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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**UNIVERSITY OF KABIANGA**

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



**UNIVERSITY OF KABIANGA**  
**P.O BOX 2030-20200 KERICHO, KENYA**  
**TEL: 020-2172665**

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**UNIVERSITY OF KABIANGA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2023**

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

University of Kabianga  
Annual Report and Financial Statements  
For the Year ended 30<sup>th</sup> June 2023

## TABLE OF CONTENTS

	<b>Page</b>
TABLE OF CONTENTS .....	iii
1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS .....	iv
2. KEY UNIVERSITY INFORMATION AND MANAGEMENT .....	v
3. MEMBERS OF COUNCIL.....	xiii
4. UNIVERSITY MANAGEMENT TEAM.....	xvii
5. CHAIRMAN'S STATEMENT.....	xx
6. VICE-CHANCELLOR'S STATEMENT .....	xxiii
7. STATEMENT OF UNIVERSITY OF KABIANGA'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023.....	xxvi
8. CORPORATE GOVERNANCE STATEMENT .....	xxxi
9. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxvi
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xl
11. REPORT OF THE COUNCIL.....	xlv
12. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES .....	xlvi
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF UNIVERSITY OF KABIANGA. ....	xlix
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023 .....	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 .....	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023 .....	3
17. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023 .....	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 .....	5
19. NOTES TO THE FINANCIAL STATEMENTS .....	9
20. APPENDICES .....	44

## 1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

### A: Acronyms and Abbreviations

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
DG	Director General
DVC	Deputy Vice Chancellor
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
VC	Vice Chancellor

### B: Glossary of Terms

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the University.

**Comparative Year-** Means the prior period.

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

### **(A) BACKGROUND INFORMATION**

University of Kabianga is located in Kericho County in the famous scenic tea-growing highlands in the Southern end of the Mau Forest Region of Kenya. It occupies the grounds formerly held by Kabianga Farmers Agricultural Training Centre. In 2007, the Centre was converted to a Campus of Moi University and later elevated to a Constituent College in 2009. The College was then elevated to a fully-fledged University and awarded a Charter in 2013 with the initial five (5) Schools. Currently, the University has three (3) Campuses, newly reconstituted five (5) Schools comprising of 15 Departments and five (5) Directorates that support the achievement of the core mandate of the University.

The Kabianga Complex which included the Kabianga High School & Primary School and Kabianga Farmers Centre has a long history dating to 1925 and has been a centre of excellence in Farmer's Training, Teacher Education, Secondary, Primary Education and the 300 Acre Kipsigis County Council Tea Farm. Indeed the current Kericho Teachers' Training College was situated at the Kabianga Complex until 1963 when it was moved to the current location in Kericho Town.

The University stands on 100 acres of land and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

Since its inception, the University embarked on the expansion of physical facilities. These include library, modern hostels, laboratories, health unit, lecture theatres, water treatment plant, septic tank elevated water tank and Network Infrastructure. Plans are underway to put up more administrative offices to cater for the surging demand.

## **(b) PRINCIPAL ACTIVITIES OF THE UNIVERSITY**

The main activities of the University of Kabianga are as follows:

- i. To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya.
- ii. To participate in the research, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya.
- iii. To provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing , contribute to manpower needs;
- iv. To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University;
- v. To examine and make proposals for new faculties, schools , institutes , departments, resource and research centres, degree courses and subjects of study;
- vi. To play a leading role in the development and expansion of the opportunities for higher education and research;
- vii. To contribute to industrial and technological developments through innovations and technology transfer.
- viii. To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, and consultancy services;
- ix. To participate in commercial ventures and other activities for the benefit of the institution, the community and stakeholders;

- x. To contribute to agriculture, industrial and technological development of Kenya in collaboration with industrial and other institutions through the transfer of appropriate technology;
- xi. To provide programmes, products and services in ways that reflect the principles of equity and social justice;
- xii. To facilitate student mobility between different programmes at different training institutions, universities and industry; and
- xiii. To foster the general welfare of all staff and students.

**VISION:**

To be a leading University in scientific innovation for the betterment of humanity

**MISSION:**

To create, preserve and transfer knowledge and technology through quality and entrepreneurial education, research, extension, and partnership with government, industry and non-state actors whilst ensuring a sustainable environment.

**CORE VALUES:**

The core values of the University coined as "METIP" reflects the University Culture and is meant to inspire efficient and effective service delivery across the University. These core values take cognizance of the National values and principles of governance as espoused in Articles 10 and 232 of the Constitution. They are:

M- Meritocracy

E- Excellence

T- Teamwork

I- Innovation

P- Professionalism







**(c) KEY MANAGEMENT**

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

- i. University Council
- ii. University Management Board
- iii. University Senate.

