e) Statutory Compliance and Alternative Dispute Resolution (ADR) in State Corporations

These sessions increased awareness among members on their roles and such trainings will continue in the future.

Council Remuneration

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

Council Charter and Meetings

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

Council Meetings and Attendance

Council conducted its business under four (4) committees and later under three (3) as listed below: -

July – November 2022

- I Academic, Research and Enterprise Development Committee

- 2 Finance, HR and Resource Mobilization Committee (Formerly Finance and Planning Committee)
- 3 Audit and Risk Management Committee
- 4 Governance and Planning Committee

The Committees were re-organized to three as below: - **November 2022 – June 2023**

- 1 Academic, Research and Enterprise Development Committee
- 2 Finance, HR and Infrastructure Development Committee
- 3 Audit and Risk Management Committee

Composition of each committee is shown below:

Name of the Committee	Members
1. Academic, Research and Enterprise Development Committee	i) Ms. Susan Gitonga – Chair ii) Vice Chancellor iii) Mr. Felix Okatch iv) Dr. Scholastica Ndambuki – Representative, PS, State Department of University Education v) CPA Pauline Luganje - Member
2. Finance, HR and Resource Mobilization Committee	i) Eng. David K. Opiyo – Chair ii) Vice Chancellor iii) Ms. Susan Gitonga iv) Dr. Dunstone Ulwodi – Representative, The National Treasury v) CPA Pauline Luganje – Member
3. Audit and Risk Management Committee	i) Mr. Felix Okatch – Chair ii) Mr. Nicholas Kunga Ngece iii) Dr. Dunstone Ulwodi – Representative, The National Treasury iv) Senior Internal Auditor
4. Governance and Planning Committee	i) Mr. Nicholas Kunga Ngece – Chair Vice ii) Chancellor iii) Eng. David K. Opiyo iv) Dr. Scholastica Ndambuki – Representative, PS, State Department of University Education

Committees as reorganized after 21st November, 2022

Name of the Committee	Members
1. Academic, Research and Enterprise Development Committee	i) Ms. Susan Gitonga – Chair
	ii) Vice Chancellor – Secretary
	iii) Mr. Felix Okatch
	iv) Eng. David K. Opiyo
	v) Mr. Nicholas Ngece
	vi) Representative of Ministry of Education
2. Finance, HR and Infrastructure Development Committee	i) Eng. David K. Opiyo - Chair
	ii) Vice Chancellor – Secretary
	iii) Representative of National Treasury
	iv) Ms. Pauline Luganje
	v) Ms. Susan Gitonga
	vi) Representative of Ministry of Education
3. Audit and Risk Management Committee	i) Mr. Felix Okatch – Chair
	ii) Representative of National Treasury
	iii) Mr. Nicholas Ngece
	iv) Ms. Pauline Luganje
	v) Senior Internal Auditor – Secretary

During the year, the full Council held a total of nine (9) regular and special meetings, two sessions on self-evaluation and two trainings. Members also attended two (2) university functions, a conference as well as the 10-year anniversary prayers. Individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Prof. Francis J. Gichaga – Chairman	12
2	Vice Chancellor/ Secretary	12
3	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	12
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury and Planning	11
5	Mr. Felix Owaga Okatch	11
6	CPA Pauline Luganje	9
7	Ms. Susan Kanyua Gitonga	12

8	Eng. David K. Opiyo	11
9	Mr. Nicholas Kunga Ngece	11
10	Mr. Edwin Murimi – Rep. Inspector General, State Corporations	8

Notes:

1. Tabulation includes council self-evaluation engagements and excludes trainings, conference and anniversary prayer participation;
2. Mr. Edwin Murimi did not attend some of the special meetings.

Academic, Research and Enterprise Development Committee

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

The committee held five (5) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Susan Gitonga – Chair	5
2	Vice Chancellor	5
3	CPA. Pauline Luganje	2
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	4
5	Eng. David K. Opiyo	2
6	Mr. Felix Okatch	5
7	Mr. Nicholas Ngece	1

NB: CPA Pauline Luganje, Eng. David Opiyo and Mr. Nicholas Ngece participated in the committee for part of the year.

Finance, HR and Resource Mobilization Committee (Later renamed Finance, HR and Infrastructure Development Committee)

The committee critically scrutinizes the budgets and other financial requirements before they are presented to Council. It oversees the University's financial affairs on behalf of Council; develops strategies to mobilize resources and advises the University Council on all human resource matters, including recruitment and staffing levels. The terms of reference were later amended to include performance contracting and infrastructural developments.

The committee held five (5) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	Eng. David Opiyo – Chair	4
2	Vice Chancellor	5
3	Ms. Susan Gitonga	5
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	5
5	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	4
6	CPA Pauline Luganje	4

Audit and Risk Management Committee (ARMC)

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

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

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

S. No	Name	No of meetings attended
1	Mr. Felix Owaga Okatch – Chair	4
2	CPA Pauline Luganje	2
3	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	3
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	1
5	Mr. Nicholas Ngece	3
6	Dr. Scholastica Ndambuki	1

NB: Dr. Scholastica Ndambuki served briefly before re-organization of the committee in November, 2022

Governance and Planning Committee

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

The committee held one (1) meeting before it was dissolved in November, 2022 and the individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Mr. Nicholas Ngece - Chair	1
2	Vice Chancellor	1
3	Mr. Felix Owaga Okatch	1
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	1
5	Eng. David K. Opiyo	1

IT Governance

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

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

Council evaluation

Council evaluation is essential in assessing performance, efficiency and effectiveness of the board and individual members. The evaluation of council is an annual exercise conducted by the State Corporations Advisory Committee (SCAC). During the financial year, Council conducted self-evaluation on 12th August, 2022 and received the feedback on 13th October, 2022.

Ethics and Conduct

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

Whistle Blowing Policy

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

Governance and Legal Audit

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

Risk Management

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

Conflict of Interest

Council members and staff are required to make disclosure of any potential or real conflict of interest while conducting matters that pertain to the institution. During meetings, members are expected to declare any conflict of interest in the agenda items under discussion and the same is recorded. In case of conflict, the affected member is excluded from discussions and/or decisions on the matter in question. During the year, no member was recorded as having any conflict of interest in the agenda items.

SECTION C

Key projects and investment decisions the University is planning/implementing

The University has one ongoing project; Library Phase I during 2022/2023 FY. The construction of the Library is at 80.29% completion rate and is expected to be complete in 2023/24 FY. The figures computed for completion level are based on the amounts of works certified and not funds disbursed by GOK to finance the projects.

Construction of the Library Phase I is an integral component of teaching, learning and research requirements of the growing Karatina University academic community. It is also a requirement by the Commission for University Education that a Library be established to support learning and research for use by students and lecturers. The Construction of the library will provide reading and research space for use by students and lecturers which will support the government's priority policy agenda.

SECTION D

Major Risks facing the University

The University's activities are exposed to a variety of financial risks including credit and liquidity risks and changes in market prices. The University's overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The specific details of each risk component have been discussed on pages 18 to 19 of this report.

SECTION E

Material Arrears in Statutory and Financial Obligations

The University has significant amounts outstanding relating to part-time lecturers' payments and loan due to the GoK in respect to acquisition of the Tea Training Institute, the fore runner of Karatina University, by Moi University. Karatina University is processing a subsidiary Loan agreement with National Treasury in order to take up a loan obligation of Kshs 216M. At the end of the reporting period, the University had Kshs 37M outstanding in respect to part-time lecturers' payment. The Management Board has been settling amounts claimed using available funds.

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Karatina University Operational and Financial Performance

The University reported surplus of 17.6M as at June 2023. This is improved performance when compared to the previous year when it reported a deficit of Kshs 21.25M as at 30th June 2022. The performance recorded can be attributed to improved AIA generated from the enhanced enrolment by students. Students who had deferred their studies due to Covid -19 pandemic resumed their studies. Further, the University's performance was also affected by the increased cost of living as a result of fuel price surge and increased prices of many commodities that the University procured to conduct its mandate.

The University projects improvement in its cash flows during 2023/2024FY. This is due to resumption of studies during the first quarter and expected increase in first- years enrolment for University education. This will boost internally generated funds resulting to improved financial performance. Additionally, its performance may continue to be adversely affected by the ongoing conflicts in Eastern Europe, tightening of monetary policies, weakening of the Kenya Shilling against the US Dollar and high inflation which has led to increased cost of living due to the surge in fuel and electricity prices, besides the increase in prices of commodities.

Pertaining to trends within the Education Sector; Universities, tertiary and secondary schools are recovering from the disruptions in the academic calendar as a result of COVID -19 pandemic. Also, the improved performance of KCSE candidates may increase enrolment for University education which will result to increased internally generated funds. Moreover, it is anticipated that the recommendations of the Presidential Task Force on Education will not only improve implementation of CBC in learning institutions but also address funding of University Education. To enhance financial sustainability, the University is implementing resource mobilization strategies so as to enhance its A.I.A.

SECTION B

Compliance with Statutory Requirements

During the reporting period the University complied with all statutory requirements. The University does not have non-compliance issues that may expose it to potential contingent liabilities. On the other hand, the University has one litigation cases made against it that have financial exposure as shown in Appendix IV.

SECTION F

Financial Probity and serious Governance issues

During the reporting period, the University underwent internal audit and external auditors' reviews. There were no cases of financial improbity reported. The University Management members had a cordial working relationship and no governance issues were raised.

SECTION G

Trend analysis of the University's Financial Performance

From figure 1, the performance of the University which has been fluctuating over the years, which is brought about by the varying incomes received vis-à-vis the expenditure incurred during the financial year. The analysis shows yearly performance from July 2012 to June 2023. The University reported surplus during 2022/2023FY. This is an indicator of recovery from the effects of COVID-19 pandemic.

