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TUESDAY

OF

TABLED
BY:

Hon. Kimani Ichungwah, MP
Leader of the Majority Party

CLERK-AT
THE-TABLE:

Inzogu Mwale

THE AUDITOR-GENERAL

ON

KARATINA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2022**



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KARATINA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2022

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

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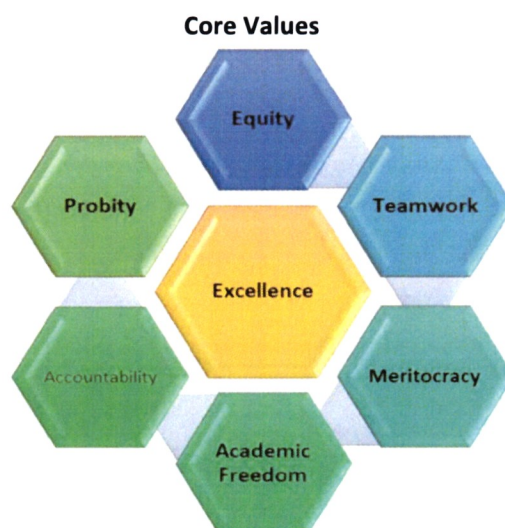
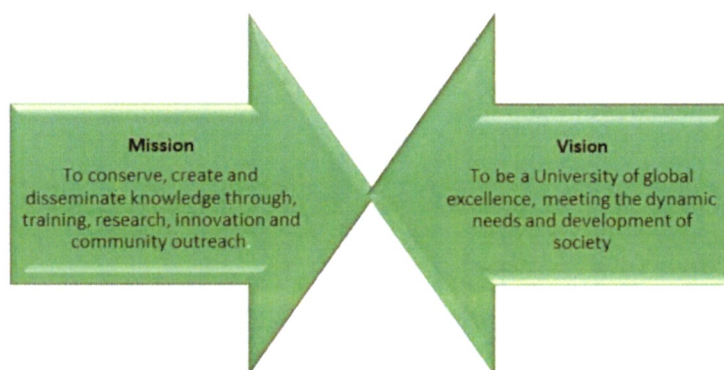
I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

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 2022 and who had direct fiduciary responsibility were:

S No.	Designation	Name	Functions
1	Vice Chancellor	Prof. Mucai Muchiri	Is the overall administrative and academic head and also the accounting officer of the University
2	Deputy Vice Chancellor (P,F&A)	Prof. Linus Muthuri Gitonga	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	Deputy Vice Chancellor (ARSA)	Prof. Peninah A. Obudho	Is the head of the academic division and in charge of all academic, research and student affairs of the University
4	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.

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 (xvii) to (xxv).

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.

2. 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. Mucai Muchiri is the Vice Chancellor of Karatina University, a position he has held since March 2013. He is the founding Principal of Karatina University College from October 2010 to February 2013 before its transition to a chartered University. He has participated in policy formulation, strategic planning, budgetary and financial management. He has a track record of extension and capacity building experiences both at institutional and national levels.

Prof. Muchiri has over 36 years' experience in public service as an astute scholar & researcher; has served in various senior management positions in Public Universities. In his academic life, he has published over 50 scholarly papers, successfully supervised 17 post graduate students and coordinated 16 research projects with local and international collaborators with from institutions such as USAID, CIDA, SIDA, World Bank, Earthwatch - USA.

Prof. Muchiri is an expert in Fisheries Ecology. He holds a degree in Zoology from the University of Nairobi and PhD. in Fisheries Ecology and Management from the University of Leicester. He has attended various leadership and business programs over his career, including training in Management of Higher Education Institutions from GIMI Israel. He is a Member of Sustainable Aquaculture Research Network for Sub-Saharan Africa; World Aquaculture Society and East African Wildlife Society. He was born in 1959.



Independent & Non-Executive Director

Mr. Felix Okatch was born in 1951. He 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).



Independent & Non-Executive Director

Ms. Susan Gitonga 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.



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 was born in 1977. 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.



Representative of Principal Secretary, Ministry of Education & Non-Executive Director

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.

Independent & Non-Executive Director



FCPA Omingo Magara born in 1961, holds a Bachelor of Commerce in Accounting from Panjab University, India; MBA in Strategic Management from the University of Nairobi and is a Certified Public Accountant. He is a fellow of Institute of Certified Public Accountants of Kenya - FCPA.

FCPA Magara is the Chair of Finance, HR and Resource Mobilization Committee of Council. He has previously served as the Chair of Kenyatta International Convention Centre Board (2015-2018); before then, he was a Member of Parliament for South Mugirango Constituency (2001-2009) and an Assistant Minister for Trade (2008-2009). He resigned from being a council member on 8th February 2022 to pursue political office as is expected of Public Officers.



Independent & Non-Executive Director

Ms. Rebecca Tonkei is the Chair of Academic, Research and Enterprise Development Committee of Council. She has previously served as Principal Human Resource Development Officer and Research Officer One at Parliamentary Service Commission. She participated as a member of the Task Force on Re-alignment of Education Sector in line with the Constitution of Kenya, 2010. Further, she was Chief Administrative Officer Discipline (2007-2009) and Human Resource Officer (2006-2007) at Teachers Service Commission.

Ms Tonkei holds a Degree in Education and Masters in Education from the University of Nairobi. She was born in 1969. She resigned from being a council member on 9th February 2022 to pursue political office as is expected of Public Officers.

3. MANAGEMENT TEAM



Prof. Mucai Muchiri

Vice Chancellor

Academic Qualification

Ph.D. (University of Leicester); B.Sc. (Hons)-University of Nairobi

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

Academic Qualification

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



Prof. Linus Gitonga

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

Academic Qualification

Ph.D. (Kenyatta); Msc. (UoN); B. Ed (Sc.) (UoN); Cert. Higher Ed. Mgt (Kassel)



Prof. Peninah Aloo Obudho

**Registrar
(Academic Affairs)**

Academic Qualification

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



Dr. Wangari Gathuthi



Dr. Humphrey Omondi

**Registrar
(Planning & Administration)**

Academic Qualification

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

Finance Officer

Academic Qualification

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



Dr. Grace Kakiya



Ms. Anne Mumbi

Legal Officer (In attendance)

Academic Qualification

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

4. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year that ended on 30th June 2022. This was the ninth year in operation as a fully-fledged University; and the second year that the current council is steering activities of the University. Council will continue serving the University with utmost dedication despite two members having resigned to pursue political ambitions during the reporting period.

Some of the most outstanding achievements during the year include:

- a) Launching the Strategic Plan for the period 2021-2025. We are committed to implementing the clearly articulated goals in this Plan and undertake to work with all stakeholders.
- b) Established the Pension Trustee Board and has made considerable progress in the establishment of the Karatina University Pension Scheme.
- c) Undertook staff reviews with the aim of staff development and retention. This has motivated the workforce resulting to improved performance.
- d) 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.
- e) Completion of gas installation in the Resource Centre laboratories and procured additional equipment for the medical physiology lab. It is expected that more programmes in health sciences will be initiated to make full use of these facilities.
- f) 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.
- g) Substantial 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.

While we are proud of the above achievements, the University has also faced several challenges. These include:

- i. Inadequate budgetary allocation especially for capital development. This has limited the projects the University can implement at any one time. In addition, we have had to seek extension of the completion date for the University library severally. Therefore, run the risk of attracting interest and penalties for delayed payments.
- ii. Inability to review and promote qualified members of staff as we would have desired due to inadequacy of resources. This has led to disaffection within certain quarters thereby affecting harmony at work.

As a Council, we look forward to addressing the above challenges mainly by exploring and implementing resource mobilization strategies. The Resource Mobilization Directorate has been

re-organized to ensure it achieves its mandate of coordinating viable income generating activities. We will continue to encourage academic staff to write fundable proposals and to respond to the many requests for consultancies advertised from time to time.

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

5. VICE CHANCELLOR'S REPORT

I hereby present the Annual Report and Financial Statements of Karatina University for the year that ended on 30th June 2022 as required by the Universities Act 2012, Karatina University Charter and the Public Financial Management Act 2012.

Economy and Sector Review

Kenya's economy grew by 6% in 2021/22 from a contraction of 0.3% in 2020/2021. The rebound was as a result of targeted stimulus interventions by the Government as well as reopening of the economy. The growth was supported by continued recovery in manufacturing, transport and storage, education, accommodation and food services, financial and insurance activities and wholesale and retail trade. However, agricultural production was constrained due to unfavorable weather conditions in most parts of the country during the reporting period. Year-on-year overall inflation rate remained low, stable and within the policy target range of +/- 2.5% of 5 percent.

During the review period, the Education sector experienced an increase in the number of Public Universities to 32 following award of a charter to National Defence University - Kenya. Total enrolment in secondary schools rose by 4.9% to 3.7M in 2021. Enrolment in Technical and Vocational Education and Training (TVET) institutions grew by 10.4% to 498,326 in 2021. Whereas, University enrolment grew by 3% from 547,133 in 2020/21 to 566,042 in 2021/22 academic year. This resulted in an increase in first year's enrolment in Karatina University to 2,123 students and a total student population of 6,093 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 6,093 and 397 members of staff at the end of the financial year. A total of 1,201 students were conferred with various degrees and awarded diplomas during the 9th graduation ceremony in December, 2021. The reduction in the number of graduands was partly attributed to having graduated 1,388 students in March 2021.

Operations and Management Review

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

- i. Developed four (4) products that have potential for commercialization. These are: Purple Tea Sports Drink, Purple Tea Probiotic Yoghurt, Purple Tea Spiced Lemonade Drink and Purple Tea muffins;

- ii. Procured additional equipment for the Tea Institute (Tea Drum Drying Machine and Automatic Filling and Vacuum Packing Machine).
- iii. Signed a Memorandum of Understanding (MoU) in October, 2021 with Forest Global Earth Observatory of the Smithsonian Tropical Research Institute, a global network of scientists and forest research sites dedicated to advancing long-term study of the world's forest. The Institute is located in Washington DC, USA.
- iv. Established an African Diaspora Scholars Research Mentorship Programme in collaboration with scholars such as Dr. Stephen Opiyo – Ohio State University (Lead Mentor); Dr. Robert Baffour– Georgia University (Mentor); and Daniel Doh – Western Sydney University (Mentor)
- v. Held various workshops with postgraduate students and lecturers with the aim of increasing completion rate. The University also developed ethical review guidelines to be applied in animal and human based research.
- vi. Held its first 'Start-up expo' on 17th - 19th December, 2021. This was the third expo under the DEpUK project.
- vii. Significantly improved the ERP system to better handle examination results especially in dealing with supplementary and special exams.
- 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.
- x. Organized a National Cohesion and Integration week in March 2022. This was meant to provide an opportunity for communities to showcase their diverse, rich, cultural heritage,' and to audit the status of cohesion and integration in the country as the elections approach.