**(d) FIDUCIARY MANAGEMENT**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibilities were:

S/N	Designation		Name
1.	Vice-Chancellor (Retired on 20 <sup>th</sup> June, 2023)		<b>Prof. Wilson K. Kipngeno</b> , MBS B.Sc M.Sc (UoN), PhD(University of California, Riverside)
2.	Acting Vice- Chancellor (from 21 <sup>st</sup> June, 2023) and Deputy Vice-Chancellor (Academic & Student Affairs)		<b>Prof. Elijah I. Omwenga</b> B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)
3.	Deputy Vice- Chancellor (Administration and Finance)		<b>Prof. Eric Koech</b> , MBS B.Sc (UoN), M.Sc (Mc Gill), PhD (North Wales, UK)
4.	Deputy Vice- Chancellor (Planning, Research and Development)		<b>Prof. Maurice O. Oduor</b> B.Ed (Maseno University) M.Sc (Pure Mathematics)- Maseno University PhD (Pure Mathematics)- Maseno University
5.	Finance Officer		<b>CPA. Willy K. Koech</b> BBM Accounting(Moi University), CPA (K), MBA (UoK),
6.	Registrar (Administration)		<b>Mr. Peter K. Kimalel</b> BA(Moi University), EMBA (UoK), PG Dip HRM (Moi University)

7.	<b>Registrar (Academic)</b> 	<b>Dr. Cecilia C. Sang</b> BEd. Home Science (KU), M.Ed. (Egerton University), PhD.(Egerton University)
8.	<b>Registrar (Planning, Research &amp; Development)</b> 	<b>Rev. Dr. Edwin Too</b> BTh. (KHEU) M.Ed (University of Manchester) M.Div.(AIU), PhD (Kabarak University),

### (e) FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council. In the financial year ended 30<sup>th</sup> June 2023 the University had the following Committees of Council:

#### 1) AUDIT COMMITTEE

- |                             |                            |
|-----------------------------|----------------------------|
| 1. Mr. Aggrey S. Shikanga   | Chairman                   |
| 2. Dr. (Mrs.) Anne A. Oburu | Member                     |
| 3. Mr. Stephen I. Muiruri   | Member /Rep NT             |
| 4. Mr. Elkanah Mochama      | Internal Auditor/Secretary |

#### 2) FINANCE RESOURCE MOBILIZATION AND INFRASTRUCTURAL DEVELOPMENT COMMITTEE

- |                             |                           |
|-----------------------------|---------------------------|
| 1. Mr. William P. Mayaka    | Chairman                  |
| 2. Mr. James K. Bett        | Member                    |
| 3. Mr. Stephen I. Muiruri   | Member /Rep NT            |
| 4. Vainadu Titus Z. Ingana  | Member/Rep MOE            |
| 5. Prof. Wilson K. Kipngeno | Vice-Chancellor/Secretary |

**3) ACADEMIC, RESEARCH, PLANNING, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE**

- |                             |                           |
|-----------------------------|---------------------------|
| 1. Mr. David Njagi Ngonge   | Member                    |
| 2. Mr. James K. Bett        | Member                    |
| 3. Vainadu Titus Z. Ingana  | Member/Rep MOE            |
| 4. Prof. Wilson K. Kipngeno | Vice-Chancellor/Secretary |

**(f) UNIVERSITY REGISTERED OFFICE**

University Of Kabianga  
Off Kericho- Kisii Road  
P.O Box 2030 - 20200,  
Kericho.

**(g) UNIVERSITY CONTACTS**

Telephone: 020-2172665  
E-mail: [vc@kabianga.ac.ke](mailto:vc@kabianga.ac.ke)  
Website: [www.kabianga.ac.ke](http://www.kabianga.ac.ke)

**(h) BANKERS OF THE UNIVERSITY**

1. Co-operative Bank,  
Kericho Branch.
2. Kenya Commercial Bank  
Kericho Branch.
3. Standard Chartered Bank  
Kericho Branch.
4. Equity Bank  
Litein Branch.