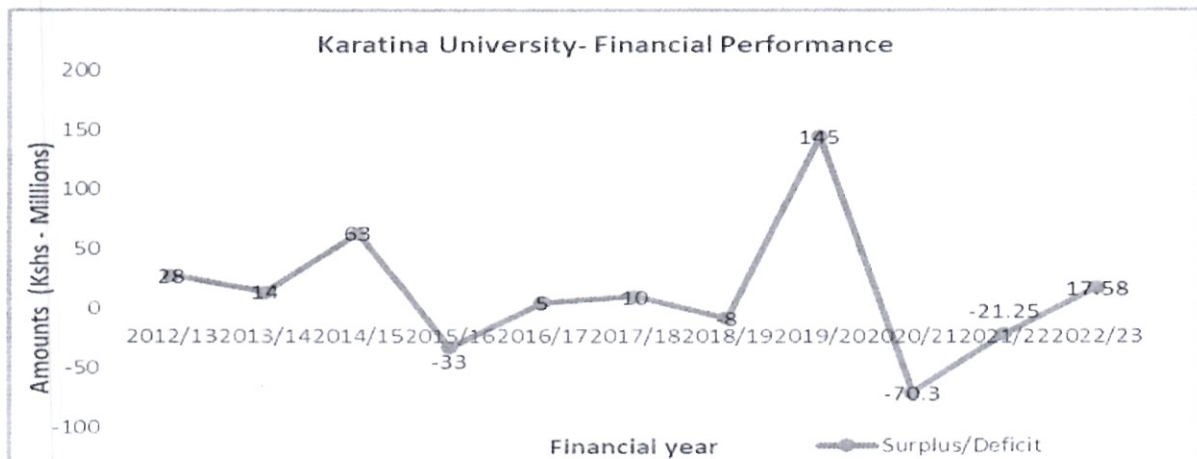


Figure 1: Trend of the University's financial performance

Figure 3 present the trends in income from FY 2012/13 to 2022/23. The total income has an upward trend as a result of slight increase in recurrent grants. The A-I-A has been within the range of Kshs 300M since 2017/2018FY with an exception of FY 2022/23 where A.I.A stood at 378M. This is as a result of improved first year's student enrolment.

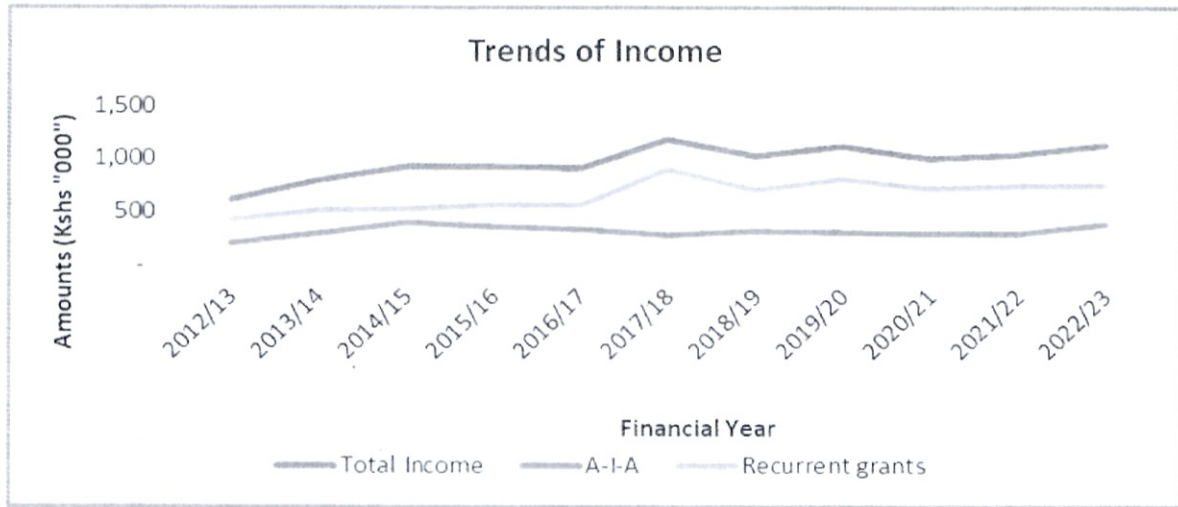


Figure 2: Trend of University's Incomes

Figure 4, shows a distribution of classified expenditure by nature vis-à-vis total expenditure for the FY 2022/2023. Employment expense is significant at 69.1%. This is because the core mandate of the University is training which requires skilled professionals whose salaries are negotiated through National Collective Bargaining Agreements. The other expenses comprise of administrative expenses at 14% and academic expenses at 8.5%. Academic expenditure for the period was slightly low because the University has adopted blended learning which reduces costs. Consequently, employment expense which is a fixed cost appear to be higher when compared to the other expenses which are variable costs.

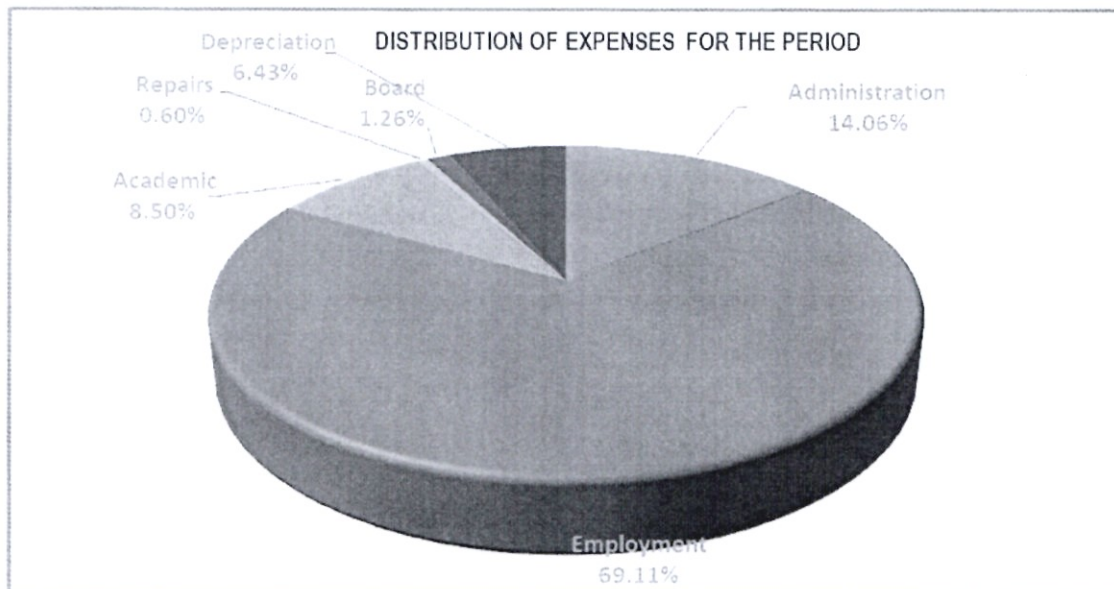


Figure 4: Distribution of recurrent expenses during the FY 2022/2023

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Karatina University has rebranded itself as a Green Entrepreneurial University. In this regard, the University has adopted a pragmatic approach of greening its systems, processes and lifestyles. The aim is to have a friendly environment and sustainability practices. It entails pursuing knowledge and practices that lead to responsible ecological decisions and lifestyles. This will help protect the environment and sustain its natural resources for current and future generations. Outlined below is Karatina University policies and activities that promote sustainability.

i) Sustainability strategy and profile

The University's model of a Green University follows the UNEP style and is categorized into ten thematic areas: Environmental Education; Energy, Carbon, and Climate Change; Water: Water efficiency, Water reuse and recycling; Waste: Green system aims at reducing, re-using and recycling; Biodiversity and Ecosystem Services; Planning, Design and Development; Green Procurement; Green Offices and Green Labs; Green IT; and Green Transport. At the same time, the university initiated other programmes and activities that catapult it towards attaining internationally recognized Green University Standards. The University has adopted all reasonable and practical measures to enhance sustainability as per United Nations Sustainable Development Goals.

ii) Economic and Financial Sustainability

Karatina University is largely financed by the Government of Kenya to undertake its core activities. This is supplemented with internally generated funds from tuition fees charged to students. However, with the decline in privately sponsored students, Karatina University through its Directorate of Resource Mobilization has initiated and is implementing strategies for enhancing revenues. In the meantime, the University has rationalized its activities to fit within existing budgetary allocations. This is done to enhance financial sustainability.

Further, the University has invested in ICT infrastructure to facilitate Open and Distance Learning (ODEL). This will enhance enrolment of students who target virtual learning both within the region and internationally. The University has also automated its processes to enhance service delivery to its clients. This ensures effective and efficient delivery of services leading to high customer satisfaction.

iii) Environmental Sustainability

The University has an Environmental Policy that provide a framework for: Reducing negative environmental impacts such as energy or water consumption, waste production or impacts on natural systems. Karatina University under the Green University initiative has adopted the following: -

- a) Waste segregation bins for ease of disposal and further treatment/processing. This has resulted in an effective and sustainable waste management system and reduced pollution.

- b) Energy conservation by use of "Turn off lights stickers' being mounted on switches all around the university. The stickers were to sensitize the University community on energy saving.
- c) Green cycling competition- The purpose of the race was to create awareness of green transport such as cycling and enhance cycling to, from and within campus. The race was conducted on 8th April, 2023.
- d) Paperless meeting in Senate, Committee of Deans (CoD), school boards, Directorate boards, Departmental boards and in adhoc committees.

Key achievements include: -

- a) Hosting an International conference on climate change and sustainable development on 24th-26th May 2023. The aim was to mitigate the impact of climate change & biodiversity loss on sustainable development.
- b) Planting of 500 trees at Main Campus and the nearby forest
- c) Installation of solar street lighting within the University

One of the challenges faced is limited funding to undertake the environmental sustainability projects.

iv) Staff Matters and Welfare

Karatina University staff population was four hundred and eighteen (418) as at 30th June, 2023. This consisted of one hundred and fifty-four (154) teaching staff comprising of eighty-six (86) male and sixty-eight (68) female; making up 37% of the staff population. This includes one (1) member on leave of absence. The administrative staff were two hundred and sixty-four (264) comprising of one hundred and twenty-four (124) male and one hundred and forty (140) female making 63% of staff.