The challenges experienced by the University include;

- i. Declining enrollments both for GSSP and PSSP students thereby reducing A-in-A. This has been more persistent in the School of Agriculture and the School of Natural Resources.
- ii. Some of the resource mobilization initiatives have not generated as much revenue as was anticipated. This resulted to shortfalls in funding especially for research activities.

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.

Future Developments

Karatina University launched its Strategic Plan for the period 2021-2025 in November, 2021. The Plan focuses on the four KRAs including 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 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.

Thank you.



Prof. Mucai Muchiri, PhD
Vice Chancellor

6. STATEMENT OF KARATINA UNIVERSITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Karatina University has four key result areas 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:

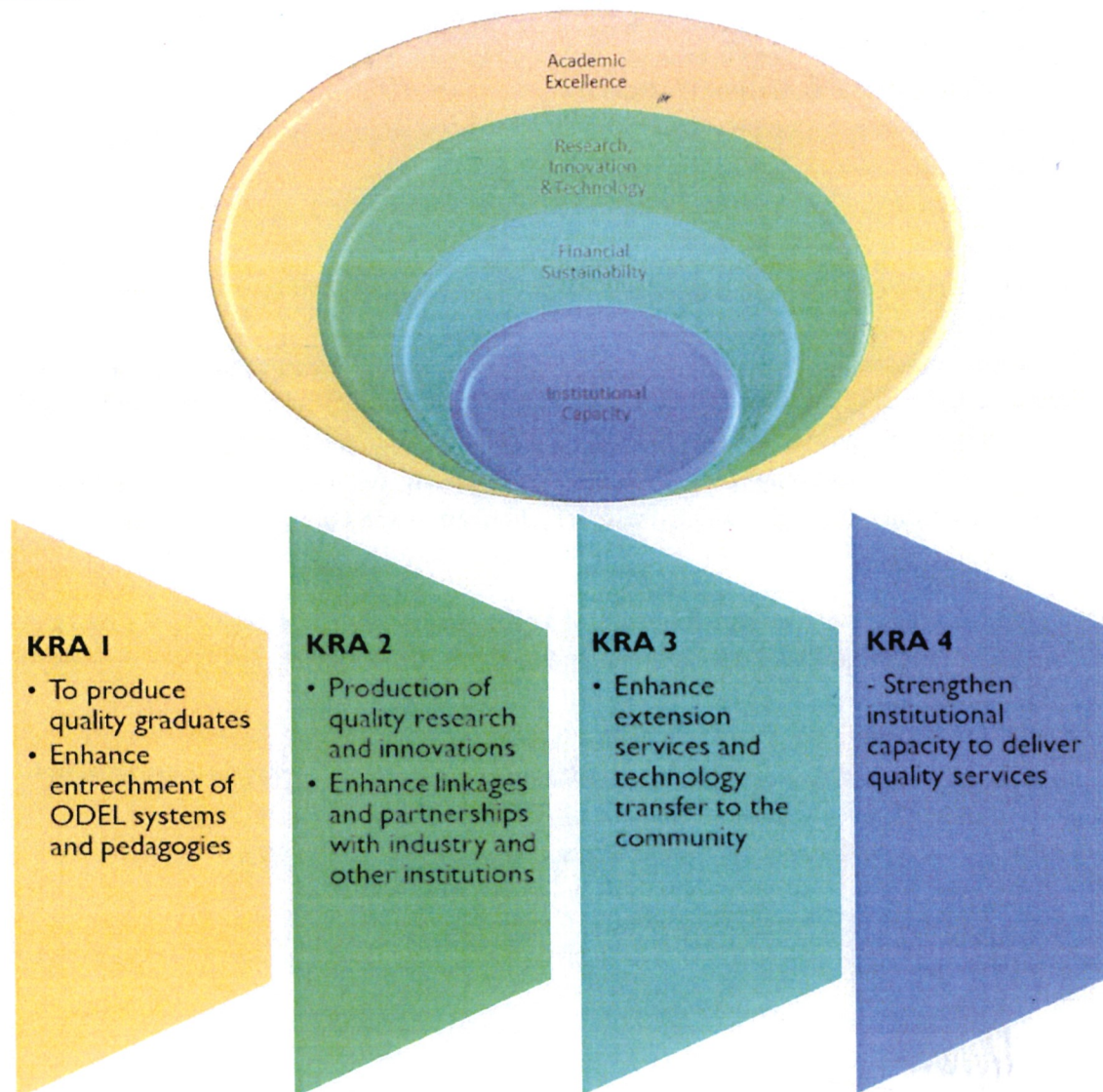


Figure 1: Karatina University Key Result Areas and Strategic objectives

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 2021/2022 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 2021/2022 period as indicated in the table I.

Table 1: Review of Karatina University Performance for FY 2021/2022

KRA	Objective(s)	Key performance indicators	Activities	Achievements
1. Academic Excellence	1. To produce quality graduates	Integrating ICT in Teaching and Learning	Procure and install software to support online teaching	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
		Creation of market driven programmes	Development/ review of curricula	Developed and submitted the following curricular to CUE: - BSc. in Clinical Medicine; - Medical Laboratory Sciences; and - BSc. Electronics with Informatics
2. Research, Innovation and Technology	2. Position the University as a leading research and technology institution	Enhancing the Green Concept	Sensitize students and staff on greening activities And Conduct a Green Innovation Competition	Held a webinar on green universities Organized the Green Innovation Competition and awarded successful students
	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	Signed MoUs with FOREST GEO and as a partner, with the Africa Center of Excellence for Population Health and Policy (ACEPH) of Bayero University in Kano, Nigeria and the KNDI

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	Hold a career week Mentor Form 4 students in selected secondary schools in Kenya on life skills and career choices	Career week held from 27 th – 28 th April, 2022 Held mentorship sessions in eight (8) secondary schools including Marsabit Girls and DoIdol Boys.
		Assist Community deal with emerging issues	Organize virtual sensitization on COVID-19 pandemic	Collaborated with Agha Khan University Hospital to sensitize the public on COVID-19 pandemic on 2 nd June, 2022
4. Resource mobilization and institutional capacity	5. To mobilize financial resources	Enhanced resources	Mobilize scholarships for short courses	Mobilized 100 scholarships for short course training for staff and students done by AMREF and KENET
	6. To enhance human resources and physical infrastructure	Construct a University Library	Achieve practical completion	<ul style="list-style-type: none"> - Superstructure and roofing complete - First coat of paint applied - Laying of hardcore in preparation for laying cabros complete

7. 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 eight (8) 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 (vi) to (viii). It is expected that one more member will be appointed in due course.

The Role and Functions of Council

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

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. Two members resigned from the Council in February, 2022 in compliance with the law to contest for political office.

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.



Council members and some facilitators during a training in September 2021

Capacity building for Council members

The University organized a training for Council members in September, 2021. 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) Policy and legislative frameworks in the education sector
- b) Role of Boards in Financial Management and Reporting
- c) Unlocking the Board Potential
- d) Role of Boards in Financial Resource Mobilization and fundraising
- e) Corporate Governance and Board Dynamics

These topics were facilitated by experts both from the public and private sector. The University plans to conduct the trainings annually. Continuous training is done based on topics proposed by members. Further, Council was sensitized on changes in practices, policies, laws and regulations governing the institution's operation from time to time.

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 was appointed in October 2020 but held its inaugural meeting in January, 2021. During the financial year, Council held several special meetings to investigate complaints made by members of staff.

Council Meetings and Attendance

Council conducts its business under four (4) committees as listed below: -

- 1 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

Following the resignation of two members in February, the Committees were re-organized to three as below: -

- 1 Academic, Research and Enterprise Development Committee
- 2 Finance, Planning and Human Resource 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. Rebecca Tonkei – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) FCPA Omingo Magara iv) Dr. Scholastica Ndambuki – Rep. Ministry of Education
2. Finance and Planning Committee	i) FCPA. Omingo Magara – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) Ms. Susan Gitonga iv) Dr. Dunstone Ulwodi - Rep National Treasury v) Dr. Scholastica Ndambuki - Rep. Ministry of Education

3. Audit and Risk Management Committee	i) Mr. Felix Okatch – Chair ii) Ms. Rebecca Tonkei iii) Dr. Dunstone Ulwodi - Rep National Treasury
4. Governance and Planning Committee	i) Ms. Susan Gitonga – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) Mr. Felix Okatch iv) Dr. Scholastica Ndambuki - Rep. Ministry of Education

Committees as reorganized after 8th February, 2022

Name of the Committee	Members
1. Academic, Research and Enterprise Development Committee	i) Ms. Susan Gitonga – Chair ii) Prof. M. Muchiri - Vice Chancellor iii) Dr. Scholastica Ndambuki - Ministry of Education Rep iv) Mr. Felix Okatch
2. Finance, Planning and Human Resource Development Committee	i) Ms. Susan Gitonga – Chair ii) Prof. M. Muchiri - Vice Chancellor iii) Dr. Dunstone Ulwodi - Treasury Rep iv) Dr. Scholastica Ndambuki - Ministry of Education Rep
3. Audit and Risk Management Committee	i) Mr. Felix Okatch – Chair ii) Dr. Scholastica Ndambuki - Ministry of Education Rep iii) Dr. Dunstone Ulwodi - Rep National Treasury

During the year, Council held a total of thirteen (13) regular and special meetings as well as two (2) interview meetings. They also attended a two-day training. Individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Prof. Francis J. Gichaga – Chairman	10
2	Prof. Mucai Muchiri – Vice Chancellor/ Secretary	10
3	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	13
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury and Planning	13
5	Mr. Felix Owaga Okatch	13
6	Ms. Rebecca Tonkei	11
7	Ms. Susan Kanyua Gitonga	12
8	FCPA. Omingo Magara	11

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. Rebecca Tonkei – Chair	4
2	Prof. Mucai Muchiri -Vice Chancellor	5
3	FCPA. Omingo Magara	4
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	5
5	Ms. Susan Gitonga	1
6	Mr. Felix Okatch	1

NB: Ms. Susan Gitonga and Mr. Felix Okatch joined the committee during the 4th quarter.