**(i) INDEPENDENT AUDITORS**




Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya





**(j) PRINCIPAL LEGAL ADVISER**


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

### 3. MEMBERS OF COUNCIL





<p><b>Dr. Adelaide M. Mbithi (HSC) Chairman of Council</b> PhD (UoN); MSc. (USIU); B, Ed. (Science) –UoN; Dip (Montreal, Canada).</p> 	<p>Dr Adelaide Mbaika Mbithi is a Scholar and a Higher Education Development, Management and Training Consultant and Expert in Kenya. She has risen through the ranks from a registered graduate teacher to an administrator in the University. Adelaide has served in several public, private and religious boards at the national, county and at community level. As a scholar, Adelaide has attended and presented papers at seminars, symposia and conferences as well as publishing in peer reviewed journals and has supervised PhD and Masters Theses in the fields of business administration, human resources and project management. Adelaide has professional training, certification and experience in strategic management, transformational leadership and corporate governance among others. She is a registered member of professional associations and institutes. She was appointed as Chairman of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>
<p><b>Prof. Wilson K. Kipngeno, MBS Secretary (Retired on 21<sup>st</sup> June, 2023)</b> B.Sc, M.Sc (UoN), Ph.D (California, Riverside)</p> 	<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen through the ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration Planning and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University College since May 2009. He was re-appointed as Vice-Chancellor of Council of University of Kabianga on the 18<sup>th</sup> June, 2018 and served up to 20<sup>th</sup> June, 2023.</p>
<p><b>Prof. Elijah I. Omwenga, Acting Vice-Chancellor (from 21<sup>st</sup> June, 2023) and Deputy Vice-Chancellor (A&amp;SA)</b> B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bu-lawayo, PhD Comp. Sc (UoN)</p>	<p>Professor Elijah I. Omwenga is the Deputy Vice-Chancellor (Academic and Student Affairs) at the University of Kabianga and currently the Ag. Vice-Chancellor. Prof. Omwenga holds a PhD in Computer Science from the University of Nairobi in the area of Information Systems. He has published over sixty scholarly articles in high impact journals and academic platforms and written three University level books. He is currently the University representative at Kenya Industrial Property Institute (KIPI) and has previously served in several other boards including the Chairman of Kabete National Polytechnic, ICT Authority, NACOSTI, KENET and Child Fund International. He is a Commonwealth</p>







	<p>and VLIR Scholar. He is also an Advantage Corporate Governance Alumni of South Africa. He was appointed as Acting Vice-Chancellor of the University on 21<sup>st</sup> June, 2023.</p>
<p><b>Vainadu Titus Zakayo Ingana</b> <b>Council Member</b> BSc. (UoN), MSc.(UoN)</p> 	<p>Vainadu Titus Zakayo Ingana represents the Principal Secretary – State Department for University Education and Research, Ministry of Education. He is a former United Nations Advisor to the Prime Minister of Timor Leste-Indonesia under UNDP. He is currently serving as a Researcher in the Ministry of Education. He is the Kenyan Focal Point Officer on Science, Technology and Development (ST&amp;D) to the Commission for Science, Technology and Development (CSTD), UNCTAD, Geneva. His task is to spearhead the development of Kenya's Issues Papers on various themes as requested for annually by CSTD/UNCTAD.</p> <p>He worked in Rwanda in the period 2015- 2017 on "Work Place Human Resource-based Value Chain Assessment"; A Skills Audit Programme for the Capacity Development and Employment Services Board (CESB) of the Republic of Rwanda, based on ISCO, 2012.</p> <p>Ingana has authored twenty (20) Books in various fields and one of the Books, "The Politicians Speech" is being prepared to be acted as a Movie. He is the founder of Firmword Church worldwide. He was appointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020 and his term of service expired on 3<sup>rd</sup> June 2023</p>
<p><b>Mr. Stephen I. Muiruri</b> <b>Council Member</b> B.A (Gujarat University) M.A (Gujarat University)</p> 	<p>Mr. Stephen I. Muiruri represents the Principal Secretary, National Treasury. He is an economist who joined Global Fund Program as the Deputy Coordinator and formed a fully-fledged unit for Global Fund Program dealing with Coordination and management while reporting directly to the Principal Secretary, National Treasury. Formation this Fund led to Kenya attracting substantial grants from Global Fund. Kenya receives the highest grants from Global Fund within the region. This also led to Kenya becoming the best country regionally in terms of grant portfolio and management and the President of Kenya was nominated as a champion in mobilization of Global Fund resources during the replenishment conference held in Washington in the year 2019. He was appointed as member of Council of University of Kabianga on the 9<sup>th</sup> January,</p>


	2020.
<p><b>Hon. James Kimaru Bett MP Council Member</b> M.Com. (GOA Uni. India), B.Com. (Business Admin.) (KU), Post Graduate Dip. (CIPS)</p> 	<p>Hon. James Kimaru Bett served in the 11<sup>th</sup> parliament as MP for Kesses Constituency; he was a member of Public Accounts Committee. He also worked as civil servant from 1998-2012 in diverse ministries as a procurement officer. He is a dedicated public servant who believes in equality and the empowerment of all cadres of people in Kenya. He was appointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>
<p><b>Amb. Aggrey Shikanga Shitsama Council Member</b> LLB(UoN); LLM (UoN)</p> 	<p>Amb. Aggrey Shikanga Shitsama is an accomplished legal practitioner, Administrator, Manager and Diplomat. He is an Advocate of the High Court of Kenya since 13/10/1980. Since 1982 to date he has been in Private Legal Practice. From 2011 to March 2014 he served as the Chairman Standards Tribunal appointed under the Standards Act. He was appointed as an in 2014 Ambassador and posted by the Government of Kenya as Deputy Ambassador Deputy Head of Mission/ Head of Chancery Kenya's Mission in Addis Ababa Ethiopia. In 2019 he resorted back to full time private practice. He was appointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>
<p><b>Dr. (Mrs.) Anne A. Oburu Member</b> BSc. (Lumumba), M.MED (UoN)</p> 	<p>Dr. (Mrs.) Anne Oburu has wide experience in the Public Service. She has worked as a Doctor in charge of Paediatrics Nyanza General Hospital, Coast Provincial Hospital and Private Practice. She was appointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>
<p><b>David Njagi Ngonge Council Member</b> BSc. (UoN); M.A (UoN)</p> 	<p>David Njagi Ngonge is a Consultant in Environmental and Alternative Dispute Resolution (ADR). He holds an MA degree in Environmental Law and a BSc degree in Agriculture from the University of Nairobi. He has a post-graduate Certificate in Rice Production from Tsukuba International Training Centre, Japan and a Certificate in Environmental Impact Assessment and Audit from Africa Nazarene University. He is currently pursuing his</p>