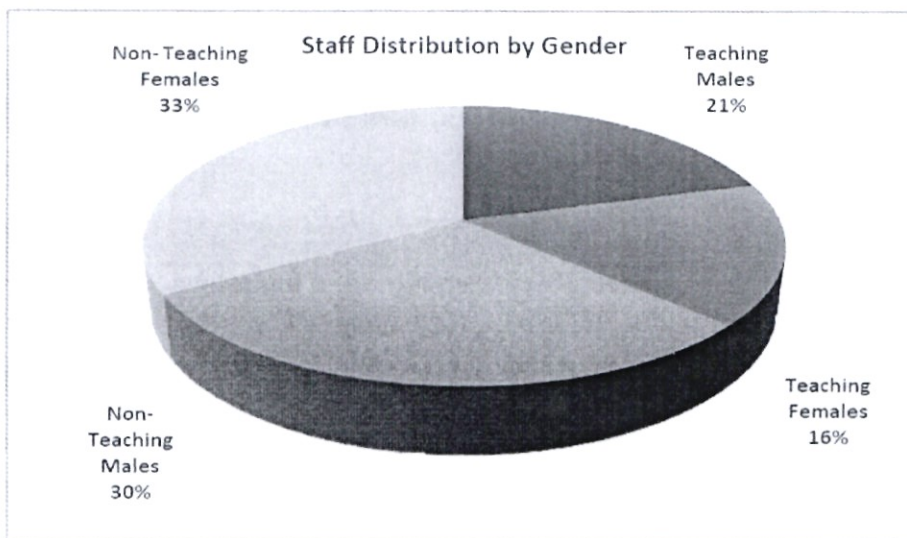


Figure 5: Distribution of Karatina University members of staff

During the reporting period, the University had 5 members of staff on study leave pursuing PhD. Further, the University continues to support forty-three (43) teaching staff (assistant lecturers and tutorial fellows) who are pursuing PhD programmes within the country. Further, members of staff have taken part in-house trainings and seminars sponsored by the University so as to enhance their skills. The trainings include: Micro-learning for lecturers, Instructional design for digital context for E-Learning champions; Career Development; Mental Health and Awareness; and Pre-retirement training.

Career progression was enhanced by reviewing and appropriately placing twenty-five (25) academic staff and forty (40) administrative staff with additional qualifications as per the University's Schemes of Service. In commitment to promote employee well-being at the workplace, the University has a Work Environment, Health and Safety policy which outlines guidelines and standards for the prevention and protection of University staff against accidents and occupational hazards arising at the work place. Covid-19 mitigation measures are in place to enhance safety for members of staff. Further, the University has three Unions: Academic Staff (UASU); Administrative staff (KUSU) and for ancillary staff (KUDHEIHIA) whose roles are to look after the interests of their members. During the reporting period, the University established Karatina University Pensions Scheme which is fully functional.

Lastly, in response to the Covid pandemic, the University has a Covid-19 Senate Advisory Committee which continues to monitor international and national trends and advise Management and Senate on the measures to be implemented to ensure staff welfare. Treatment has been offered to the affected and Psychosocial support to staff availed.

v) Market Place Practices

The University has encouraged responsible supply chain and supplier relations by conducting sensitization workshops to Youth, Women and Persons with Disability groups on government procurement procedures; and the requirements for accessing government procurement opportunities. In addition, the University has set a target of 40% of its procurements of goods and services to be locally produced. Payments to suppliers are made within 30days of delivery of goods/services and relevant documents. Part-time lecturers are key service providers, their payments are done after submission of final results and within a month after receipt of claims.

Moreover, the University has a service delivery charter in both Kiswahili and English languages which guides its clients on the services and requirements for the services being sought. The service deliver charters are displayed at strategic points for ease of reference by its clients. Lastly, the University has Marketing Policy for its programmes that guides on the safety of the consumers' rights and interests with an objective of enhancing visibility of the University and its programmes and as well as positioning KarU as a university of choice.

vi) Social sustainability

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

I. Education

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

a) School Mentorship Programme

As a way of providing continued mentorship to both primary and secondary school students, Karatina University has made it a duty to undertake academic mentorship programmes that will help improve academic standards in the region. Schools visiting the University have benefitted from expertise of Karatina University staff and inspirational talks by our students. This symbolize the passion and zeal of Karatina University to contribute in development of the society. During the period, the University mentored the following schools among others: Hiriga Girls Secondary School, Ruthagati Boys in Mathira West, Icuga Girls in Mathira West, South Tetu Girls in Mukurweini, Kirima Girls from Embu County, Kiangai Primary School in Kirinyaga County, Kaheho Secondary in Laikipia, Shammatta Girls in Nyandarua, Naivasha Boys, Enopoisha Girls in Naivasha and Magereza Boys in Naivasha. In all the schools, the students especially Form Four candidates were taken through career counselling and choices, goal setting, strategies for academic excellence among others. Ultimately, students were exposed to quality academic programmes of Karatina University. It is expected that based on exposure of University experiences, more candidates will choose the University in the 2023/2024 their degree choices.



Students from Kaplong Girls keenly following the career guidance talks at the University's Conference Hall

b) Free Medical camp

A Free medical camp in collaboration with Lions Sight First Hospital was held on Saturday 4th February 2023 at Karatina Stadium. Medical support was offered to members of the public on various services especially eye diagnosis, diabetes screening, high blood pressure. The aim of the medical camp was to fulfill one of the components of the University mandate which is community outreach. In addition, this is University's contribution to the attainment of Universal Health Care which is one of the bottom -up economic transformation agenda. A total of 350 patients received full spectrum of essential, quality health services from the two institutions. Demographic assessment demonstrated that the majority of the patients were vulnerable senior citizens who may not afford such services in medical facilities. The activity had a significant benefit by reducing huge medical costs that would have been incurred by the patients. It also opened up opportunities for research in health especially eye problems. The planning of the event had partnerships with local leaders and chiefs to mobilize members of the public to attend the camp. The University Health Department, School of Nursing students and the Department of Food Science and Nutrition were highly involved in the exercise.

II. REPORT OF THE COUNCIL MEMBERS

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

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

Principal Activities

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

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

Results

The results of the University for the year ending 30th June 2023 are set out on page 1

Council Members

The members of Council who served during the year are shown on pages (vi) to (viii) in accordance with Karatina University Statutes 2021 and Universities Act 2012.

Auditors

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

Office of the Auditor General staff were nominated by the Auditor General to carry out the audit of the University for the period ending 30th June, 2023.



Prof. Linus Gitonga, PhD
Council Secretary/ Ag. Vice Chancellor

Date:

12. 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 as at the end of the financial year ended on 30th June, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act (2012) and State Corporations Act (2012). The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June, 2023 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.

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

Approval of the financial statements

Karatina University annual financial statements have been prepared in accordance with Section 83 of the PFM Act 2012 and were approved by the Council on 27th July, 2023 and signed on its behalf by:

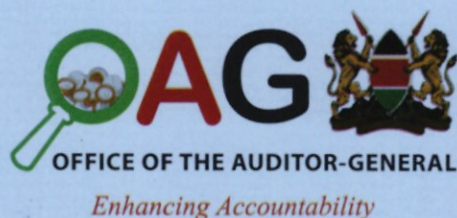


Prof. Linus Gitonga, PhD
Ag. Vice Chancellor

Prof. Francis J. Gichaga, PhD
Chairman of Council

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karatina University set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended

and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Karatina University as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the University Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.111,430,103 which as disclosed in Note 21(b) to the financial statements includes students balance of Kshs.103,264,603. However, as previously reported the latter balance includes an amount of Kshs.98,296,641 or 95% of the total student balance that relates to financial year 2021/2022 and earlier years and appear irrecoverable since appropriate measures to collect the fee balances have not been implemented by the University. Although the Management has made a provision for bad and doubtful debts of Kshs.5,163,230 for the student debt balance, it appears inadequate to cover the amount that is doubtful.

Further, the receivable from exchange balance includes an amount of Kshs.2,254,446 in respect of fee collected by Moi University on behalf of the Institution but remains unremitted during the financial year under review.

In the circumstances, the recoverability and thus accuracy and completeness of receivables from exchange transactions amount of Kshs.105,519,049 as at 30 June, 2023 could not be confirmed.

2.0 Doubtful Staff Prepayments and Debtors

The statement of financial position reflects prepayments balance of Kshs.5,820,701 which as disclosed in Note 20 to the financial statement includes a balance of Kshs.473,714 in respect to staff prepayments and debtors out of which an amount of Kshs.442,994 is in respect to one (1) and three (3) months basic salary in lieu of notice dues from staff who exited the University without requisite notices. This is contrary to Section 20.3.1 of the Karatina University terms and conditions of service for teaching and non-teaching staff of August, 2013 which states that staff who have completed the probationary period or those engaged on contract for more than two years shall be required to give three (3) months or three (3) month's basic salary in lieu of notice and Section 19.3.1 which states that staff on probation and others on contract of less than two years shall give one month's notice or one month's basic salary in lieu of notice.

In the circumstances, the recoverability and thus accuracy and completeness of staff prepayments and debtors amount of Kshs.442,994 as at 30 June, 2023 could not be confirmed. In addition, Management was in breach of the guidelines.

3.0 Long Outstanding Part Time Lecturers Dues

The statement of financial position reflects trade and other payables balance of Kshs.94,957,199, which as disclosed in Note 28 to the financial statement includes a balance of Kshs.4,549,160 in respect to part time lecturer's dues. However, as previously reported, the latter balance includes an amount of Kshs.4,276,160 relating to financial year 2021/2022 and earlier years that have not been cleared by the university.

In the circumstances, the ability of the University to settle the balance is doubtful and hence accuracy and completeness of part time lecturers balance of Kshs.4,549,160 as at 30 June, 2023 could not be confirmed. Further, the university may incur additional cost in terms of penalties and interest which could ordinarily be avoided.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Karatina University Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Lack of Ethnic Diversity

The university has four hundred and thirty-one (431) members of staff, out of which two hundred and sixty-nine (269) staff or 62% are from the dominant ethnic community. This is contrary to Section 7 (1) and (2) of National Cohesion and Integration Act states that (1) all public establishments shall seek to represent the diversity of the people of Kenya

in the employment staff, (2) No public establishment shall have more than one third of its staff from the same ethnic community.

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

2.0 Irregular Payment of Car Allowance and Gratuity Benefits to Vice Chancellor.

The statement of financial performance reflects employment expenses of Kshs.773,963,333 which includes payroll expenses of Kshs.691,154,365 as disclosed in Note 13 to the financial statements. During the year under review, the University incurred an amount of Kshs.31,566,045 in respect to car allowance out of which an amount totalling Kshs.1,872,000 was paid as car allowance to the Vice Chancellor. However, review of records revealed that the Vice Chancellor was provided with an official vehicle by the University and drew car allowance at the same time. This is contrary to Section 9(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that it will be an offence for an officer in receipt of commuter allowance to use Government vehicle from house to office and vice versa.