Finance, HR and Resource Mobilization 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 committee held five (5) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	FCPA Omingo Magara – Chair	4
2	Prof. Mucai Muchiri - Vice Chancellor	5
3	Ms. Susan Gitonga	5
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	4
5	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	5

NB: FCPA Omingo Magara ceased being a member during the 3rd quarter.

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 three (3) meetings and the individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Susan Gitonga – Chair	3
2	Prof. Mucai Muchiri -Vice Chancellor	3
3	Mr. Felix Owaga Okatch	3
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	3

NB: The committee was dissolved during the 3rd quarter.

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	Ms. Rebecca Tonkei	3
3	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	4
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	1

NB: Dr. Scholastica Ndambuki replaced Ms. Rebecca Tonkei after 8th February, 2022

Staff interviews

Council held two meetings to conduct staff interviews in December, 2021 and March, 2022 attended as follows:

22nd December, 2021

1. Prof. Francis John Gichaga - Chairman of Council– **Chairman**
2. Prof. Mucai Muchiri - Vice Chancellor
3. Mr. Felix Owaga Okatch - Member
4. Hon. FCPA Omingo Magara - Member
5. Ms. Rebecca Tonkei - Member
6. Ms. Susan Gitonga - Member
7. Dr. Dunstone Ulwodi - Representative, PS, The National Treasury
8. Dr. Scholastica Ndambuki - Representative, PS, Ministry of Education

21st March, 2022

1. Prof. Francis John Gichaga - Chairman of Council– **Chairman**
2. Prof. Mucai Muchiri - Vice Chancellor
3. Mr. Felix Owaga Okatch - Member
4. Dr. Dunstone Ulwodi - Representative, PS, The National Treasury
5. Dr. Scholastica Ndambuki - Representative, PS, Ministry of Education

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 7th September, 2021.

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.

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 members' participation in Tree Planting exercise within the University

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Karatina University Operational and Financial Performance

The University reported a deficit of Kshs 21.25M as at 30th June 2022. This is a slight improvement in performance when compared to a deficit of Kshs 70.3M reported in the previous year. The performance recorded is as a result of slow economic recovery after Covid-19 pandemic. In addition, physical activities such as field practicals, teaching practice and field attachment which had been deferred in the previous financial year, due to the pandemic, were conducted within the reporting year. 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 that its cash flows will slightly improve. This is because the Country is expected to experience slow growth during the economic recovery period. Also, the University expects an increase in the number of first year students who will be admitted during the next FY. This will boost internally generated funds resulting to improved financial performance.

Pertaining to trends within the Education Sector, Universities, tertiary and secondary schools are recovering from the disruptions in the academic calendar as a result COVID -19 pandemic. This may affect the number of students who can enrol for University education due to economic & financial challenges. Further, the change in teaching trends (online teaching) may affect expenditure in respect to the University's core mandate. 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 two litigation cases made against it that have financial exposure as shown in Appendix IV.

SECTION C

Key projects and investment decisions the University is planning/implementing

The University has one ongoing project; Library Phase I during 2021/2022 FY. The construction of the Library is at 76.17% completion rate and is expected to be complete in 2022/23 FY. The figures computed for completion rate is 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 as an enabler of the Big Four 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 19 to 21 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 66.62M outstanding in respect to part-time lecturers' payment. The Management Board has been settling amounts claimed using available funds.

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 2, 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 2022. The University is on a recovery trend from the effects of COVID-19.



Figure 2: Trend of the University's financial performance

Figure 3 present the trends in income from FY 2012/13 to 2021/22. The total income has an upward trend as a result of increase in recurrent grants. However, A-I-A has not grown as anticipated. The A-I-A has been within the range of Kshs 300M since 2017/2018FY. This is because of the reduction in the number of students enrolled under the PSSP programme.

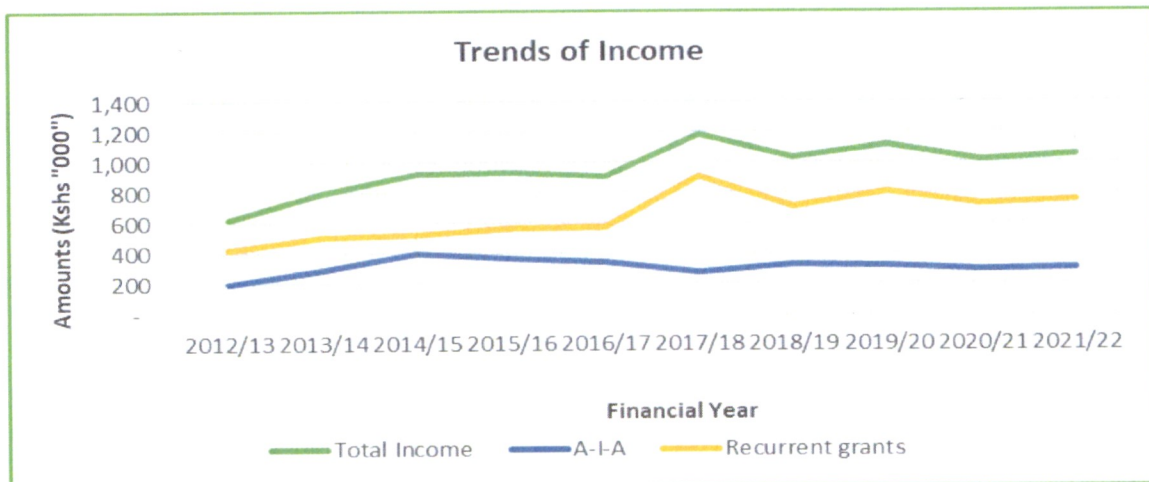


Figure 3: Trend of University's Incomes

Figure 4, shows a distribution of classified expenditure by nature vis-à-vis total expenditure for the FY 2021/2022. Employment expense is significant at 69%. 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 13% and academic expenses at 9%. Academic expenditure for the period was relatively low because of blended learning and rationalization of expenditure. Consequently, employment expense which is a fixed costs appear to be higher when compared to the other expenses which are variable costs.

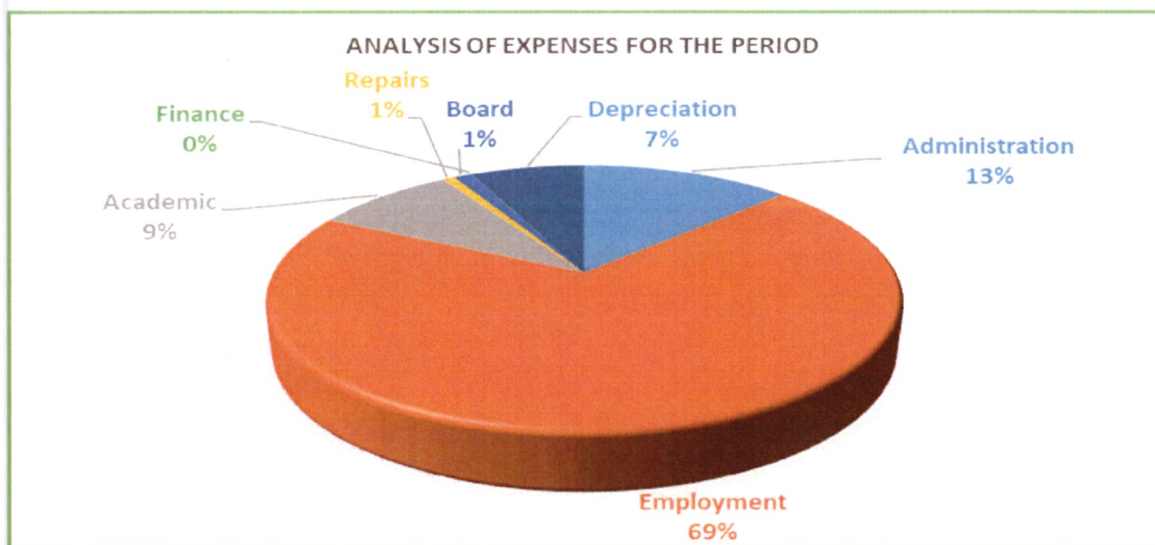


Figure 4: Distribution of recurrent expenses during the FY 2021/2022

9. 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 Saturday 16th April, 2022.
- d) Paperless meeting in Senate, Committee of Deans (CoD), school boards, Directorate boards, Departmental boards and in adhoc committees.
- e) Having an annual environmental awareness week and participation in campus environmental activities spearheaded by the Nature Club. This year’s environmental awareness week culminated in planting trees within the main campus.



Experiencing the Unique biodiversity of Mt Kenya by Karatina University students

Key achievements include: -

- a) Provision of Masters scholarships to 5 Students of Karatina university in the Academic Year 2021/2022 to undertake research on environmental related areas.
- b) Karatina University has partnered with Kenya Forestry Institute (KEFRI) to enhance research on Forestry. The institutions developed the Biophysical Resource Assessment Manual for Forest Assessments (https://www.kefri.org/PDF/Publications/Kenya_FieldManual.pdf).

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

iv) Staff Matters and Welfare

Karatina University staff population was three hundred and ninety-seven (397) as at 30th June, 2022. This consisted of one hundred and fifty-eight (156) teaching staff comprising of eighty-five (85) male and seventy-one (71) female; making up 39.29% of the staff population. This includes one (1) member on leave of absence. The administrative staff were two hundred and forty-one (241) comprising of one hundred and thirteen (113) male and one hundred and twenty-eight (128) female making 60.71% of staff.