	<p>PhD degree in Environmental Law at the University of Nairobi. Ngonge is an expert in Alternative Dispute Resolution (ADR) having been trained and certified as an Arbitrator by Chartered Institute of Arbitration (Kenya and London) and a Certified Professional Mediator by Mediation Training Institute (MTI) East Africa. He is a member of Chartered Institute of Arbitrators (MCI Arb) and a Judiciary Accredited Court Annexed Mediator in Kenya. He is registered with NEMA as an Environmental Impact Asser/Auditor (EIA/EA) Lead Expert and is a member of Environment Institute of Kenya (EIK). He also served as a Board Member at Tana Water Works Development Agency. He was appointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>
<p><b>Mr. William P. Mayaka, (EBS)</b>          MPA (Havard)          PGC (Princeton)          BA (Colby)</p> 	<p>Mr. William Mayaka is a retired Permanent Secretary (<b>PS</b>) having served in that capacity in the Ministry of Environment &amp; Natural Resources; Industrialization; and then Tourism. A career civil servant, he served in the Ministry of Finance (then The Treasury) where he rose from an Assistant Secretary to Deputy Secretary (<b>DS</b>). He then served as DS in the Ministries of: Local Government; Agriculture; Environment &amp; Natural Resources; and then Labour &amp; Manpower Development before being honoured with appointment as PS. He has also served as member of Council, Maseno University; Director of the Board of Kenya Reinsurance Corporation; and Chairman of the Board of Directors of Nyayo Tea Zones Development Corporation. He was reappointed as member of Council of University of Kabianga on the 4<sup>th</sup> November, 2020.</p>

#### 4. UNIVERSITY MANAGEMENT TEAM

S/N	Designation	Name
1.	<p><b>Prof. Wilson K. Kipngeno, MBS</b> Secretary (Retired on 21<sup>st</sup> June, 2023)</p> 	<p><b>Prof. Wilson K. Kipngeno, MBS</b> B.Sc M.Sc (UoN), PhD (University of California, Riverside)</p>
2.	<p><b>Prof. Elijah I. Omwenga, Acting Vice-Chancellor</b> (from 21<sup>st</sup> June, 2023) and <b>Deputy Vice-Chancellor</b> (Academic &amp; Student Affairs)</p> 	<p><b>Prof. Elijah I. Omwenga</b> B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)</p>
3.	<p><b>Deputy Vice- Chancellor</b> (Administration and Finance)</p> 	<p><b>Prof. Eric Koech, MBS</b> B.Sc (UoN) M.Sc (Mc Gill PhD (North Wales, UK)</p>
4.	<p><b>Deputy Vice- Chancellor</b> (Planning, Research and Development)</p> 	<p><b>Prof. Maurice O. Oduor</b> B.Ed (Maseno University) M.Sc (Pure Mathematics)- Maseno University PhD (Pure Mathematics)- Maseno University</p>
5.	<p><b>Finance Officer</b></p> 	<p><b>CPA. Willy K. Koech</b> BBM Accounting (Moi University), CPA (K), MBA (UoK)</p>

6.	<b>Registrar (Administration)</b>		<b>Mr. Peter K. Kimalel</b> BA (Moi University), PG Dip HRM (Moi University), EMBA (UoK)
7.	<b>Registrar (Academic Affairs)</b>		<b>Dr. Cecilia C. Sang</b> BEd. Home Economics (KU), M.Ed. (Egerton University), Ph.D.(Egerton University)
8.	<b>Registrar ( Planning, Research &amp; Development)</b>		<b>Dr. Rev. Edwin Too</b> BTh. (KHEU), M.Div.(AIU), M.Ed (University of Manchester) PhD (Kabarak University)
9.	<b>ICT Director</b>		<b>Mr. Geoffrey K. Sowek</b> M. Sc. (KCA), BSc. Computer Science (Egerton University)
10.	<b>Legal Officer</b>		<b>Ms. Robai W. Ayuma</b> LLB (Moi University), Dip. in Law (Kenya School of Law)
11.	<b>Ag. Deputy University Librarian (Upto 30<sup>th</sup> April 2023)</b>		<b>Ms. Janet Nankui</b> Msc. Library and Information Studies (Moi University) Bsc. Library and Information Sciences (Moi University) Dip. Library and Information Studies (KSPS)