Further, the University appointed the Vice Chancellor on a five-year non-renewable term with effect from 4 June, 2018 to 3 June, 2023. However, review of payment vouchers and their related supporting documents revealed that the University processed and made payments of gratuity to the Vice Chancellor totalling Kshs.12,490,347 on 02 June, 2023 before the expiry of his contract with University.

In the circumstances, value for money on the car allowance of Kshs.1,872,000 and the gratuity amount of Kshs.12,490,347 for the year ended 30 June, 2023 could not be confirmed.

3.0 Slow Progress of Works - Proposed Construction of Library

The statement of financial position reflects capital Works in Progress (WIP) of Kshs.394,467,936 which includes additions for the year of Kshs.20,212,050 in respect of construction of a library as disclosed in Note 27 to the financial statements. Review of records revealed that the construction of the proposed library was awarded to a contractor at a contract price of Kshs.440,261,115 for a period of 156 weeks commencing 02 April, 2018 and expected completion date of 25 May, 2021. The project duration of 156 weeks had been revised by 162 weeks to 318 weeks. However, field verification of the project in the month of January, 2024 revealed that the project was incomplete at approximately 84% progress level.

In the circumstances, the University community have been denied the potential benefits to be derived from the project. In addition, the delay to complete the project may result to price variations due to inflation, contractual penalties and potential legal disputes.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the

audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and University Council

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The University Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 April, 2024

13. REPORT OF THE INDEPENDENT AUDITORS FOR THE FINANCIAL STATEMENTS OF KARATINA UNIVERSITY

I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023

INCOME	Notes	2022/2023	2021/2022
Revenue from Non-Exchange Transaction		Kshs.	Kshs.
Government Grants	7	750,597,143	750,080,203
Amortization of Granted Assets	8	9,861,389	9,475,728
Donations	9	703,600	648,400
		761,162,132	760,204,331
Revenue from Exchange Transaction			
Tuition and Related Charges	10	335,948,777	273,881,991
I.G.A and Other Incomes	11	35,591,673	21,798,951
		371,540,450	295,680,942
Total Income		1,132,702,582	1,055,885,273
EXPENDITURE			
Administration Expenses	12	157,464,937	138,036,322
Employment Expenses	13	773,963,333	749,710,497
Academic Expenses	14	95,125,715	93,597,624
Repairs and maintenance	15	6,702,160	8,008,135
Board Expenses	16	14,164,765	11,960,684
Finance Expenses	17	409,677	433,021
Depreciation and amortization expense	18	72,005,467	75,385,598
Total Expenditure		1,119,836,054	1,077,131,881
Surplus /(Deficit)		12,866,528	(21,246,608)

The statement of financial performance is to be read in conjunction with notes to and forming part of financial statements set out on pages 10 to 30.



Patrick Nguning'a (CPA (K) - M/No. 17411)
Ag. Finance Officer

Prof. Linus Gitonga, PhD
Ag. Vice Chancellor


Prof. Francis J. Gichaga, PhD
Chairman of Council

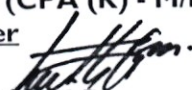
II. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

	Notes	2022/2023	2021/2022
		Kshs.	Kshs.
Current Assets			
Cash & Bank Balances	19	196,108,514	174,264,284
Prepayments	20	5,820,701	3,704,501
Receivable from exchange transaction	21	111,430,103	102,707,167
Receivable from non-exchange transaction	22	10,101,454	-
Inventories	23	14,458,260	13,342,342
Total Current Assets		337,919,032	294,018,294
Non-Current Asset			
Biological Assets	24	4,605,436	4,686,164
Property, Plant & Equipment	25	1,771,422,626	1,818,834,599
Intangible Assets- Computer software	26	2,764,988	3,327,697
Capital Work in Progress	27	394,467,936	374,255,886
Total Non-Current Assets		2,173,260,986	2,201,104,346
Total Assets		2,511,180,018	2,495,122,640
Current Liabilities			
Trade & Other Payables - Restated	28	94,957,199	98,093,831
Current Deferred Income	8b	9,861,389	9,475,728
Provisions	29	27,065,486	33,243,351
Total Current Liabilities		131,884,074	140,812,910
Non-Current Liabilities			
Deferred Income - Grant	8b	106,734,248	116,239,625
Total Non -Current Liabilities		106,734,248	116,239,625
Capital Funds			
Accumulated Capital Fund	30	1,664,726,365	1,637,124,911
Revenue Reserve	31	109,149,591	95,216,153
Revaluation Reserve	32	498,685,740	505,729,041
Total Capital Fund		2,272,561,696	2,238,070,105
Total Funds & Liabilities		2,511,180,018	2,495,122,640

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 10 to 30.

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


Patrick Nguring'a (CPA (K) - M/No. 17411)
Ag. Finance Officer


Prof. Linus Gitonga, PhD
Ag. Vice Chancellor

Prof. Francis J. Gichaga, PhD
Chairman of Council

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	Accumulated Capital Fund	Revenue Reserve	Revaluation Reserve	Total
		Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30.06.21		1,587,124,911	100,463,275	517,430,297	2,205,018,483
Surplus/Deficit for the period		-	(21,246,608)	-	(21,246,608)
Transfer of amortized revalued PPE		-	11,701,256	(11,701,256)	-
Gain/ Loss in Biological Assets (Cows)		-	(2,520)	-	(2,520)
Part-time Claims Reconciliation		-	(3,702,871)	-	(3,702,871)
Provisions for Staff Bond		-	7,965,375	-	7,965,375
Decrease in Provisions for bad & doubtful debts		-	38,246	-	38,246
Capital Grants		50,000,000	-	-	50,000,000
Balance as at 30.06.22		1,637,124,911	95,216,153	505,729,041	2,238,070,105
Surplus/Deficit for the period		-	12,866,528	-	17,582,528
Transfer of amortized revalued PPE		-	7,043,301	(7,043,301)	-
Gain/Loss in Biological Assets (Cows)		-	(42,140)	-	(42,140)
Prio year Caution money			(6,247,140)		
Realized Tea farm bonuses		-	312,889	-	312,889
Capital Grants		27,601,454	-	-	27,601,454
Balance as at 30.06.23		1,664,726,365	109,149,591	498,685,740	2,283,524,836

IV. STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	2022/2023	2021/2022
Cash flow from Operating activities		Kshs.	Kshs.
Surplus		12,866,528	(21,246,608)
Adjustment For			
Depreciation & Amortization	18	72,005,467	75,385,598
Adjustment in Provision for Bad debts		-	38,246
Valuation of biological assets	12	38,588	141,980
Amortization of Granted Assets	8	(9,861,389)	(9,475,728)
Prior year Adj on Prepayments			(3,702,871)
Provisions for Staff Bond			7,965,375
Prio year caution money		(6,247,140)	
Realized Tea farm bonuses		312,889	-
Operating Activities		69,114,943	49,105,992
Change in: -			
Inventories	23	(1,115,918)	(1,534,435)
Receivable from exchange transaction	21	(8,722,936)	(3,261,426)
Receivable from non-exchange transaction	22	(10,101,454)	-
Prepayments	20	(2,116,200)	8,325,572
Trade & Other Payables	28	(3,136,632)	15,363,423
Provisions	29	(6,177,865)	8,160,805
Cash from Operating Activities		(31,371,005)	27,053,939
Net Cash from Operating Activities		37,743,938	76,159,931
Investing Activities			
Property, Plant & Equipment	25	(22,401,285)	(33,782,362)
Capital Work-in-Progress	27	(20,212,050)	(88,201,761)
Intangible Assets- Computer software	26	(1,629,500)	(1,988,045)
Granted asset	25	741,673	10,134,039
Net cash from investing activities		(43,501,162)	(113,838,129)
Financing Activities			
Capital Reserve		27,601,454	50,000,000
Net cash flow from financing activities		27,601,454	50,000,000

Net increase/(Decrease) In Cash & Cash Equivalents		21,844,230	12,321,802
Cash & Cash Equivalent at Start of Year	19	174,264,284	161,942,482
Cash & Cash Equivalent at End of the Year	19	196,108,514	174,264,284
Analysis of Cash & Cash Equivalents			
Cash & Bank Balances		196,108,514	174,264,284

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 10 to 30.

I V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
						Kshs.	%	
	INCOME							
1	Exchequer grants	750,597,143	-	750,597,143	750,597,143	-	100	
2	Tuition Fees and related charges	284,491,500	46,500,000	330,991,500	335,948,777	9,673,277	101	b
3	Catering Services	10,000,000	2,000,000	12,000,000	12,736,732	736,732	106	c
4	Research and Consultancies Income	50,000,000	(38,000,000)	12,000,000	2,352,819	(9,647,181)	20	d
5	Farm Income	2,000,000	-	2,000,000	2,601,477	601,477	130	e
6	Other income	3,508,500	9,312,000	12,820,500	18,604,245	5,783,745	145	f
7	GOK Capital Grants	70,000,000	(42,398,546)	27,601,454	27,601,454	-	100	
		1,170,597,143	(22,586,546)	1,148,010,597	1,150,442,647	7,148,050		
	EXPENDITURE							
	Personnel Emoluments					1,127,557,193		
1	Personnel Emoluments	787,323,385	(19,250,000)	768,073,385	756,041,876	12,031,509	98	
2	Casual Wages	12,238,364	-	12,238,364	11,777,411	460,953	96	
3	Gratuity	6,500,000	-	6,500,000	6,144,046	355,954	95	
	TOTAL P.E	806,061,749	(19,250,000)	787,311,749	773,963,333	12,848,416		
	Board Expenses							
4	Council expenses	14,500,000	-	14,500,000	14,164,765	335,235	98	
		14,500,000	-	14,000,000	14,164,765	335,235		
	Operating/ Administrative Expenses							