STAFF DISTRIBUTION BY GENDER

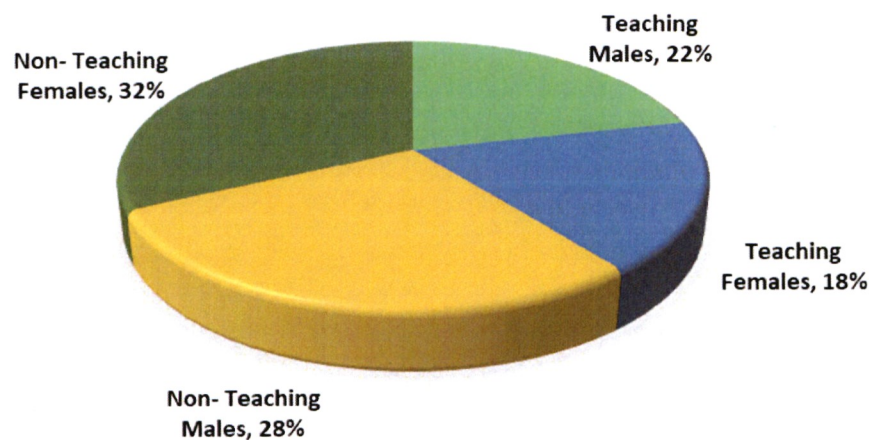


Figure 5: Distribution of Karatina University members of staff

During the reporting period, the University had 4 members of staff on study leave pursuing PhD (3) and Masters degrees (1). Further, the University continues to support fifty-nine (52) teaching staff (assistant lecturers and tutorial fellows) who are pursuing PhD programmes within the country. In addition, two (2) Graduate Assistants are pursuing masters' degree. 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; Negotiating for Collective Bargaining Agreements; 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 eighteen (18) 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 was able to establish Board of Trustees for Karatina University Pensions Scheme. The trustee will spearhead registration and launching of Pension Scheme.

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 Environmental Awareness Programmes

The University has embraced school environment programmes as a vehicle of enhancing awareness creation on environmental conservation. The programme entailed creating awareness on environmental conservation among school children and community members. The students are taught how to plant trees seedlings to ensure higher survival rates and also to

take care of them till maturity. They ultimately plant trees in their school and also take some to plant in their homes. They are taught on the importance of trees on enhancing ecological balances thus sustaining livelihoods. A team from Karatina University traversed Nyeri county in a project dubbed 'Last Frontier Schools'. This involved visiting 18 primary schools tucked furthest in parts of Mukurweini, Kieni West, Kieni East, Othaya and Tetu sub counties in Nyeri during the Month of February 2022. In addition to the activities listed above, the University also distributed calendars for the year 2022 to the schools, donated water cans and spades to the environmental clubs and provided academic mentorship targeting the Standard 8 candidates of 2022.



Environmental Club pupils of Ndunduini Primary School in Mathira West sub county



Proud pupils of Ngorano Primary school display equipment donated by Karatina University

b) 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: Bishop Calvera Girls – Marsabit County; Gikumbo Secondary School- Nyeri County; Ngoru Orthodox Secondary School- Nyeri County and Naromoro Girls Secondary- Nyeri County. 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 2022/2023 their degree choices.

10. 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 2022 are set out on page I

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.

Kenya National Audit Office staff were nominated by the Auditor General to carry out the audit of the University for the period ending 30th June, 2022.



Prof. Mucai Muchiri, PhD
Council Secretary/ Vice Chancellor

Date:

11. 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, 2022. 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.

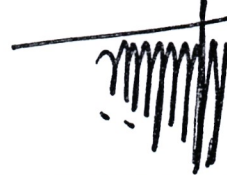
The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSSAS) and requirements of the PFM 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, 2022 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.

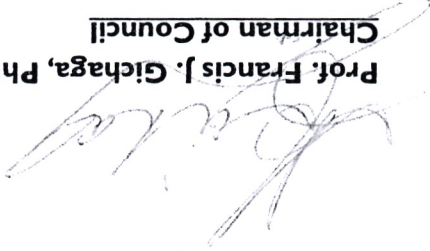
Approval of the financial statements

Karolina University annual financial statements have been prepared in accordance with Section 83 of the PFM Act 2012 and were approved by the Council on 1st August, 2022 and signed on its behalf by:

Prof. Mucal Muchiri, PhD
Vice Chancellor

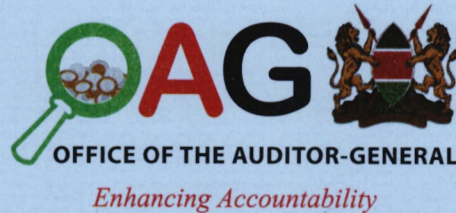


Prof. Francis J. Gichaga, PhD
Chairman of Council



REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2022

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 Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on 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, the risk management environment, and the 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 33, which comprise of the statement of financial position as at

30 June, 2022, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Recoverability of Students Debts

The statement of financial position reflects receivables from exchange transactions balance of Kshs.102,707,167 as at 30 June, 2022 and as disclosed under Note 21 to the financial statements. The balance includes an amount of Kshs.92,514,964 in respect of student balances out of which students' balances totalling to Kshs.73,551,684 or 80% of the student's debts have been outstanding for over 730 days. The debt has accrued since the inception of the University. Further, the provision for bad debts of Kshs.1,850,299 for all the students' debts appears inadequate to cover the potential irrecoverable amounts.

In the circumstances, the recoverability of students' debtors balance of Kshs.92,514,964 as at 30 June, 2022 is in doubt.

2.0. Part Time Lecturers' Outstanding Dues

2.1. Long Outstanding Part Time Lecturers' Dues

The statement of financial position reflects trade and other payables balance of Kshs.98,093,831 and as disclosed under Note 28 to the financial statements, out of which a balance of Kshs.7,726,800 relates to part time lecturers' dues. The aging analysis provided for audit review indicated that out of the total amount of Kshs.7,726,800, an amount of Kshs.7,290,000 or 94% of the dues have been outstanding for more than five years and relates to the period between 2014/2015 to 2018/2019. According to the Management, the claims have not been paid due to audit queries which are yet to be responded to by the applicants.

In the circumstances, the accuracy and completeness of amount due to part-time lecturers of Kshs.7,726,800 as at 30 June, 2022 could not be confirmed.

2.2. Contingent Liability

As disclosed in Note 5 to the financial statements on significant judgements and sources of estimation uncertainty, the University has estimated contingent liability on unclaimed

part time teaching for Private Self Sponsor Students (PSSP) of Kshs.58,888,900. However, details of the nature of the contingent liability, the indication of uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement have not been disclosed.

In the circumstances, the nature of the contingent liability of Kshs.58,888,900 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. 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, based on the audit procedures performed, except for the matter 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

Unrecovered Rent Deposit

The statement of financial position reflects prepayments balance of Kshs.3,704,501 as at 30 June, 2022 and as disclosed under Note 20 to the financial statements. Included in this balance is an amount of Kshs.1,670,296 in respect of rent deposit for Nairobi Liaison Office at View Park Towers. The tenancy with the premise's owner was terminated and the University vacated the premises on 31 January, 2020. However, the rent deposit had not been paid back to the University as at 30 June, 2022.

In the circumstances, the delay in refund of rent deposit denies the University the needed financial resources and it is not clear when the University will receive the funds.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, 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 Management and the 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the University's ability 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 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The University Council is responsible for overseeing the 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 overall 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 February, 2023

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30TH JUNE 2022**

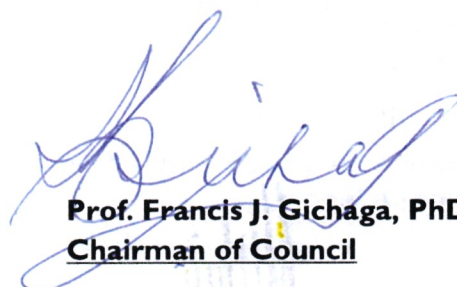
INCOME	Notes	2021/2022	2020/2021
Revenue from Non Exchange Transaction		Kshs.	Kshs.
Government Grants	7	750,080,203	722,008,044
Amortization of Granted Assets	8	9,475,728	8,150,120
Donations	9	648,400	2,553,640
		760,204,331	732,711,804
Revenue from Exchange Transaction			
Tuition and Related Charges	10	273,881,991	256,735,896
I.G.A and Other Incomes	11	21,798,951	29,455,267
		295,680,942	286,191,163
Total Income		1,055,885,273	1,018,902,967
EXPENDITURE			
Administration Expenses	12	138,036,322	125,011,577
Employment Expenses	13	749,710,497	800,932,406
Academic Expenses	14	93,597,624	60,707,676
Repairs and maintenance	15	8,008,135	4,797,907
Board Expenses	16	11,960,684	6,717,251
Finance Expenses	17	433,021	404,739
Depreciation and amortization expense	18	75,385,598	90,700,845
Total Expenditure		1,077,131,881	1,089,272,400
Deficit		(21,246,608)	(70,369,433)

The statement of financial performance is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 32.

Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Finance Officer



Prof. Mucai Muchiri, PhD
Vice Chancellor



Prof. Francis J. Gichaga, PhD
Chairman of Council

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Notes	2021/2022	2020/2021
Current Assets		Kshs.	Kshs.
Cash & Bank Balances	19	174,264,284	161,942,482
Prepayments	20	3,704,501	12,030,073
Receivable from exchange transaction	21	102,707,167	99,445,741
Receivable from non-exchange transaction	22	-	-
Inventories	23	13,342,342	11,807,907
Total Current Assets		294,018,294	285,226,204
Non-Current Asset			
Biological Assets	24	4,686,164	4,830,664
Property, Plant & Equipment	25	1,818,834,599	1,858,036,619
Intangible Assets- Computer software	26	3,327,697	3,740,868
Capital Work in Progress	27	374,255,886	286,054,125
Total Non-Current Assets		2,201,104,346	2,152,662,276
Total Assets		2,495,122,640	2,437,888,480
Current Liabilities			
Trade & Other Payables	28	98,093,831	82,730,408
Current Deferred Income	8b	9,475,728	8,150,120
Provisions	29	33,243,351	25,082,546
Total Current Liabilities		140,812,910	115,963,074
Non-Current Liabilities			
Deferred Income - Grant	8b	116,239,625	116,906,922
Total Non-Current Liabilities		116,239,625	116,906,922
Capital Funds			
Accumulated Capital Fund	30	1,637,124,911	1,587,124,911
Revenue Reserve	31	95,216,153	100,463,275
Revaluation Reserve	32	505,729,041	517,430,297
Total Capital Fund		2,238,070,105	2,205,018,484
Total Funds & Liabilities		2,495,122,640	2,437,888,480

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 32.