<p>12.</p>	<p><b>Ag. Deputy University Librarian (From 1<sup>st</sup> May 2023)</b></p> 	<p><b>Ms. Regina Ochieng</b></p> <p>Msc. Library and Information Studies (Kenyatta University) Bsc. Library and Information Sciences (Kenyatta University) Dip. Library and Information Studies (Sigalagala T.T.I)</p>
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## 5. CHAIRMAN'S STATEMENT

It gives me great pleasure to present University of Kabianga's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023. University of Kabianga operates within a framework of strong corporate governance. The Council Chairman leads a competent team of Council members in steering the University towards realization of its vision "to be a leading University in scientific innovation for the betterment of humanity".

During the year under review, the University received minimal increased government grants to finance its recurrent budget from **Ksh. 814,061,889** to **Ksh. 814,344,603** in financial years 2021/2022 and 2022/2023 respectively. The development funding allocation for FY 2022/2023 was **Ksh. 70M**, however **ksh. 27.6M** was received as per the revised budget compared to **Ksh.90M** for the FY 2021/2022. The disbursement for FY 2022/2023 was received in two tranches, in both the first Quarter FY2022/2023 and FY2023/2024. The continued low allocation of G.o.K development funding has affected the implementation of Government development projects.

Internally generated funds realized by the University during the year amounted to **Ksh.430M** compared to **Ksh. 370M** in FY 2021/2022. The main component of internally generated funds is tuition and tuition related fees which amounts to **Ksh.409M** compared to **Ksh.352M** in FY2021/2022 while other incomes amount to **Ksh.20M** compared to **Ksh.18.3M** respectively.

The total revenue received in FY 2022/2023 was **Ksh1.24 Billion** compared to **Ksh 1.18 Billion** in FY 2021/2022. The total expenditure decreased from **Ksh1.36 Billion** in the FY 2021/2022 to **Ksh1.35Billion** in the FY 2022/2023. The decrease in expenditure was attributed to revaluation of University asset, however employee costs and use of goods expense increased due to continued implementation of CBA 2017-2021 which has not been fully funded, general inflation and full re-

sumption of physical learning post COVID in the university. During the same period, the funding level from the Government was notably low and not able to meet both the recurrent and development expenditure requirements of the University. It is also noted with concern that as at end of the Financial Year, the University had a deficit of **Kshs. 107.9M** compared to **Ksh.181M** in the FY 2021/2022. This is attributed to continued rationalization of the budget.

The University has continued to implement its Master Plan, which informs its infrastructural development. Despite the dwindling funds during the financial year, the University continued to make substantial progress in terms of capital development by undertaking the following projects; Lecture Theatre Block Phase IV, University Library and Dining Hall. The Lecture Theatre Block Phase IV was completed during the year under review. These projects are funded by the Government through G.O.K development grants except the dining hall funded by university internal resources. The University could not have achieved the progress realized so far without the much-needed financial support from the Government of Kenya during the period under review. However, the University is likely to face challenges related to upward trajectory in commodity prices and reduction or delayed disbursement of the capital funds allocated for the financial year.

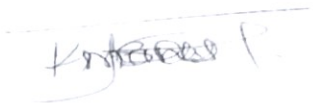
The University continues to undertake its core mandate on teaching, research and extension. During the period, the University graduated a total of **1,104** Students in different levels as compared to **1,858** Students in 2022. As a result, the university attained a transition rate of 94.3%.

In terms of research the University has continued to engage in research aimed at contributing towards realization of the Government's National Development Goals. During the financial year, the University continued the operation of Fruit Juice Processing Plant in its Main Campus to process pineapples and other fruits. The facility addresses the Governments' National Development Agenda of manufacturing and value addition as well as enhanced food and nutrition secu-

riety. The juice processing plant plays a pivotal role within the economic pillar of Vision 2030 and the Sustainable Development Goals. The University also engaged the community in extension services geared towards promoting Corporate Social Responsibility.

To be able to contribute effectively to the realization of the government's priority areas such as the National Development Agenda, Sustainable Development Goals and Vision 2030 and to remain competitive in the industry, the University endeavours to produce the relevant human capital that will drive the country towards knowledge-based economy. In terms of good governance, the University has continued to uphold the tenets of good corporate governance by being innovative, transparent, accountable, socially responsive as well as promoting excellence and exercise fairness in all its dealings.