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)	Explanation of material variances
5	Stationery	3,605,250	(500,000)	3,105,250	3,347,152	(241,902)	108
6	Vehicle Repairs & maintenance	3,500,000	(1,000,000)	2,500,000	2,430,134	69,866	97
7	Generator fuel & Maintenance	2,000,000	500,000	2,500,000	2,683,328	(183,328)	107
8	Fuel – Vehicles	4,000,000	1,500,000	5,500,000	5,563,896	(63,896)	101
9	Office expenses and entertainment	696,000	-	696,000	717,255	(21,255)	103
10	Postal expenses	100,000	-	100,000	71,907	28,093	72
11	Publishing & printing	800,000	1,700,000	2,500,000	2,303,918	196,082	92
12	Computer expenses & Maintenance	1,400,000	600,000	2,000,000	2,006,331	(6,331)	100
13	ISO training & Implementation	500,000	-	500,000	46,800	453,200	9
14	Shows & Exhibition expenses	1,000,000	(400,000)	600,000	459,939	140,061	77
15	Performance Contracting	1,500,000	(750,000)	750,000	404,041	345,959	54
16	Legal expenses	750,000	(500,000)	250,000	4,477	245,523	2
17	Strategic Plan Implementation & Monitoring & Review	500,000	(300,000)	200,000	-	200,000	0
18	Subscription to Professional Bodies	900,000	450,000	1,350,000	1,304,822	45,178	97
19	Professional Services	550,000	(500,000)	50,000	-	50,000	0
20	Newspaper & journals	936,000	(500,000)	436,000	390,297	45,703	90
21	Cleaning/sanitary materials	1,600,000	50,000	1,650,000	883,593	766,407	54
22	Telephone expenses	1,704,000	-	1,704,000	1,606,501	97,499	94
23	Insurance Expenses	8,688,002	11,750,000	20,438,002	19,102,046	1,335,956	93

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
						Kshs.	%	
	EXPENDITURE							
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%	
24	Open Day & cultural celebration	530,000	-	530,000	247,521	282,479	47	
25	Public celebrations & funerals	1,600,000	400,000	2,000,000	1,670,656	329,344	84	
26	Staff Training expenses	750,000	-	750,000	726,844	23,156	97	
27	Security services	9,180,600	-	9,180,600	8,228,312	952,288	90	
28	Water & Sewerage Expenses	2,500,000	1,100,000	3,600,000	3,512,347	87,653	98	
29	Electricity Expenses	11,000,000	2,500,000	13,500,000	13,498,798	1,202	100	
30	Rent & Rates	8,807,602	2,100,000	10,907,602	11,050,984	(143,382)	101	
31	Uniforms	412,500	800,000	1,212,500	1,285,617	(73,117)	106	
32	Medical expenses	18,000,000	8,500,000	26,500,000	26,979,724	(479,724)	102	
33	Advertising & publicity	3,000,000	(1,500,000)	1,500,000	487,118	1,012,882	32	
34	Internet services	17,000,000	-	17,000,000	16,840,903	159,097	99	
35	Farm expenses	1,200,000	100,000	1,300,000	1,355,063	(55,063)	104	
36	Catering expenses	10,000,000	8,500,000	18,500,000	13,851,804	4,648,196	75	
37	Audit fees	700,000	700,000	1,400,000	1,392,000	8,000	99	
38	Travelling & Accommodation	3,126,250	1,500,000	4,626,250	4,629,212	(2,962)	100	
39	External travelling	1,500,000	600,000	2,100,000	2,062,833	37,167	98	
40	Resource Mobilization	500,000	(400,000)	100,000	5,500	94,500	6	
41	Pension Scheme Administration	2,770,400	-	2,770,400	2,571,475	198,925	93	

S/No	DESCRIPTION		Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
	EXPENDITURE		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%	
42	COVID -19 Preventive Measures		1,000,000	(650,000)	350,000	129,270	220,730	37	
			128,306,604	36,350,000	164,656,604	153,852,418	10,804,186		
	Academic expenses								
42	Students' activities		2,000,000	-	2,000,000	1,976,743	23,257	99	
43	Curriculum development/review		800,000	-	800,000	665,162	134,838	83	
44	External examiners		3,000,000	-	3,000,000	2,340,129	659,871	78	
45	Graduation Expenses		4,000,000	-	4,000,000	4,574,110	(574,110)	114	
46	Industrial Attachment/ Teaching Practice		9,000,000	500,000	9,500,000	9,483,092	16,908	100	
47	Games & Sports	a	1,000,000	300,000	1,300,000	1,319,968	(19,968)	102	
48	Library Subscription		1,200,000	(500,000)	700,000	531,000	169,000	76	
49	Senate & Deans committees		200,000	200,000	400,000	258,095	141,905	65	
50	University Committees		395,790	700,000	1,095,790	1,021,694	74,096	93	
51	Teaching materials		2,500,000	-	2,500,000	2,845,452	(345,452)	114	
52	Field trip		3,000,000	1,930,000	4,930,000	2,187,382	2,742,618	44	
53	Research expenses	b	46,500,000	(36,650,000)	9,850,000	9,617,941	232,059	98	

4

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
						Kshs.	%	
	EXPENDITURE							
54	Botanical garden	50,000	-	50,000	-	50,000	0	
55	Part-time teaching expenses	20,000,000	18,500,000	38,500,000	39,204,320	(704,320)	102	
56	Examination materials	3,000,000	600,000	3,600,000	3,341,091	258,909	93	
57	Seminars & Conferences	500,000	300,000	800,000	842,523	(42,523)	105	
58	Annual International Conference	500,000	300,000	800,000	893,023	(93,023)	112	
59	Placement Board charges	3,750,000	(600,000)	3,150,000	3,141,000	9,000	100	
60	Accreditation for Programmes	960,000	640,000	1,600,000	900,000	700,000	56	
61	CUE Student Accreditation fee	2,500,000	(300,000)	2,200,000	2,163,625	36,375	98	
62	NCK indexing	855,000	-	855,000	852,500	2,500	100	
63	Nursing Skills lab	6,500,000	(3,500,000)	3,000,000	2,193,104	806,896	73	
64	Tea Institute expense	500,000	-	500,000	40,000	460,000	8	
65	University linkages- Entrepreneurial concept	200,000	200,000	400,000	332,868	67,132	83	
66	Counselling services	200,000	-	200,000	194,907	5,093	97	
67	Community Engagement	200,000	-	200,000	165,903	34,097	83	
68	Green Concept Expenses	750,000	-	750,000	550,418	199,582	73	
68	ODEL expenses	2,236,000	-	2,236,000	2,144,188	91,812	96	
69	Liberation movement expenses	200,000	-	200,000	43,796	156,204	22	
		116,496,790	(17,380,000)	99,116,790	93,824,034	5,292,756	95	

Repairs and Maintenance								
S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
EXPENDITURE		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%	
71	General Refurbishment	1,600,000	-	1,600,000	2,010,350	(410,350)	126	
72	Maintenance of building	3,300,000	-	3,300,000	3,384,679	(84,679)	103	
		7,800,000	(170,000)	7,630,000	6,702,160	927,840	88	
	Total	1,073,165,143	(450,000)	1,072,715,143	1,042,506,710	30,208,433		
Purchases								
78	Installation of Solar Panels	1,000,000	-	1,000,000	1,015,400	(15,400)	102	
79	Purchase of computer	3,595,000	500,000	4,095,000	4,110,561	(15,561)	100	
80	Purchase of library books	3,000,000	(500,000)	2,500,000	2,007,523	492,477	80	
81	Purchase of Motor Vehicle	4,000,000	1,712,000	5,712,000	5,544,800	167,200	97	
82	Purchase of plant & equipment	4,965,000	(700,000)	4,265,000	2,373,381	1,891,619	56	

S/No	DESCRIPTION		Original Budget	Adjustments	Final Budget	Actual	Annual Performance Difference (Performance utilization %)		Explanation of material variances
							Kshs.	Kshs.	
	EXPENDITURE		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%	
83	Purchase of Furniture	c	2,954,000	(750,000)	2,204,000	2,224,825	(20,825)	101	
84	Purchase of Medical equipment	c	400,000	-	400,000	-	400,000	0	
85	Purchase of Sports Equipment	a	800,000	(200,000)	600,000	286,281	313,719	48	
86	Purchase of lab equipment	c	3,500,000	1,700,000	5,200,000	5,398,522	(198,522)	104	
87	ICT infrastructure -soft ware		3,218,000	(1,500,000)	1,718,000	1,629,500	88,500	95	
			27,432,000	262,000	27,694,000	24,590,793	3,103,207	89	
	Development								
88	Pending Capital bills		-	20,000,000	20,000,000	20,000,000	-	100	
89	Work in progress		70,000,000	(42,398,546)	27,601,454	27,601,454	-	100	
			70,000,000	(22,398,546)	47,601,454	47,601,454	-	100	
	Total		1,170,597,143	(22,586,546)	1,148,010,597	1,114,698,957	33,311,640	97	
	Surplus		-	-	-	35,743,690			g

The statement of comparison of actual vs actuals is to be read in conjunction with notes to and forming part of financial statements set out on pages 9.

5
6

Notes to the Statement of comparison of budget and actual amounts

a) Changes between the original and final budget

There is a change between original and final budget which was occasioned by supplementary I budget cut on development funds by Kshs 42.3M. Also, the votes under recurrent budget was realigned to accommodate the changes in price of commodities.

b) Tuition and related charges

The University reported a favorable variance of Kshs 9M on tuition and related charges due to improved students' enrolment and recognition of the second semester fees during the reporting period. However, some of the students are yet to fully settle the fees payable resulting to an increase in receivables from exchange transactions.

c) Catering Services

During the reporting period, incomes from catering services had a favorable variance of Kshs 736,732. This is because of improved service delivery and economies of scale; the cost of food outside the University was expensive which made more students to opt for the University catering services.

d) Research and Consultancies Income

The University expected to receive Kshs.12M from research and consultancies activities during the reporting period. Members of staff wrote several proposals for research and consultancies which are yet to attract funding from various sponsors leading to unfavorable variance of Kshs. 9M.

e) Farm income

The farm income had a favourable variance of Kshs 601,477 as a result of disposal of bulls that had matured for sale.

f) Other incomes

Other incomes had a favorable variance of Kshs 5.7M during the reporting period. This due to insurance compensations on Group Life Assurance policy for departed staff members.

g) Budget Surplus

The overall budget surplus reported in the statement of comparison of budget vs actuals is a result of recognition of fees payable during the period. However, part of the fees payable is yet to be paid in full. Also, the last tranche of development funds of Kshs10M was released in the month of July 2023.

14. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Karatina University is established by and derives its authority and accountability from Universities Act of 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. It operates within the mandate of the Ministry of Education which provides the general policy and strategic direction on Kenya's higher education.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with the PFM Act 2012, the Universities Act 2012 and International Public Sector Accounting Standards (IPSAS). The preparation of financial statements is in conformity with IPSAS which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements have been disclosed in the respective notes to the financial statements. The financial statements have been prepared on a historical cost basis except for property, plant and equipment measured at re-valued amounts, financial instruments at fair value and impaired assets at their estimated recoverable amounts.