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


Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Finance Officer


Prof. Mucai Muchiri, PhD
Vice Chancellor


Prof. Francis J. Gichaga, PhD
Chairman of Council

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR
ENDED 30TH JUNE 2022**

	Notes	Accumulated Capital Fund	Revenue Reserve	Revaluation Reserve	Total
		Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30.06.20		1,557,900,556	132,975,661	547,396,235	2,238,272,452
Surplus/Deficit for the period		-	(70,369,433)	-	(70,369,433)
Transfer of amortized revalued PPE		-	14,420,688	(14,420,688)	-
Gain in Biological Assets (Cows)		-	280,140	-	280,140
Impairment Loss on Revalued assets		-	15,545,250	(15,545,250)	-
Part-time Claims Reconciliation		-	5,524,996	-	5,524,996
Provisions for Staff leave days		-	2,125,252	-	2,125,252
Unrealized Tea farm bonuses		-	(157,807)	-	(157,807)
Decrease in Provisions for bad & doubtful debts		-	118,529	-	118,529
Capital Grants		29,224,355	-	-	29,224,355
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 in Biological Assets (Cows)		-	(2,520)	-	(2,520)
Part-time Claims Reconciliation		-	(3,702,871)	-	(3,702,871)
Provision for Staff Bond		-	7,965,375	-	4,162,798
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	2,234,267,528

NB/ Provision for staff bond is in respect of recognition for bond amounts due by a former member of staff that had been recognized as a contingent asset.

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	Notes	2021/2022	2020/2021
Cash flow from Operating activities		Kshs.	Kshs.
Surplus		(21,246,608)	(70,369,433)
Adjustment For			
Depreciation & Amortization	18	75,385,598	90,700,845
Adjustment in Provision for Bad debts		38,246	118,529
Loss of Biological Asset	12	141,980	18,720
Amortization of Granted Assets	8	(9,475,728)	(8,150,120)
Decrease in Provision for Leave		-	2,125,252
Prepayments		(3,702,871)	5,524,996
Provision for Staff Bond		7,965,375	-
Unrealized Tea farm bonuses		-	(157,807)
Operating Activities		49,105,992	19,810,982
Change in:-			
Inventories	23	(1,534,435)	1,508,308
Receivable from exchange transaction	21	(3,261,426)	2,274,174
Receivable from non-exchange transaction	22	-	84,216,479
Prepayments	20	8,325,572	(6,503,932)
Trade & Other Payables	28	15,363,423	(5,532,535)
Provisions	29	8,160,805	5,187,129
Cash From Operating Activities		27,053,939	81,149,624
Net Cash from Operating Activities		76,159,931	100,960,606
Investing Activities			
Property, Plant & Equipment	25	(33,782,362)	(36,679,613)
Capital Work-in-Progress	27	(88,201,761)	(111,021,610)
Intangible Assets- Computer software	26	(1,988,045)	(3,637,022)
Granted asset	25	10,134,039	2,315,780
Net cash from investing activities		(113,838,129)	(149,022,465)
Financing Activities			
Capital Reserve		50,000,000	29,224,355
Net cash flow from financing activities		50,000,000	29,224,355
Net increase/(Decrease) In Cash & Cash Equivalents		12,321,802	(18,837,504)
Cash & Cash Equivalent at Start of Year	19	161,942,482	180,779,986

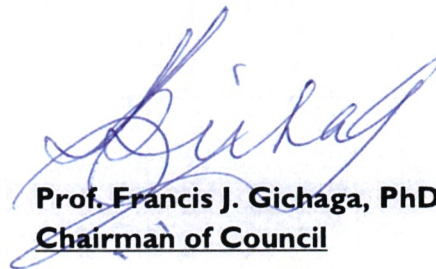
Cash & Cash Equivalent at End of the Year	19	174,264,284	161,942,482
Analysis of Cash & Cash Equivalents			
Cash & Bank Balances		174,264,284	161,942,482

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 32.

Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Finance Officer



Prof. Mucai Muchiri, PhD
Vice Chancellor



Prof. Francis J. Gichaga, PhD
Chairman of Council

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

S/N	DESCRIPTION	Original Budget	Adjustments		Final Budget		Actual		Performance Difference & (Utilization in %)		Explanation of material variances
			Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%		
	INCOME										
1	Exchequer grants	747,528,189	2,552,014	750,080,203	750,080,203	750,080,203	-	100	a		
2	Tuition Fees and related charges	197,844,826	69,494,174	267,339,000	273,881,991	273,881,991	6,542,991	102			
3	Catering Services	4,429,647	5,570,353	10,000,000	8,230,320	8,230,320	(1,769,680)	82	b		
4	Research and Consultancies Income	37,860,227	(6,020,227)	31,840,000	9,339,286	9,339,286	(22,500,714)	29	c		
5	Farm Income	1,514,409	485,591	2,000,000	2,147,347	2,147,347	147,347	107	d		
6	Other income	3,786,023	(786,023)	3,000,000	2,730,398	2,730,398	(269,602)	91	e		
7	GOK Capital Grants	50,000,000	-	50,000,000	50,000,000	50,000,000	-	100			
		1,042,963,321	71,295,882	1,114,259,203	1,096,409,545	1,096,409,545	(17,849,658)	98			
	EXPENDITURE										
	Personnel Emoluments										
1	Personnel Emoluments	782,437,895	(20,600,000)	761,837,895	731,601,254	731,601,254	30,236,641	96			
2	Casual Wages	11,101,318	300,000	11,401,318	11,387,149	11,387,149	14,169	100			
3	Gratuity	6,500,000	300,000	6,800,000	6,722,094	6,722,094	77,906	99			
	TOTAL P.E	800,039,213	(20,000,000)	780,039,213	749,710,497	749,710,497	30,328,716				
	Board Expenses										
4	Council expenses	14,000,000	-	14,000,000	11,960,684	11,960,684	2,039,316	85			
		14,000,000	-	14,000,000	11,960,684	11,960,684	2,039,316				
	Operating/ Administrative Expenses										
5	Stationery	1,512,031	1,923,219	3,435,250	3,407,916	3,407,916	27,334	99			
6	Vehicle Repairs & Maintenance	3,000,000	1,610,000	4,610,000	4,609,637	4,609,637	363	100			
7	Generator fuel & Maintenance	880,303	1,519,697	2,400,000	2,357,088	2,357,088	42,912	98			
8	Fuel – Vehicles	1,320,455	2,730,000	4,050,455	4,047,185	4,047,185	3,270	100			
9	Office expenses and entertainment	269,373	380,000	649,373	648,759	648,759	614	100			
10	Postal expenses	44,015	55,985	100,000	94,237	94,237	5,763	94			
11	Publishing & printing	748,258	351,742	1,100,000	1,080,240	1,080,240	19,760	98			
12	Computer expenses & Maintenance	440,152	959,848	1,400,000	1,383,109	1,383,109	16,891	99			
13	ISO training & Implementation	396,136	103,864	500,000	450,786	450,786	49,214	90			
14	Shows & Exhibition expenses	440,152	559,848	1,000,000	874,670	874,670	125,330	87			
15	Performance Contracting	330,114	619,886	950,000	946,319	946,319	3,681	100			
16	Legal expenses	440,152	100,000	540,152	538,999	538,999	1,153	100			
17	Strategic Plan Implementation & Monitoring & Review	352,121		352,121	156,697	156,697	195,424	45			
18	Subscription to Professional Bodies	440,152	559,848	1,000,000	857,410	857,410	142,590	86			
19	Professional Services	510,576	649,424	1,160,000	1,185,504	1,185,504	(25,504)	102			

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2022

S/N	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual		Performance Difference & (Utilization in %)		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%			
20	Newspaper & journals	285,218	285,218					121,710	163,508	43		
21	Cleaning/sanitary materials	1,600,000	1,600,000	-				1,409,032	190,968	88		
22	Telephone expenses	736,814	736,814	937,186				1,578,000	96,000	94		
23	Insurance Expenses	7,511,224	7,511,224	500,000				7,981,915	29,309	100		
24	Open Day & cultural celebration	88,030	88,030					45,000	43,030	51		
25	Public celebrations & funerals	352,121	352,121	447,879				589,804	210,196	74		
26	Staff Training expenses	363,125	363,125	1,161,875				1,498,988	26,012	98		
27	Security services	10,011,600	10,011,600	(1,700,000)				8,077,416	234,184	97		
28	Water & Sewerage Expenses	1,200,000	1,200,000	4,410,000				5,601,016	8,984	100		
29	Electricity Expenses	9,000,000	9,000,000	2,370,000				11,362,971	7,029	100		
30	Rent & Rates	8,807,601	8,807,601	3,050,000				11,825,599	32,002	100		
31	Uniforms	181,563	181,563	230,937				368,490	44,010	89		
32	Medical expenses	7,922,729	7,922,729	12,318,194				26,239,835	(5,998,912)	130	f	
33	Advertising & publicity	1,320,455	1,320,455	1,679,545				2,901,225	98,775	97		
34	Internet services	18,000,000	18,000,000	(1,000,000)				16,432,314	567,686	97		
35	Farm expenses	528,182	528,182	680,000				1,207,919	263	100		
36	Catering expenses	9,000,000	9,000,000	1,000,000				11,635,477	(1,635,477)	116	g	
37	Audit fees	700,000	700,000	-				696,000	4,000	99		
38	Travelling & Accommodation	1,122,056	1,122,056	2,227,194				3,326,060	23,190	99		
39	External travelling	440,152	440,152	1,700,000				2,140,366	35,786	98		
40	Resource Mobilization	220,076	220,076	279,924				-	500,000	0		
41	Pension Scheme Administration	2,200,000	2,200,000	(1,000,000)				114,992	1,085,008	10		
42	COVID-19 Preventive Measures	880,303	880,303	119,697				137,657	862,343	14		
		93,595,237	93,595,237	41,535,793				137,894,342	(2,763,311)			
	Academic expenses											
43	students activities	880,303	880,303	2,700,000				3,596,092	(15,789)	100		
44	Curriculum development/review	440,152	440,152	259,848				602,910	97,090	86		
45	External examiners	1,320,455	1,320,455	4,150,000				5,466,246	4,209	100		
46	Graduation Expenses	3,500,000	3,500,000	-				3,123,792	376,208	89		
47	Industrial Attachment/ Teaching Practice	3,961,364	3,961,364	12,250,000				16,165,907	45,457	100		
48	Games & Sports	440,152	440,152	700,000				1,130,471	9,681	99		
49	Library Subscription	440,152	440,152	620,000				1,056,737	3,415	100		
50	Senate & Deans committees	88,030	88,030	2,663,984				2,704,934	47,080	98		
51	University Committees	88,030	88,030	1,900,000				1,977,538	10,492	99		
52	Teaching materials	1,100,379	1,100,379					993,967	106,412	90		