Finally, I wish to appreciate the support that the Government and the Ministry of Education has offered to the University over the years and look forward to similar support in the coming years. Specifically, I wish to acknowledge the commitment and dedication of the University Management and staff who have continued to perform their duties with skill, loyalty and team spirit to enable the University achieve its milestone. My sincere appreciation also goes to my colleagues in the Council for their tireless devotion; team spirit and valued guidance. I look forward to similar and even more enthusiasm and cooperation in the future.



**SIGNATURE:** .....

**DATE:** 5.4.2024

**DR. ADELAIDE M. MBITHI, PhD, HSC  
CHAIRMAN OF COUNCIL**

## **6. VICE-CHANCELLOR'S STATEMENT**

I am pleased to present the 10<sup>th</sup> Annual Report and Financial Statements for the University of Kabianga for the year ended 30<sup>th</sup> June, 2023. The University has undergone significant transformation within the reporting period that will provide a platform to build on in the future.

Since its inception, the University embarked on expansion of physical facilities and it continues to implement various infrastructure developments in its Master Plan and Strategic Plan (2022-2027). The ongoing projects undertaken in FY 2021/2022 include University Library and Resource Centre, Lecture Theatre Phase IV, and Students Dining Hall. During FY 2022/2023, the University continued to implement internal reforms that were undertaken in response to requirements of Commission for University Education which required rationalization of programmes, departments and schools, as well as re-engineering of processes and restructuring of campuses. This was done with the objective of making the operations of the University lean, more efficient and cost effective.

The university has five schools namely School of Health Sciences, School of Agricultural Sciences and Natural Resources, Business and Economics, Education, Arts and Social Sciences, Science and Technology. In addition, the university has five (5) directorates namely: Directorate of Quality Assurance, Graduate Studies, Gender and Development, Research, Linkages and Extension and ICT directorate to support academic activities of the university.

In terms of campuses, the University has three accredited campuses namely: Main campus Kapkatet campus offering biomedical courses, Sotik and Kericho town campuses. The University continues to develop competitive and market driven academic and professional programmes with a view to nurturing innovation and talents amongst students. The University endeavors to produce the relevant human capital that will drive the country towards knowledge-based

economy and realize the achievement of the government Nation Development Agenda and Vision 2030. During the financial year 2022/2023, the University conducted its 10<sup>th</sup> Graduation Ceremony on 11<sup>th</sup> November, 2022 and recorded 1,104 graduands.

University of Kabianga continues to uphold the tenets of good corporate governance by being innovative, transparent, accountable, persons of integrity, socially responsive as well as promoting excellence and exercise fairness in all its dealings. During the 2022/2023 financial year, the University continued implementing ISO 9001:2015 Quality Management Standards after certification by KEBS. This has greatly improved university processes in pursuit of excellence in service delivery in all areas.

The University has anchored Corporate Social Responsibilities activities to its Strategic Plan (2022-2027). Under the key result area of community outreach and extension services, the University is also committed to improve the lives of special groups (youth, women and persons with disability) by making contribution of resources to empower them with knowledge and skills. To appreciate the diversity of arts and cultures of communities and stakeholders, the university organizes annual cultural events that bring together diverse arts and cultural activities. These annual events promote national cohesion and integration among the students, staff and community.

During the year under review, the University received minimal increase in government grants to finance its recurrent budget from **Ksh. 814,061,889** to **Ksh. 814,344,603** in financial year 2021/2022 and 2022/2023 respectively. The development funding allocation for FY 2022/2023 was **Ksh. 70M**, however **Ksh. 27.6M** was received as per the revised budget compared to **Ksh.90M** for the FY 2021/2022 thus significantly affecting the University implementation of capital development projects.

It is worth noting that there was increase in internally generated funds from **Kshs. 370.5M** in FY 2021/2022 to **Kshs 430.4M** in FY 2022/2023. This was due to full resumption of face-to-face services to the students as per the Presidential directive.

During the financial year 2022/2023, the university continued experiencing the effects of COVID-19 Pandemic in the country and general inflation rates thus resulting to low payment of tuition and tuition related fees by the students. The University in the view of above challenges continues to embrace blended Learning through physical and on-line learning platform.

The University appreciates the support that the Government through the Ministry of Education has offered over the years.