The financial statements are prepared on accrual basis and presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest whole number. The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the indirect method.

3. ADOPTION OF NEW AND REVISED STANDARDS

a) New and amendments standards and interpretations in issue effective in the year ended 30 June 2023

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The standard establishes principles for financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will guide the University to apply a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and indicate the objective for which the asset is held.

NB/ This standard was applied to the University's operations in 2023

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of information that a reporting entity provides in its financial statements about social benefits. Social benefits are cash transfers paid to specific individual to mitigate the effect of social risk.

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

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

NB/ This standard was not applicable to the University's operations.

Standard	Effective date and impact:
Other improvements to IPSAS	Applicable: 1st January 2023 a) Amendments to IPSAS 22, be made in reference to the latest System of National accounts (SNA 2008). b) Amendments to IPSAS 39, deletes the term composite social security benefits as it is no longer defined in IPSAS c) Amendments to IPSAS 29, the standard is no longer included in 2023 IPSAS handbook and has been superseded by IPSAS 41 which is applicable from 1 st January 2023

NB/ The improvements to IPSAS 22 and 39 were not applicable to the University Operations. However, improvement on IPSAS 29 to IPSAS 41 were applicable to the University operations in 2023.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact:
IPSAS 43	Applicable: 1st January 2025
Leases	The new standard requires entities to recognize, measure and present information on right of use of assets and lease liabilities. The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The information will give the basis for which users of financial statements assess the effect the leases have on the financial position, financial performance and cash flows of an Entity.

NB/ This standard will be applicable to the University's operations in 2025

Standard	Effective date and impact:
IPSAS 44	Applicable: 1st January 2025
Non- Current Assets Held for Sale and Discontinued Operations	The new standard requires entities with Assets that meet the criteria of being Assets Held for sale; to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Discontinued Operations presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

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

c) Early adoption of standards

The University did not early – adopt any new or amended standards in the year 2022/2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition i) Revenue from non-exchange transactions Government grants

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

Donations

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

Deferred income

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

ii) Revenue from exchange transactions – IPSAS 9 Rendering of services

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

b) Budget information – IPSAS 24

The original budget for FY 2022/2023 was approved by the University Council on 1st August 2022. Subsequent revisions or additional appropriations will be made to the approved budget in accordance with approvals from Council. The additional appropriations are added to the original budget by the University upon receiving approval of National Treasury in order to conclude the final budget. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. The institution will provide an explanation of differences between actual and budgeted amounts under or above 10%.

c) Property, Plant and Equipment - IPSAS 17

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Leases

Leases are categorized into finance leases and operating leases. The University has operating leases in respect to rented premises. Under operating leases the lessor effectively retains the risks and rewards of ownership. Obligations incurred under operating leases are charged as an operating expense in surplus or deficit on a straight line basis over the lease period.

e) 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%.

f) 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.

g) Inventories –IPSAS 12

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

h) Biological assets

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27). A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises. Biological assets for the University comprise of tea bushes and cows refer to note 24 for details.

i) Receivables

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

j) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Retirement benefits obligations (IPSAS 25)

Karatina University is operating under Moi University Pension Scheme because it was nurtured by Moi University before being chartered to fully fledged University. A majority of its members of staff during inception had transferred their services to Karatina University and they opted to remain in 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 1,080.00 per employee per month, while the employer contributes Kshs 1,080.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Related Party Disclosures – IPSAS 20

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

Related party transactions during the year as tabulated below:

Related party transactions		Kshs
Members of Council	Note 16 - Board expenses	14,164,765
Members of Management	Note 13 - Incorporated in the employment expenses	53,602,465
National Government	Note 7 - Recurrent grants	750,597,143
	Note 30 – Capital grants	27,601,454
TOTAL		845,965,827

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) Provisions – IPSAS 19

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material. Where the University expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement Refer to note 29.

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment losses

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

Property and equipment

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the University

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions bad and doubtful debt

The University provided for bad and doubtful debts at a rate of 5% of the debtors from exchange transactions. Where there is no certainty of a receivable, the amounts will be expensed after clear analysis of the account receivable and recorded as expenses. Additional disclosure of these estimates of provisions is included in Note 21. 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.

Contingent liabilities

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

Contingent liabilities	2022/2023	2021/2022
Description	Kshs	Kshs
Part-time teaching claims	37,345,660	58,888,900
Court case against the University	111,605	1,671,586
Moi University - GoK Loan	216,389,088	216,389,088
Total	253,846,353	276,949,574

The University has disclosed Kshs 4.5M being amounts owed to part-time lecturers who have claimed for payment. However, there's an additional Kshs 32.8M owing to unclaimed PSSP part-time payments. Also, the University will take up a loan of Kshs 216M that was used to acquire granted assets from Moi University once the subsidiary loan agreement is duly signed. Lastly, the details for the courts have been indicated on page 33.

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. 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.

Receivables	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30th June 2023				
KTDA Bonus Payment	963,683	963,683		-
Student Balances	103,264,603	80,821,060	22,443,543	-
Moi University	2,254,226	2,254,226		-
Total	106,482,512	84,038,969	22,443,543	-
At 30th June 2022				
KTDA Bonus Payment	569,925	569,925	-	-
Student Balances	92,514,964	63,535,597	28,979,367	-
Moi University	2,254,226	2,254,226	-	-
Total	95,339,115	66,359,748	28,979,367	-

(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.

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30th June 2023	Kshs	Kshs	Kshs	Kshs
Trade Creditors	1,828,845	759,246	1,447,092	4,035,183
Part time lecturers		0	4,549,160	4,549,160
Contractors balance			-	-
Contractors' Retention			22,331,014	22,331,014
Total	1,828,845	759,246	28,327,266	30,915,357
At 30th June 2022	Kshs	Kshs	Kshs	Kshs
Trade Creditors	4,813,376	1,372	1,658,963	6,473,711
Part time lecturers	-	-	7,726,800	7,726,800
Contractors balance	-	19,456,331	-	19,456,331
Contractors' Retention	-	-	22,331,014	22,331,014
Total	4,813,376	19,457,703	31,716,777	55,987,856

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

Foreign exchange risk

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

Interest rate risk

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

Sensitivity analysis

The University conducts its interest rate exposure by conducting a sensitivity analysis. Using the end year figure on fixed deposit in respect to bank guarantee for fuel of Kshs. 2,240,000, in case the current floating interest rates increase/ decrease by 5%, interest income reported in the statement of comprehensive income will increase or decrease by Kshs 112,000. The net effect will either increase the surplus to Kshs. 17,694,528 or decrease to Kshs. 17,470,528.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2022/2023	2021/2022
Note 7: Government Grants		Kshs.	Kshs.
July		62,549,762	62,294,016
August		62,549,762	62,294,016
September		62,549,761	62,294,015
October		62,549,762	62,294,016
November		62,549,762	62,294,016
December		62,549,762	62,294,015
January		62,549,762	62,294,016
February		62,549,762	62,294,016
March		62,549,762	62,294,015
April		62,549,762	62,294,016
May		62,549,762	63,570,023
June		62,549,762	63,570,023
		750,597,143	750,080,203
Note 8(a): Deferred Income- Granted Assets		Kshs	Kshs
Deferred Income B/Forward		125,715,353	125,057,042
Additional Granted Assets		741,673	10,134,039
Amortization of Granted Assets		(9,861,389)	(9,475,728)
Deferred Income C/Forward		116,595,637	125,715,353
Note 8(b): Deferred Liability-Granted Assets		Kshs	Kshs
Current Deferred income		9,861,389	9,475,728
Long -term deferred income		106,734,248	116,239,625
		116,595,637	125,715,353
<p>The deferred income of Kshs 116,595,637 has been divided into two; Current deferred income of Kshs 9,861,389 which relates to the current year's amortization on granted assets and long term deferred income of Kshs 106,734,248 is in respect to capitalization of granted assets</p>			
Note 9: Donations		Kshs	Kshs
University Events		-	10,000
Needy & Vulnerable Student Fund		703,600	638,400
		703,600	648,400

Note 10: Tuition and Related Charges		Kshs	Kshs
Tuition fee		166,246,252	256,363,797
Accommodation		16,302,000	17,446,194
Graduation fee		7,241,500	
KUCCP Placement Fee		10,925,500	
Registration Fees		46,650,625	
Internet and Activity		40,598,900	
Attachment, field trips		47,880,500	
Student Application Fees		103,500	72,000
		335,948,777	273,881,991
Note 11: I.G.A and Other Incomes		Kshs	Kshs
Kitchen Food Sales		12,736,732	8,230,320
Tea Farm		1,568,172	1,157,946

Farm & Milk Sales		1,033,305	989,401
Laundry		34,390	27,510
Conference Facilities		3,861,676	730,072
Hire of Facilities		882,332	496,600
Fines		410,859	750,497
Interest from deposits		33,320	33,320
Insurance & Deposit refund		10,618,068	23,359
Research funds		978,977	8,751,536
Consultancy & Survey works		1,373,842	587,750
Gain/Disposal of assets		2,060,000	20,640
		35,591,673	21,798,951

EXPENDITURE		2022/2023	2021/2022
Note 12: Administration expenses		Kshs	Kshs
Stationery		3,347,152	3,407,916
Motor vehicle repairs		2,430,134	4,609,637
Generator fuel		2,683,328	2,357,088
Motor vehicle Fuel		5,563,896	4,047,185
Office expenses		717,255	648,759
Postage		71,907	94,237

Printing and Publishing		2,303,918	1,080,240
Computer & accessories exp and maintenance		2,006,331	1,383,109
ISO		46,800	450,786
Shows and Exhibitions		459,939	874,670
Performance contracting		404,041	946,319
Legal expenses		4,477	538,999
Strategic Plan		-	156,697
Annual subscription and membership fee		1,304,822	857,410
Professional Services		-	1,185,504
Newspapers and Journals		390,297	121,710
Cleaning materials		883,593	1,409,032
Telephone		1,606,501	1,578,000
Insurance		19,102,046	7,981,915
Open & Cultural Celebrations		247,521	45,000
Public celebrations and funerals		1,670,656	589,804
Training expenses		726,844	1,498,988
Security		8,228,312	8,077,416
Water & Sewer		3,512,347	5,601,016
Electricity		13,498,798	11,362,971
Rent & Rates		11,050,984	11,825,599
Staff Uniforms		1,285,617	368,490
Medical Expenses		26,979,724	26,239,835
Advertising		487,118	2,901,225
Internet Charges		16,840,903	16,432,314
Farm Expenses		1,355,063	1,207,919
Catering Expenses		13,851,804	11,635,477
Audit Fees Expense		1,392,000	696,000