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2022

S/N	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual		Performance Difference & (Utilization in %)		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%			
	EXPENDITURE											
53	Field trip	1,320,455	3,000,000	1,679,545	3,000,000	2,708,332	291,668	90				
54	Research expenses	33,034,079	13,034,079	(20,000,000)	10,894,659	2,139,420	84					
55	Botanical garden	22,008	50,000	27,992	49,200	800	98					
56	Part-time teaching expenses	7,922,729	27,922,729	20,000,000	28,441,220	(518,491)	102					
57	Examination materials	1,320,455	3,000,000	1,679,545	2,810,478	189,522	94					
58	Seminars & Conferences	220,076	500,000	279,924	442,517	57,483	89					
59	Annual International Conference	220,076	1,860,076	1,640,000	1,858,355	1,721	100					
60	Placement Board charges	2,502,000	3,000,000	498,000	2,853,000	147,000	95					
61	Accreditation for Programmes	422,546	960,000	537,454	960,000	-	100					
62	CUE Student Accreditation fee	1,668,000	2,000,000	332,000	1,926,000	74,000	96					
63	NCK indexing	291,622	662,350	370,928	399,000	263,550	60					
64	Nursing Skills lab	3,125,957	2,125,957	(1,000,000)	1,202,904	923,053	57					
65	Tea Institute expense	330,114	330,114		59,432	270,682	18					
66	University linkages- Entrepreneurial concept	44,015	250,000	205,985	247,570	2,430	99					
67	Counselling services	88,030	200,000	111,970	193,142	6,858	97					
68	Community Engagement	132,045	132,045		91,576	40,469	69					
69	ODEL expenses	2,083,000	1,583,000	(500,000)	1,301,423	281,577	82					
70	Liberation movement expenses	88,030	128,030	40,000	123,282	4,748	96					
		67,094,254	98,241,430	31,147,176	93,380,684	4,860,746						
	Repairs and Maintenance											
71	General Refurbishment	3,250,000	5,750,000	2,500,000	5,557,076	192,924	97					
72	Maintenance of building	3,200,000	1,200,000	(2,000,000)	906,275	293,725	76					
73	Maintenance of plant & Equipment	431,349	980,000	548,651	947,826	32,174	97					
74	Maintenance of play grounds	176,061	176,061		-	176,061	0					
75	Maintenance of Catering equipment	220,076	500,000	279,924	137,520	362,480	28					
76	Maintenance of Hostel equipment	301,064	301,064		115,510	185,554	38					
77	Water supply equipment	44,015	350,000	305,985	11,600	338,400	3					
	Total	7,622,564	9,257,124	1,634,560	7,675,807	1,581,317						
		982,351,268	1,036,668,798	54,317,529	1,000,622,014	36,046,784						
	Purchases											
78	Installation of Solar Panels	237,682	337,682	100,000	332,328	5,354	98					
79	Purchase of computer	2,539,675	3,439,675	900,000	3,341,415	98,260	97					
80	Purchase of library books	1,320,455	820,455	(500,000)	-	820,455	0					
81	Purchase of plant & equipment	669,030	8,469,030	7,800,000	8,431,954	37,076	100					

Karatina University: Annual Report and Financial Statements for the Financial Year ending 30th June 2022

S/N	DESCRIPTION	Original Budget	Adjustments	Final Budget		Actual	Performance Difference & (Utilization in %)		Explanation of material variances
				Kshs.	Kshs.		Kshs.	%	
	EXPENDITURE								
82	Purchase of Furniture	880,303	1,119,697	2,000,000	1,866,424	133,576	93		
83	Purchase of Medical equipment	176,060	247,656	423,716	402,891	20,825	95		
84	Purchase of Sports Equipment	352,120	(100,000)	252,120	216,940	35,180	86		
85	Purchase of lab equipment	2,200,758	1,411,000	3,611,758	3,610,885	873	100		
86	ICT infrastructure -soft ware	2,235,970	6,000,000	2,235,970	1,988,045	247,925	89		
87	Renovation of anatomy lab, partitioning of RC			6,000,000	5,994,754	5,246	100		
		10,612,053	16,978,353	27,590,406	26,185,636	1,404,770			
	Development								
88	Work in progress	50,000,000	-	50,000,000	50,000,000	-	100		
		50,000,000	-	50,000,000	50,000,000	-			
	Total	1,042,963,321	71,295,883	1,114,259,204	1,076,807,650	37,783,882			
	Surplus				19,601,895				

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 10 to 11.

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 an addition in the recurrent capitation by Kshs 2.5M and a revision of AIA ceiling from Kshs 245M to Kshs 314M during supplementary budgets. Lastly, the other votes were realigned to enhance utilization of the approved budgets.

b) Catering Services

During the reporting period, incomes from catering services had unfavorable variance of Kshs. 1.7M. The University could not realize the projected catering income because the students undertook blended learning which reduced presence in the University premises.

c) Research and Consultancies Income

The University expected to receive Kshs. 31.8M from research and consultancies activities during the reporting period. However, the realized funds were Kshs. 9.3M resulting to unfavorable variance of Kshs. 22.5M. Members of staff have continued to write proposals for research and consultancies and the same were under consideration by various sponsors.

d) Farm income

Farm income had a favourable variance of Kshs 147,347 as a result of disposal of bulls to the University's Catering unit instead of purchasing of beef required by the department from external suppliers.

e) Other incomes

Other incomes had unfavorable variance of Kshs 269,602 during the reporting period. This is due to online engagements which resulted a decline in hire of the University's conference facilities.

f) Medical expenses

The medical expenses vote has unfavourable variance of Kshs 5.99M as result of recognition of medical bills incurred by members of staff and their dependents during the period. In addition, two members of staff who were hospitalized but later passed on. To manage the cost, the University has implemented ceilings on costs that can be incurred by each carder.

g) Catering expenses

During the period catering vote had unfavourable variance of Kshs 1.6M. This is as a result of the increased prices of food commodities in the market. In addition, the cost of production went up as result of the surge in fuel prices and cost of LPG gas.

h) Budget surplus

The overall budget surplus reported in the statement of comparison of budget vs actuals is a result of managing to collect revenue in respect to tuition fees as had been projected in the supplementary budget. Further, the University rationalized most of the expenditure and also opted to undertake some of its activities online which helped in reducing expenditure.

18. 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 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

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 will be applicable 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 will not be 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 will not be applicable to the University's operations.

Standard	Effective date and impact:
Other improvements to IPSAS	Applicable: 1st January 2023 a) Amendments to IPSAS 22, makes 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 2021 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 will not be applicable to the University Operations. However, improvement on IPSAS 29 to IPSAS 41 will affect University operations in 2023.

Standard	Effective date and impact:
IPSAS 43 Leases	Applicable: 1st January 2025 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 classified as 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: Assets that meet the criteria of being classified as held for sale to be 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 2021/2022

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)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information – IPSAS 24

The original budget for FY 2021/2022 was approved by the University Council on 20th August 2021. 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.

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 comprises 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.

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 200.00 per employee per month, while the employer contributes Kshs 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	11,960,684
Members of Management	Note 13 - Incorporated in the employment expenses	53,881,457
National Government	Note 7 - Recurrent grants	750,080,203
	Note 30 – Capital grants	50,000,000
TOTAL		865,922,344

n) Comparative figures

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

o) 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, 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Provisions bad and doubtful debt

The University provided for bad and doubtful debts at a rate of 2% 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	2021/2022	2020/2021
Description	Kshs	Kshs
Part-time teaching claims	58,888,900	43,526,680
Court case against the University	1,671,586	4,426,570
Moi University - GoK Loan	216,389,088	194,129,972
Total	276,949,574	242,083,220

The University has disclosed Kshs 7.73M being amounts owed to part-time lecturers who have claimed for payment. However, there's an additional Kshs 58.8M 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 35.

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.

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 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	-
At 30th June 2021				
KTDA Bonus Payment	769,163	769,163	-	-
Student Balances	94,427,241	65,231,103	29,196,138	-
Moi University	2,254,226	2,254,226	-	-
Total	97,450,630	68,254,492	29,196,138	-

(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
	Kshs	Kshs	Kshs	Kshs
At 30th June 2022				
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
At 30th June 2021				
Trade Creditors	8,565,842	5,842	1,950,343	10,522,027
Part time lecturers	-	-	12,759,486	12,759,486
Contractors' Retention	-	-	22,331,014	22,331,014
Total	8,565,842	5,842	37,040,843	45,612,527