SIGNATURE.....  
PROF. ERIC KOECH (PH. D, MBS)

DATE: 5. 4. 2024

VICE-CHANCELLOR

## 7. STATEMENT OF UNIVERSITY OF KABIANGA'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

During the period ended 30<sup>th</sup> June, 2023, University of Kabianga had two (2) core Pillars and five (5) enablers as follows:

### Core Pillars

Pillar 1: Academic

Pillar 2: Research, Innovation and Extension

### Enablers

1. Leadership and Governance
2. Human Resources
3. Administrative Support Services
4. Infrastructure Development
5. Financial Resources

University of Kabianga developed its annual work plans based on the above core pillars and enablers. Assessment of the Board's performance against its annual work plan is done on an annual basis. The University achieved most of its performance targets set for the FY 2022/2023 period on its strategic pillars and enablers, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Research Innovation and Extension Pillar	To enhance research activities to optimize Natural Resource, sustainable Land Use and entrepreneurship for the betterment of humanity	No. of workshops conducted Reports	Conduct sensitization workshops on University niche to staff and students	Workshop on UoK University niche was conducted on 24 <sup>th</sup> Nov. 2022 and on 27 <sup>th</sup> June, 2023
	To inculcate a vibrant culture of	No. of sensitization work-	Sensitize staff and students	Staff and students were sensitized on

	cutting-edge re- search amongst staff and students	shops	on research	cutting edge re- search through a workshop which was held virtually on 27 <sup>th</sup> September, 2022 and 17 <sup>th</sup> March, 2023
	To enhance traffic hitting to the UoK website	Global Webometric ranking	Upload re- search publi- cations to the UoK website	UoK Webometric Global ranking is 11,163. In the Times Higher Education, UoK is ranked 51 <sup>st</sup> in Sub Saharan Africa, and 5 <sup>th</sup> Nationally.
	To commercialize research products	No. of com- mercialized products	Sensitize staff on technology transfers	An innovation on fish finger lings has been identified and is be- ing processed for commercialization Another innovation on Smart Leather processing has been proposed to funders for commercializa- tion
	To identify one in- novation to incu- bate and com- mercialize	No. of innova- tions Identified	Sensitize staff to innovate	One (1) innovation received from Tech- nophiles Club from School of Health Sci- ences identified for incubation and commercialization
	To initiate and forge linkages and collaborations with strategic partners in the in- dustry	Minutes Corre- spondences Signed MoUs for linkages and collabora- tions	Hold meetings with strategic partners  Sign MoUs	Two linkages were forged during the period under review
	To enhance Exten- sion programmes	Reports Community feedback	Sensitize community on health issues	The Extension work- shop was conducted on non- communicable dis-

				eases to the community at Kimugul Tea Buying Centre near Kapkatet Campus
Leadership and Governance	To sustain ISO 9001:2015 Certification	Audit Reports MR reports Internal and External audits	Surveillance and post certification Audits	An internal audit was conducted from 19.07.2022 to 22.07.2022  Management review to be conducted on 30 <sup>th</sup> March 2023  Surveillance audit was conducted on 13 <sup>th</sup> & 14 <sup>th</sup> December 2022 with 85% positives
	To Implement performance contracting system	Invitations Minutes Negotiated targets Vetted targets Signed targets	Participate in PC negotiations, Vetting, reviewing and signing	2022-2023 PC negotiations & vetting exercise was successfully held on 2 <sup>nd</sup> August, 2022 and implementation of targets is ongoing
Infrastructural Development	To complete ongoing and initiate new projects	Progress reports  Completion certificates	Fast track ongoing projects  Initiate new projects	Lecture Theatre Phase IV was completed. The Library project is still work in progress. During the period under review, notification for the award of tender was given out for Lecture Phase V
Academic Pillar	Enhance research activities to optimize Natural Resource and Land Use for the betterment of Hu-	Conferences papers & attendance  Research reports	Research publications  Awareness created on the niche	Research on production of animal feeds from pineapple peels was carried out

	manity			
	To develop at least five competitive programmes annually for the planned period	Developed curricular	Develop market driven programmes	Five programmes developed for the planned period
	To offer training programmes on food security and health care	Number of graduates Training programmes  Attendance lists  Tracer study reports  Clinical data	To offer training programmes on food security and health care  To offer Outreach programmes on Health care	During the period <b>139</b> Health professionals graduated and <b>42</b> professionals graduated from the school of Agricultural Sciences and Natural Resources
	To increase the number of students enrolled annually by 15%	Open day schedule  Reports  Road show schedules developed	Enhanced budgetary allocation  Marketing strategies such as Road shows and Open days	Enrolment increased by 57% against the targeted annual enrolment of 15%  (2021/22 AY -1405) (2022/23AY – 2451)
	To enhance the use of ICT in teaching and learning	More computers and projectors acquired  Digitized course outlines  Use of ICT in teaching and learning	Procurement of ICT equipment and support use of ICT in teaching and learning process  Staff training on use of ICT in teaching and learning	-ICT was fully integrated in teaching and learning -Training on the use of ERP was carried out by ICT staff
	To launch online programmes MOOCS	List of online courses  Training man-	Identified courses Developed infrastructure to	<b>22</b> courses taught through the KENET Platform -Blended learning

		uals	support MOOCS training manuals	was continuously carried out
	To automate library operations	Automated system in place and fully operational  Off-campus access to e-resources	Automating library processes and acquiring Remote X Software	Library processes automated

## **8. CORPORATE GOVERNANCE STATEMENT**

The University Council is committed to maintaining the highest standard of integrity, professionalism, ethics and compliance with applicable laws in all its operations. In the performance of its functions, the University Council is guided by the Constitution of Kenya, the Universities Act, 2012 and other applicable laws. The Board (Members of the University Council) is committed to ensuring that the University Council's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices.