Loss of Tea bushes		3,588	78,000
Loss on Disposal of assets-(cows)		35,000	63,980
Disposal of assets (Bid deposit)		261,000	-
Traveling & Accommodation		4,629,212	3,326,060
External Travel & Accommodation		2,062,833	2,104,366

Provisions for bad and doubtful debts		3,312,931	-
Resource Mobilization		5,500	-
Pension administration		2,571,475	114,992
COVID -19 Preventive measure		129,270	137,657
		157,464,937	138,036,322
Note 13: Employment expenses		Kshs	Kshs
Payroll expenses		691,154,365	670,331,065
Pension Employer costs		64,124,701	59,135,479
Gratuity		6,144,046	6,722,094
Staff leave days provisions		762,810	2,134,710
Contract Staff expenses		11,777,411	11,387,149
		773,963,333	749,710,497
Employment expense relates to short-term employee benefits recognized during the period in which the employee renders the related service.			
Note 14: Academic Expenses		Kshs	Kshs
Students activities		1,976,743	3,596,092
Curriculum development/review		665,162	602,910
External Examiners		2,340,129	5,466,246
Graduation		4,574,110	3,123,792
Industrial Attachments/ Teaching Practice		9,483,092	16,165,907
Games & Sports		1,606,249	1,347,411
Subscription to E-library		531,000	1,056,737
Senate & Deans expenses		258,095	2,704,934
University Committees		1,021,694	1,977,538
Teaching materials		2,845,452	993,967
Field trips		2,187,382	2,708,332
Research Program		9,661,737	11,067,141
Part-time teaching expenses		39,204,320	28,441,220
Examination material		3,341,091	2,810,478
Seminars & Conferences		842,523	442,517
Annual International Conference		893,023	1,858,355
Placement Board charges		3,141,000	2,853,000
Accreditation for Programmes		900,000	960,000

CUE accreditation fees		2,163,625	1,926,000
NCK indexing		852,500	399,000
Nursing Skills Lab expenses		2,193,104	1,202,904
Tea Institute Expenses		40,000	59,432
Entrepreneurial Concept		332,868	247,570
Counselling services		194,907	193,142
Community Outreach		165,903	91,576
Liberations movement		-	

Green Concept Expenses		1,565,818	
ODEL expenses		2,144,188	1,301,423
		95,125,715	93,597,624

Note 15: Repairs & maintenance costs		Kshs	Kshs
General Refurbishment		3,384,679	5,557,076
Maintenance of buildings		2,010,350	906,275
Maintenance of Catering / Hostel equipment		100,250	253,030
Maintenance of plant & Equipment		936,565	947,826
Maintenance of playground		37,256	-
Water Supply Expenses		233,060	343,928
		6,702,160	8,008,135

Note 16: Board Expenses		Kshs	Kshs
Sitting Allowance		5,924,000	4,824,000
Travelling & Subsistence		3,231,104	3,050,073
Accommodation		4,171,500	3,617,950
Other expenses		838,161	468,661
		14,164,765	11,960,684

Note 17: Finance Expenses		Kshs	Kshs
Bank Charges		409,677	433,021

		409,677	433,021
Other expenses refer to costs incurred in respect to stationery and meals served in lieu of lunch allowance during board meetings.			
Note 18: Depreciation and amortization expense		Kshs	Kshs
Depreciation Buildings		36,444,584	36,369,649
Depreciation Computer & Accessories		4,246,861	3,963,554
Depreciation Library books		8,132,179	7,901,066
Depreciation Motor Vehicle		5,519,875	11,305,888
Depreciation Equipment & Furniture		15,469,759	13,444,225
Amortization of intangible assets-Computer Software		2,192,209	2,401,216
		72,005,467	75,385,598

		2022/2023	2021/2022
Note 19: Cash & Bank Balances		Kshs.	Kshs.
Co-operative Bank Of Kenya- Cash at bank		77,241,290	57,632,731
Kenya Commercial Bank - 1138274968		8,860,309	1,128,470
Kenya Commercial Bank-1106185382		35,576,709	71,261,091
Equity Bank- Cash at Bank		72,190,206	43,121,992
Fixed Deposit (Bank Guarantee- Fuel)		2,240,000	1,120,000
Total Cash & Bank Balances		196,108,514	174,264,284
Cash and cash equivalent comprise of cash at bank, cash at hand and deposits in respect to a bank guarantee for fuel fixed being provided by VIVO Energy Ltd and Rubis Energy. The fixed deposit as a maturity period of one year and it earns interest at 5.25%			
Note 20: Prepayments		Kshs.	Kshs.
Deposits: Rent (Nairobi Liaison Office)		1,670,296	1,670,296
Prepayment: Insurance		3,676,691	1,560,491
Staff prepayments and debtors		473,714	473,714
Total Prepayments		5,820,701	3,704,501
The University has one active lease arrangements for providing teaching facilities i.e. Telkom Building at Karatina town - hosting of School of Business. The Liaison office at View Park Towers in Nairobi was closed in the month January 2020. The lease payments terms require the University to pay a one off three months' deposit at the beginning of the lease and a standard			

amount of rent quarterly in advance.

Contract	Lease Period	Escalation Clause	Renewable Clause	future lease Aggregate mount
Telkom Kenya Ltd	1/10/2018-30/09/2024	5% Per annum	Renewable	8,345,910
NSSF-View Park Towers	1/10/2014-30/09/2020	20% Biannual	Closed	-
Total minimum Future aggregate payment				8,345,910

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

expenses while the

Staff prepayments relate to funds in lieu of notice by members of staff on exit.

	Kshs.	Kshs.
Note 21: Receivables from exchange transactions		
KTDA Bonus Payment For year 2022/23 & Tea Farm sales for the month of June 2023	963,683	569,925
Student Balances	103,264,603	92,514,964
Moi University	2,254,226	2,254,226
Imprest Debtors	2,245,446	1,252,976
Staff Bond	7,865,375	7,965,375
	116,593,333	104,557,466
Provisions for bad and doubtful debts	5,163,230	1,850,299
	111,430,103	102,707,167
Note 21 (b) Receivables from exchange transactions	Kshs.	Kshs.
Student Balances	103,264,603	92,514,964
Provisions for bad and doubtful debts	(5,163,230)	(1,850,299)
Net Student Balances	98,101,373	90,664,665

Note 22: Receivables from non-exchange transactions		
MoE - Capitation June	10,101,454	
	10,101,454	-
Note 23: Inventories	Kshs.	Kshs.
Central stores	3,213,311	3,172,051

Medical		2,269,539	2,617,550
Laboratory reagents		6,563,483	5,949,782
Catering		945,337	655,599
Games & Sports		1,466,590	947,360
		14,458,260	13,342,342
Note 24: Biological Assets		Kshs.	Kshs.
Tea Bushes		3,787,836	3,791,424
Cows		817,600	894,740
		4,605,436	4,686,164
<p>The University has bearer biological assets in respect to cows and tea bushes. The tea bushes plantation is for agricultural produce on 9 acres of land and their value is determined by the number of bushes. In addition, the University has 6 cows for milk production, 4 weaners (3 heifers & 1 bulls) and 4 calves (2 bull calves & 2 heifers).</p>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY							
Note (25a)							
FIXED ASSET SCHEDULE							
	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
BALANCE AS AT 30.06.21	359,000,000	1,505,336,233	89,860,901	78,212,470	102,023,146	147,120,878	2,281,553,628
ADDITIONS	-	5,994,754	3,341,415			14,312,154	23,648,323
GRANTED ASSETS	-			537,260		9,596,779	10,134,039
BALANCE AS AT 30.06.22	359,000,000	1,511,330,987	93,202,316	78,749,730	102,023,146	171,029,811	2,315,335,990
ADDITIONS	-	-	4,110,561	2,007,523	5,544,800	9,996,728	21,659,612
GRANTED ASSETS	-	-	-	741,673	-	-	741,673
BALANCE AS AT 30.06.23	359,000,000	1,511,330,987	97,312,877	81,498,926	107,567,946	181,026,539	2,337,737,275
DEPRECIATION							-
ACCUMULATED DEPRECIATION 30.06.21	-	139,100,028	81,993,207	38,000,278	77,647,477	86,776,018	423,517,009

AMORTIZATION FOR THE YEAR	-	3,788,913	31,272	4,307,191	459,375	888,977	9,475,728
DEPRECIATION FOR THE YEAR	-	28,927,268	3,862,553	3,593,750	6,258,287	9,165,540	51,807,398
AMORTIZATION OF REVALUED AMOUNTS	-	3,653,468	69,729	125	4,588,226	3,389,708	11,701,256
ACCUM DEPRECIATION 30.06.22	0	36,369,649	3,963,554	7,901,066	11,305,888	13,444,225	72,984,382
ACCUMULATED DEPRECIATION 30.06.22	0	175,469,677	85,956,761	45,901,344	88,953,365	100,220,243	496,501,391
AMORTIZATION FOR THE PERIOD	-	3,788,913	31,272	4,382,232	459,375	1,199,597	9,861,389
DEPRECIATION FOR THE PERIOD	-	29,002,203	4,215,589	3,749,822	5,060,500	10,880,454	52,908,568
AMORTIZATION OF REVALUED AMOUNTS	-	3,653,468		125	-	3,389,708	7,043,301
ACCUM DEPRECIATION 30.06.23	0	36,444,584	4,246,861	8,132,179	5,519,875	15,469,759	69,813,258
ACCUMULATED DEPREC IATION 30.06.23	0	211,914,261	90,203,622	54,033,523	94,473,240	115,690,002	566,314,649
Net Book Value 30.06.23	359,000,000	1,299,416,726	7,109,255	27,465,403	13,094,706	65,336,537	1,771,422,626
Net Book Value 30.06.22	359,000,000	1,335,861,310	7,245,555	32,848,386	13,069,781	70,809,568	1,818,834,599

The figure for depreciation charge for the year reflected in note 18 includes amortization of intangible assets of Kshs 2,192,209 which is reflected in note 26.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY

Note (25b)

SUMMARY OF GRANTED ASSETS AS AT 30.06.2023

	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLE	EQUIP & FURNITURE	TOTAL
BALANCE AS AT 30.06.2021	10,796,000	151,556,510	104,240	38,665,846	18,255,205	4,251,052	223,628,853
ADDITIONS	-	-	-	537,260	-	9,596,779	10,134,039
BALANCE AS AT 30.06.2022	10,796,000	151,556,510	104,240	39,203,106	18,255,205	13,847,831	233,762,892
ADDITIONS	-	-	-	741,673	-	-	741,673
BALANCE AS AT 30.06.2023	10,796,000	151,556,510	104,240	39,944,779	18,255,205	13,847,831	234,504,565
						-	-
DEPRECIATION						-	-
ACCUMULATED AMORTIZATION 30.06.2021	-	60,428,353	7,818	17,352,041	16,532,549	4,251,052	98,571,812
AMORTIZATION FOR THE YEAR	-	3,788,913	31,272	4,307,191	459,375	888,977	9,475,728
ACCUMULATED AMORTIZATION 30.06.2022	-	64,217,266	39,090	21,659,232	16,991,924	5,140,029	108,047,540
AMORTIZATION FOR THE PERIOD	-	3,788,913	31,272	4,382,232	459,375	1,199,597	9,861,389
ACCUMULATED AMORTIZATION 30.06.2023	-	68,006,179	70,362	26,041,464	17,451,299	6,339,626	117,908,929
NBV AS AT 30.06.2023	10,796,000	83,550,331	33,878	13,903,315	803,906	7,508,205	116,595,635
NBV AS AT 30.06.2022	10,796,000	87,339,244	65,150	17,543,874	1,263,281	8,707,802	125,715,351

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 26: Intangible Assets- Computer Software		
COST		Kshs.
BALANCE AS AT 30.06.2021		23,525,611
ADDITIONS		1,988,045
BALANCE AS AT 30.06.2022		25,513,656
ADDITIONS		1,629,500
BALANCE AS AT 30.06.2023		27,143,156
ACCUMULATED AMORTIZATION 30.06.21		19,784,743
AMORTIZATION FOR THE PERIOD		2,401,216
ACCUMULATED AMORTIZATION 30.06.22		22,185,959
AMORTIZATION FOR THE PERIOD		2,192,209
ACCUMULATED AMORTIZATION 30.06.23		24,378,168
Net Book Value 30.06.2023		2,764,988
Net Book Value 30.06.2022		3,327,697

		2022/2023	2021/2022
Note 27: Capital Work-In-Progress		Kshs.	Kshs.
Library Phase I		394,467,936	374,255,886
		394,467,936	374,255,886
Capital work in progress relates to amounts incurred and paid for construction of the Library.			
Note 28: Trade & Other Payables		Kshs.	Kshs.
Trade Creditors		4,035,183	6,473,711
Part time Lecturers		4,549,160	7,726,800
Contractors' Balance		-	19,456,331
Contractors' Retention Fees		22,331,014	22,331,014
Accumulated Caution For previous years		6,247,140.00	
Current caution fee		4,716,000.00	

Student prepayments		52,447,702	41,566,975
Unutilized HELB		631,000	539,000
		94,957,199	98,093,831
Note 29: Provision		Kshs.	Kshs.
Provisions for Staff leave days		7,891,471	7,128,661
Provision for Audit Fees		696,000	696,000
Provisions for Gratuity		18,478,015	25,418,690
		27,065,486	33,243,351
Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it no longer probable that an outflow of resources embodying economic benefit will be required to settle the obligation. Employees' entitlement to annual leave is recognized when it accrues			
Note 30: Accumulated Capital Fund		Kshs.	Kshs.
Balance B/F		1,637,124,911	1,587,124,911
Capital Grants for the year		27,601,454	50,000,000
Balance as at 30.6.23		1,664,726,365	1,637,124,911
Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2020/22 and			

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2023

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

Capital Grants for FY 2011/2012	157,120,452
Granted Assets from Moi University*	86,322,861
Capital Grants for FY 2012/2013	239,703,675
Prior year Adjustment- tea bushes	2,053,896
Capital Grants for FY 2013/2014	201,583,999
Capital Grants for FY 2014/2015	218,226,667
Capital Grants for FY 2015/2016	143,337,425
Capital Grants for FY 2016/2017	100,475,662
Capital Grants for FY 2017/2018	28,961,458
Capital Grants for FY 2018/2019	267,437,987
Capital Grants for FY 2019/2020	112,676,474
Capital Grants for FY 2020/2021	29,224,355
Capital Grants for FY 2021/2022	50,000,000
Balance as at 30.6.22	1,637,124,911

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

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

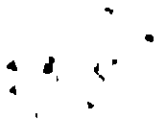
Additional disclosures

The University is in the process of taking up a loan of Kshs 216M that was used to acquire granted assets from Moi University once the loan agreement is duly signed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2022/2023	2021/2022
Note 31: Revenue reserve		Kshs.	Kshs.
Surplus/Deficit B/F		95,216,153	100,463,275
Surplus/Deficit for the period		12,866,528	(21,246,608)
Transfer of amortized revalued PPE		7,043,301	11,701,256
Valuation of Biological Assets		(42,140)	(2,520)
Unrealized Tea farm bonuses		312,889	-
Provisions for Staff Bond		-	7,965,375
Part-time Claims Reconciliation		-	(3,702,871)
Adjustment for Caution money		(6,247,140)	
Decrease in Provisions for bad & doubtful debts		-	38,246
		109,149,591	95,216,153
Note 32: Revaluation reserve		Kshs.	Kshs.
Balance B/F		505,729,041	517,430,297
Transfer of amortized revalued PPE		(7,043,301)	(11,701,256)
Balance as at 30.06.23		498,685,740	505,729,041

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



Appendix I: 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.	Recoverability of students' debts of Kshs 92,514,964	Management has continued to communicate to students on timelines for fee payment as per the approved fee payment policy.	Vice Chancellor	Ongoing	
2.	Long outstanding part-time lecturers' dues of Kshs 7,726,800	The complete claims that were pending have been settled.	"	Resolved	
3.	Contingent liability in respect to parttime teaching claims of Kshs 58,888,900	The details have been provided for review	"	Resolved	
4.	Unrecovered rent deposit of Kshs 1,670,296	The amounts have been recovered from the premise owner (NSSF)	"	Resolved	



Prof. Linus Gitonga, PhD
Vice Chancellor

Prof. Francis J. Gichaga, PhD
Chairman of Council

Appendix II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Project Title	Donor	Period/ Duration	Donor Commitment	Separate Donor reporting required as per donor agreement	Consolidated in these financial statements
Library Phase I	GoK	3 years	Yes	No	Yes

STATUS OF PROJECTS COMPLETION						
Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual for the year	Sources
Library Phase I	491,331,404	394,467,936	80.29%	27,601,454	27,601,454	GOK
	491,331,404	394,467,936		27,601,454	27,601,454	

Appendix III: INTER-ENTITY TRANSFERS

a) Transfers from Ministry of Education

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year 2020/2021	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	750,597,143	-	27,601,454	778,198,597	800,080,203
Total	750,597,143	-	27,601,454	778,198,597	800,080,203

Appendix IV: LITIGATION STATUS

The University has one ongoing court cases with financial exposure as follows: -

Suit No and details	Subject Matter	Implication/ contingency Kshs
I. Karatina PMCC – Employment and Labour Relations Cause no. 8 of 2019 James Magondu Githinji vs Karatina University	The suit is for part-time teaching claims for Kshs. 185,020/- for hours allegedly taught in laboratory sessions and Kshs. 135,135/- for change in hourly rates paid. The total claim is Kshs. 320,155/-. The matter was heard by court on 15 th December 2021. Parties filed closing submissions by 22 nd April 2022. Judgement was delivered on 30th January 2023 where the Claimant was awarded Kshs. 206,400 against a claim for Kshs. 320,155/-. A counter claim for Kshs. 53,760/- was awarded in favour of the University to be deducted from the awarded sum. Interest is due from 30th January 2023 as opposed to a claim for interest from 8th October 2019 when the suit was filed. The Claimants are seeking assessment of costs at Kshs. 111,605.	111,605

Appendix V: INTER-ENTITY CONFIRMATION

KARATINA UNIVERSITY				
Break down of Transfers from the State Department of University Education and Research				
FY 2022/2023				
a.	Recurrent Grants			
	Bank Statement Date	Amount (Kshs)	FY	
	3.8.22	62,549,762	2022/2023	
	20.9.22	62,549,762	2022/2023	
	3.10.22	62,549,761	2022/2023	
	10.11.22	62,549,762	2022/2023	
	9.12.22	62,549,762	2022/2023	
	30.12.22	62,549,762	2022/2023	
	3.2.23	62,549,762	2022/2023	
	17.3.23	62,549,762	2022/2023	
	14.4.23	62,549,762	2022/2023	
	5.5.23	62,549,762	2022/2023	
	9.6.23	62,549,762	2022/2023	
	27.6.23	62,549,762	2022/2023	
			2022/2023	
	Total	750,597,143		
b.	Development Grants			
	Bank Statement Date	Amount (Kshs)	FY	
	3.10.22	17,500,000	2022/2023	
	6.7.23	10,101,454		
	Total	27,601,454		

The above amounts have been communicated to and reconciled with the parent Minist

CPA Grace Kakiya
Ag. Finance Officer
Karatina University

Head of Accounting Unit
Ministry of Education

Sign  -----

Sign-----

Appendix VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities	Kshs				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Green Concept	Green Initiatives	Environmental sustainability	Solar lighting for security; Green cycling; Green competition; Waste segregation;				1,565,818	GoK	Karatina University community (staff & students)
Water Supply	Use of solar in pumping water	Conserve energy	servicing the borehole pump				233,060	GoK	Outsourced service provider- Supplier
Annual international conference	Climate Change and Sustainable development	Mitigate impact of climate change and biodiversity loss	-Research findings dissemination -Sensitization of climate change mitigation measures to the community				2,775,000	GoK and donor	Karatina University & Alinea International Ltd

Appendix VII: DISASTER EXPENDITURE REPORTING

Period to which this report refers (FY)	Year: 2022/2023					
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Subprogramme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
Covid -19 mitigation measures		Pandemic	Mitigation	Covid -19 preventive measures	129,270	N/A