(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. 1,120,000.00, in case the current floating interest rates increase/ decrease by 1%, interest income reported in the statement of comprehensive income will increase or decrease by Kshs 11,200. The net effect will either increase the deficit to Kshs. 21,257,808 or decrease to Kshs. 21,235,408.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022	2020/2021
Note 7: Government Grants	Kshs.	Kshs.
July	62,294,016	60,167,337
August	62,294,016	60,167,337
September	62,294,015	60,167,337
October	62,294,016	60,167,337
November	62,294,016	60,167,337
December	62,294,015	60,167,337
January	62,294,016	60,167,337
February	62,294,016	60,167,337
March	62,294,015	60,167,337
April	62,294,016	60,167,337
May	63,570,023	60,167,337
June	63,570,023	60,167,337
	750,080,203	722,008,044
Note 8(a): Deferred Income- Granted Assets	Kshs	Kshs
Deferred Income B/Forward	125,057,042	130,891,382
Additional Granted Assets	10,134,039	2,315,780
Amortization of Granted Assets	(9,475,728)	(8,150,120)
Deferred Income C/Forward	125,715,353	125,057,042
Note 8(b): Deferred liability-Granted Assets	Kshs	Kshs
Current Deferred income	9,475,728	8,150,120
Long-term deferred income	116,239,625	116,906,922
	125,715,353	125,057,042
The deferred income of Kshs 125,715,353 has been divided into two; Current deferred income of Kshs 9,475,728 which relates to the current year's amortization on granted assets and long term deferred income of Kshs 125,715,353 is in respect to capitalization of granted assets		
Note 9: Donations	Kshs	Kshs
University Events	10,000	1,941,740
Needy & Vulnerable Student Fund	638,400	611,900
	648,400	2,553,640
Note 10: Tuition and Related Charges	Kshs	Kshs
Tuition & Accommodation GSSP	256,363,797	235,887,419
Tuition & Accommodation PSSP	17,446,194	20,786,977
Student Application Fees	72,000	61,500
	273,881,991	256,735,896
Note 11: I.G.A and Other Incomes	Kshs	Kshs
Kitchen Food Sales	8,230,320	3,536,696
Tea Farm	1,157,946	1,395,087
Farm & Milk Sales	989,401	423,786

Note 11: I.G.A and Other Incomes - Cont'd	Kshs	Kshs
Laundry	27,510	21,995
Conference Facilities	730,072	158,000
Hire of Facilities	496,600	89,773
Fines	750,497	1,067,108
Interest from deposits	33,320	49,980
Insurance & Deposit refund	23,359	4,782,188
Research funds	8,751,536	16,412,612
Consultancy & Survey works	587,750	1,518,042
Disposal of assets	20,640	-
	21,798,951	29,455,267
EXPENDITURE	2021/2022	2020/2021
Note 12: Administration expenses	Kshs	Kshs
Stationery	3,407,916	3,368,581
Motor vehicle repairs	4,609,637	2,732,265
Generator fuel	2,357,088	1,280,823
Motor vehicle Fuel	4,047,185	3,055,506
Office expenses	648,759	395,917
Postage	94,237	60,421
Printing and Publishing	1,080,240	527,110
Computer & accessories expense and maintenance	1,383,109	1,495,191
ISO expenses	450,786	451,060
Shows and Exhibitions	874,670	293,980
Performance contracting	946,319	92,296
Legal expenses	538,999	170,155
Strategic Plan	156,697	-
Annual subscription and membership fee	857,410	732,022
Professional Services	1,185,504	-
Newspapers and Journals	121,710	283,147
Cleaning materials	1,409,032	1,248,465
Telephone	1,578,000	1,574,260
Insurance	7,981,915	11,847,313
Open & Cultural Celebrations	45,000	27,540
Public celebrations and funerals	589,804	440,475
Training expenses	1,498,988	787,607
Security	8,077,416	8,830,260
Water & Sewer	5,601,016	5,234,873
Electricity	11,362,971	9,915,650
Rent & Rates	11,825,599	18,667,724
Staff Uniforms	368,490	206,454
Medical Expenses	26,239,835	27,532,686
Advertising	2,901,225	1,187,789
Internet Charges	16,432,314	13,160,194
Farm Expenses	1,207,919	1,334,477
Catering Expenses	11,635,477	4,274,960

Note 12: Administration expenses- Cont'd	2021/2022	2020/2021
Audit Fees Expense	696,000	696,000
Loss of Tea bushes	78,000	18,720
Loss on Disposal of assets-(cows)	63,980	-
Traveling & Accommodation	3,326,060	2,017,604
External Travel & Accommodation	2,104,366	103,675
Resource Mobilization	-	87,880
Pension administration	114,992	-
COVID -19 Preventive measure	137,657	878,498
	138,036,322	125,011,577
Note 13: Employment expenses	Kshs	Kshs
Payroll expenses	670,331,065	719,444,137
Passage and Baggage	-	-
Pension Employer costs	59,135,479	65,788,175
Gratuity	6,722,094	6,616,381
Staff leave days provisions	2,134,710	-
Contract Staff expenses	11,387,149	9,083,712
	749,710,497	800,932,406
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	3,596,092	1,401,813
Curriculum development/review	602,910	-
External Examiners	5,466,246	2,370,658
Graduation	3,123,792	4,303,120
Industrial Attachments/ Teaching Practice	16,165,907	4,453,928
Games & Sports	1,347,411	1,388,482
Subscription to E-library	1,056,737	1,113,213
Senate & Deans expenses	2,704,934	96,770
University Committees	1,977,538	548,914
Teaching materials	993,967	1,537,849
Field trips	2,708,332	1,315,688
Research Program	11,067,141	10,007,404
Part-time teaching expenses	28,441,220	20,480,346
Examination material	2,810,478	2,339,490
Seminars & Conferences	442,517	486,904
Annual International Conference	1,858,355	1,086,245
Placement Board charges	2,853,000	2,263,500
Accreditation for Programmes	960,000	-
CUE accreditation fees	1,926,000	2,835,000
NCK indexing	399,000	-
Nursing Skills Lab expenses	1,202,904	1,409,214
Tea Institute Expenses	59,432	443,531
Entrepreneurial Concept	247,570	-
Counseling services	193,142	51,480

Community Outreach		91,576	215,498
ODEL expenses		1,301,423	558,630
		93,597,624	60,707,676
Note 15: Repairs & maintenance costs		Kshs	Kshs
General Refurbishment		5,557,076	2,413,943
Maintenance of buildings		906,275	1,365,333
Maintenance of Catering / Hostel equipment		253,030	3,000
Maintenance of plant & Equipment		947,826	424,242
Maintenance of playground		-	10,740
Water Supply Expenses		343,928	580,649
		8,008,135	4,797,907
Note 16: Board Expenses		Kshs	Kshs
Sitting Allowance		4,824,000	2,655,000
Travelling & Subsistence		3,050,073	1,630,966
Accommodation		3,617,950	1,848,200
Other expenses		468,661	583,084
		11,960,684	6,717,251
Other expenses refer to costs incurred in respect to stationery and meals served in lieu of lunch allowance during board meetings			
Note 17: Finance Expenses		Kshs	Kshs
Bank Charges		433,021	404,739
		433,021	404,739
Note 18: Depreciation and amortization expense		Kshs	Kshs
Depreciation Buildings		36,369,649	52,127,665
Depreciation Computer & Accessories		3,963,554	5,978,090
Depreciation Library books		7,901,066	7,730,956
Depreciation Motor Vehicle		11,305,888	11,204,528
Depreciation Equipment & Furniture		13,444,225	11,058,239
Amortization of intangible assets-Computer Software		2,401,216	2,601,367
		75,385,598	90,700,845

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2021/2022	2020/2021		
Note 19: Cash & Bank Balances		Kshs.	Kshs.		
Co-operative Bank Of Kenya- Cash at bank		57,632,731	61,305,743		
Kenya Commercial Bank - 1138274968		1,128,470	1,134,575		
KCB - Cash at hand		-	680		
Kenya Commercial Bank-1106185382		71,261,091	57,216,437		
Equity Bank- Cash at Bank		43,121,992	41,165,046		
Fixed Deposit (Bank Guarantee- Fuel)		1,120,000	1,120,000		
Total Cash & Bank Balances		174,264,284	161,942,482		
Cash and cash equivalent comprises of cash at bank, cash at hand and fixed deposits in respect to a bank guarantee for fuel being provided by Vivo Energy Ltd. The fixed deposit has a maturity period of one year and it earns interest at 3.5%.					
Note 20: Prepayments		Kshs.	Kshs.		
Deposits : Rent (Nairobi Liaison office)		1,670,296	1,670,296		
Prepayment : Insurance		1,560,491	1,185,508		
Staff prepayments and debtors		473,714	9,174,269		
Total Prepayments		3,704,501	12,030,073		
The University has one active lease arrangements for providing teaching facilities i.e. Telkom Building at Karatina town - hosting 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.					
	<i>Contract</i>	<i>Lease Period</i>	<i>Escalation Clause</i>	<i>Renewable Clause</i>	<i>Future lease Aggregate Amount</i>
	Telkom Kenya Ltd	1/10/2018-30/09/2024	5% Per Annum	Renewable	28,470,050
	NSSF-View Park Towers	1/10/2014-30/09/2020	20% Biannual	Closed	-
	<i>Total minimum Future aggregate payment</i>				28,470,050
The quarterly leases payments were accounted as expenses under rent and rates in the administration expenses while the deposits are accounted as current assets.					
Staff prepayments relate to funds paid in advance to members of staff due to salaries.					
Note 21: Receivables from exchange transactions		Kshs.	Kshs.		
KTDA Bonus Payment For year 2021/22 & Tea Farm sales for the month of June 2022		569,925	769,163		
Student Balances		92,514,964	94,427,241		
Moi University		2,254,226	2,254,226		
Imprest Debtors		1,252,976	3,883,656		
Staff Bond		7,965,375	-		
		104,557,466	101,334,286		
Provisions for bad and doubtful debts		1,850,299	1,888,545		
		102,707,167	99,445,741		
Note 21 (b) Receivables from exchange transactions		Kshs.	Kshs.		
Student Balances		92,514,964	94,427,241		
Provisions for bad and doubtful debts		(1,850,299)	(1,888,545)		
Net Student Balances		90,664,665	92,538,696		

Note 22: Receivables from non-exchange transactions			
MoE- Capitation June		-	-
		-	-
Note 23: Inventories		Kshs.	Kshs.
Central stores		3,172,051	3,440,874
Medical		2,617,550	735,423
Laboratory reagents		5,949,782	5,563,716
Catering		655,599	887,300
Games & Sports		947,360	1,180,595
		13,342,342	11,807,907
Note 24: Biological Assets		Kshs.	Kshs.
Tea Bushes		3,791,424	3,869,424
Cows		894,740	961,240
		4,686,164	4,830,664
<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 5 cows for milk production, 7 weaners (4 heifers & 3 bulls) and 5 calves (1 heifer and 4 bull calves).</p>			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY									
FIXED ASSET SCHEDULE AS AT 30TH JUNE 2022									
Note (25a)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST									
BALANCE AS AT 30.06.20	359,000,000	1,498,016,321	81,292,460	74,731,877	93,443,646	138,389,711	2,244,874,015		
ADDITIONS	-	7,319,912	8,464,201	3,106,553	6,742,000	8,731,167	34,363,833		
GRANTED ASSETS	-	-	104,240	374,040	1,837,500	-	2,315,780		
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		
DEPRECIATION									
ACCUMULATED DEPRECIATION 30.06.20	0	86,972,363	76,015,117	30,269,322	66,442,949	75,717,779	335,417,531		
AMORTISATION FOR THE YEAR	-	3,788,912	7,818	4,238,546	114,844	-	8,150,120		
DEPRECIATION FOR THE YEAR	-	28,717,035	5,133,520	3,492,285	4,972,049	7,668,531	49,983,420		
AMORTIZATION OF REVALUED AMOUNTS	-	4,076,468	836,752	125	6,117,635	3,389,708	14,420,688		
IMPAIRMENT LOSS ON REVALUED ASSETS	-	15,545,250	-	-	-	-	15,545,250		
DEPRECIATION 30.06.21	0	52,127,665	5,978,090	7,730,956	11,204,528	11,058,239	88,099,478		
ACCUMULATED DEPRECIATION 30.06.21	0	139,100,028	81,993,207	38,000,278	77,647,477	86,776,018	423,517,009		
AMORTISATION 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		
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		
Net Book Value 30.06.22	359,000,000	1,335,861,310	7,245,555	32,848,386	13,069,780	70,809,568	1,818,834,599		
Net Book Value 30.06.21	0	1,366,236,205	7,867,694	40,212,192	24,375,668	60,344,860	1,858,036,619		

The figure for depreciation charge for the year reflected in note 18 includes amortization of intangible assets of Kshs2,401,216 which is reflected in note 26.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY									
SUMMARY OF GRANTED ASSETS AS AT 30.06.2022									
Note (25b)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLE	EQUIP & FURNITURE	TOTAL		
BALANCE AS AT 30.06.2020	10,796,000	151,556,510	-	38,291,806	16,417,705	4,251,052	221,313,073		
ADDITIONS	-	-	104,240	374,040	1,837,500	-	2,315,780		
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		
DEPRECIATION									
ACCUMULATED AMORTIZATION 30.06.2020	-	56,639,441	-	13,113,495	16,417,705	4,251,052	90,421,692		
AMORTIZATION FOR THE YEAR	-	3,788,912	7,818	4,238,546	114,844	-	8,150,120		
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		
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		
NBV AS AT 30.06.2021	10,796,000	91,128,157	96,422	21,313,805	1,722,656	-	125,057,040		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 26 :Intangible Assets- Computer Software		
COST		Kshs.
BALANCE AS AT 30.06.2020		19,888,589
ADDITIONS		3,637,022
BALANCE AS AT 30.06.2021		23,525,611
ADDITIONS		1,988,045
BALANCE AS AT 30.06.2022		25,513,656
ACCUMULATED AMORTIZATION 30.06.20		17,183,376
AMORTIZATION FOR THE PERIOD		2,601,367
ACCUMULATED AMORTIZATION 30.06.21		19,784,743
AMORTIZATION FOR THE PERIOD		2,401,216
ACCUMULATED AMORTIZATION 30.06.22		22,185,959
Net Book Value 30.06.2022		3,327,697
Net Book Value 30.06.2021		3,740,868

		2021/2022	2020/2021
Note 27: Capital Work-In-Progress		Kshs.	Kshs.
Resource Center- Additional roofing		-	3,179,582
Library Phase I		374,255,886	282,874,543
		374,255,886	286,054,125

Capital work in progress relates to amounts incurred and paid for construction of the Library. The works for additional roofing are complete and transferred to buildings.

		Kshs.	Kshs.
Note 28: Trade & Other Payables		Kshs.	Kshs.
Trade Creditors		6,473,711	10,522,027
Part time Lecturers		7,726,800	12,759,486
Unexpended NRF research funds		-	2,394,780
Contractors' Balance		19,456,331	-
Contractors' Retention Fees		22,331,014	22,331,014
Student prepayments		41,566,975	34,243,601
Unutilized HELB		539,000	479,500
		98,093,831	82,730,408

		Kshs.	Kshs.
Note 29: Provision		Kshs.	Kshs.
Provisions for Staff leave days		7,128,661	4,993,951
Provision for Audit Fees		696,000	1,392,000
Provisions for Gratuity		25,418,690	18,696,595
		33,243,351	25,082,546

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

		Kshs.	Kshs.
Note 30: Accumulated Capital Fund		Kshs.	Kshs.
Balance B/F		1,587,124,911	1,557,900,556
Capital Grants for the year		50,000,000	29,224,355

Balance as at 30.06.22		1,637,124,911	1,587,124,911
Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2021/22 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.			
Capital Grants 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 subsidiary loan agreement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022	2020/2021
Note 31: Revenue reserve	Kshs.	Kshs.
Surplus/Deficit B/F	100,463,275	132,975,661
Surplus/Deficit for the period	(21,246,608)	(70,369,433)
Transfer of amortized revalued PPE	11,701,256	14,420,688
Valuation of Biological Assets	(2,520)	280,140
Unrealized Tea farm bonuses	-	(157,807)
Adjustment in Leave Provisions	-	2,125,252
Part-time Claims Reconciliation	(3,702,871)	-
Provision for Staff Bond	7,965,375	-
Prior year adjustment on staff prepayment	-	5,524,996
Decrease in Provisions for bad & doubtful debts	38,246	118,529
Impairment Loss on Revalued assets	-	15,545,250
	95,216,153	100,463,275
Note 32: Revaluation reserve	Kshs.	Kshs.
Balance B/F	517,430,297	547,396,236
Transfer of amortized revalued PPE	(11,701,256)	(14,420,688)
Impairment Loss on Revalued assets	-	(15,545,250)
Balance as at 30.06.22	505,729,041	517,430,297

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. In addition, Impairment Loss on Revalued Assets relates to the closure of Itiati (Ragati Tea Factory) that hosted School of Education by 30th June 2021.

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 94,427,241	Management has continued to communicate to students on timelines for fee payment as per the approved fee payment policy.	Vice Chancellor	Ongoing	
2.	Recognition of staff bond amounts as a contingent asset instead of debtors.	The amounts have been recognized as debtors	"	Resolved	
3.	Long outstanding part-time lecturers dues	The amounts due as at 30 th June 2021 have been settled	"	Resolved	
4.	Contingent liability in respect to part-time teaching claims	The details have been provided for review	"	Resolved	
5.	Unrecovered rent deposit	The University is still pursuing the amounts from the premise owner(NSSF)	"	Ongoing	
6.	Non-compliance with Ethnic Diversity	Persons from marginalized communities are encouraged to apply for vacant positions when advertisements are made	"	Not resolved	



Prof. Mucai Muchiri, 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	374,255,886	76.17%	50,000,000	50,000,000	GOK
	491,331,404	374,255,886		50,000,000	50,000,000	

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	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	750,080,203	-	50,000,000	800,080,203	751,232,399
Total	750,080,203	-	50,000,000	800,080,203	751,232,399

Appendix IV: LITIGATION STATUS

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

Suit No and details	Subject Matter	Implication/ contingency Kshs
1. 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. The matter will be mentioned on 13 th July 2022.	569,403.05
2. Karatina PMCC ELRC Cause no. 5 of 2021 – Peter Mbira Wakahiga vs Karatina University	The Claimant alleges to have taught 17 part-time courses in the years 2012-2014. His claim amounts to Kshs. 705,240/- The Claimant has not particularized the 17 courses that he allegedly taught. The pre-trial conference of the matter was conducted on 2nd February 2022. The hearing of the matter was scheduled on 4 th May 2022. The matter is at the closing submission stage.	1,102,183.26

Appendix V: INTER-ENTITY CONFIRMATION


KARATINA UNIVERSITY				
Break down of Transfers from State Department of University Education and Research				
a	Recurrent Grants			
Bank Statement Date	Amount (Kshs)	FY	Quarter	
03/08/2021	62,294,016	2021/2022	Q1	
01/09/2021	62,294,016	2021/2022	Q1	
29/09/2021	62,294,015	2021/2022	Q1	
2/11/2021	62,294,016	2021/2022	Q2	
26/11/2021	62,294,016	2021/2022	Q2	
28/12/2021	62,294,015	2021/2022	Q2	
01/02/2022	62,294,016	2021/2022	Q3	
02/03/2022	62,294,016	2021/2022	Q3	
01/04/2022	62,294,015	2021/2022	Q3	
28/04/2022	62,294,016	2021/2022	Q4	
06/06/2022	63,570,023	2021/2022	Q4	
28/06/2022	63,570,023	2021/2022	Q4	
Total	750,080,203			
b	Development Grants			
12/8/2021	25,000,000	2021/2022	Q1	
16/3/2022	25,000,000	2021/2022	Q3	
	50,000,000			

The above amounts have been communicated to and reconciled with the Parent Ministry

Dr. Grace Kakiya
Finance Officer
Karatina University

CPA . Johnson Njuguna
Head of Accounting Unit
Ministry of Education

Sign.....

Sign.....

Date.....13/7/2022

Date.....13/07/2022

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		
Botanical Garden	Conservation of natural habitats	Environmental Conservation	Fencing and maintenance of the garden				49,200	GoK	Karatina community (staff & students) University (staff & students)
Green Concept	Green Initiatives	Environmental sustainability	Green cycling; Green competition; Waste segregation;				332,328	GoK	Karatina community (staff & students) University (staff & students)
Water Supply	Use of solar in pumping water	Conserve energy	Repairing the borehole pump				211,600	GoK	Outsourced service provider- Supplier

Name and contact details of contact person (in case of any clarifications)

Telephone Number: 0729721200

Email Address: vc@karu.ac.ke

Name of CEO: Prof. Mucai Muchiri

Appendix VII: DISASTER EXPENDITURE REPORTING

Period to which this report refers (FY)	Year: 2021/2022				Quarter: 4 th
Name of Reporting Officer	Prof Mucai Muchiri				
Contact details of the reporting officer:	Email: vc@karu.ac.ke Telephone: 0729721200				
Column I	Column II	Column III	Column IV	Column V	Column VI
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)
Covid -19 mitigation measures		Pandemic	Mitigation	Covid -19 preventive measures	137,656
					N/A