### **Members of the University Council**

The Council comprises of nine (9) members; the Chairman, five (5) independent members; the Principal Secretary, Ministry of Education, Principal Secretary, National Treasury and the Chief Executive Officer, the Vice-Chancellor (ex-officio member) who is the secretary to Council. The biographies of the Council Members are published on page xiii-xv. These Council Members possess a broad range of skills, qualifications and experiences required to plan and direct the affairs of the University

### **Council Committees**

For effective running of the affairs of the University, Council has delegated part of its responsibilities to standing committees. The committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Council. The Council has three standing committees as follows:

#### **1. Audit Committee**

The mandate of this committee is to review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.

#### **2. Finance, Resource Mobilization and Infrastructural Development Committee**

The committee oversees finance matters of the University which include resource mobilization, budgets and procurement.

### **3. Academic, Research, Planning, Human Resource and Administration Committee**

This committee deals with academics, research, planning and development, human resource and administrative matters as per the approved terms of references.

#### **Board Meetings and Attendance**

The Council and committee meetings are held once in every quarter depending on the needs of the business. The Council has established three committees to facilitate execution of its mandate. During the period FY 2022/2023, the University Council held four regular meetings for the Council and four for each of its committees as per the approved almanac for the FY 2022/2023. All members attended Council and committee meetings except one member who missed two Council meetings and two committee meetings. Conflict-of-interest register is availed during meetings for members to declare any form of existing or perceived interest on the items of the agenda. The Chairperson provides the overall leadership and governance to the Council.

#### **Process of Appointment and Removal of Council Members**

Council appointment is executed by the Government in line with Article 27 of the Constitution of Kenya. The appointment is through a transparent and formal process governed by the overriding principle of merit. The Chairperson is appointed by the President and independent members are appointed by the Cabinet Secretary of the Ministry of Education after confirmation that they fulfil the minimum skills, qualifications and experience as set out. Each Council member is appointed through a Gazette Notice by name and the members are expected to sit in the Council in their individual capacity with no powers to ap-

point alternates. Each Council member signifies acceptance of the appointment in writing and the acceptance sent to the appointing authority. The Council may recommend removal of a member based on non-performance, persistent non-attendance of meetings, unethical conduct or as set out in any constitutive documents or in applicable law.

### **Succession Plan**

Before expiry of the tenure of the serving members and representatives to the respective Principal Secretaries (PS), the University notifies the CS and the PS as a form of reminder of the pending expiry of contracts to ensure prompt appointments or re-appointments for smooth transition.

### **Existence of a Board Charter**

The Council has developed and adopted a Board Charter for implementation. The Board Charter defines the role, responsibilities and functions of the Council. The Charter also defines the conduct of meetings of Council and its committees, attendance, notice, agenda and Council papers, participation, quorum and decision making, resolutions and minutes, the role of the Chairperson, Chief Executive Officer, separation of roles, performance evaluation and governance audit. The Board Charter is periodically reviewed to align with the emerging laws and regulations governing of State Corporations.

### **Ethics and Code of Conduct**

The Council has developed and adopted a Code of Conduct intended to establish standards of ethical conduct and behaviour of its members. The Code aims at upholding Article 10 and Chapter six of the Constitution of Kenya

### **Roles and Functions of the Council**

Guided by Mwongozo and the University Charter 2013 the Council is mandated to make and approve Statutes for gazettment in accordance with the Act; determine the University's mission, vision, purpose and core values; determine the strategic direction of the University; set and oversee the overall strategy and approve significant policies, establish short and long term goals and to develop strategies to achieve the goals; approve the organizational structure, annual budget and procurement plan; monitor the organization's performance and ensure sustainability; enhance the corporate image; ensure availability of adequate resources for the achievement of the University's objective; establish adequate systems for internal controls; hire the CEO, on such terms and conditions of service as may be approved by the relevant Government organ(s) and approve the appointment of Senior Management Staff; and ensure effective communication with stakeholders.

### **Induction, Training and Development**

The Council provides new members with an effective induction programme to familiarize themselves with their mandate in the Council. The induction programme provides the Council member with an orientation of the University, strategic plans and policies, financial status, risk management, compliance programmes, Council Charter and Code of Conduct. The Council ensures that competency needs assessment is carried out periodically based on the annual evaluation reports and development plans prepared to address the identified gaps. The Council ensures provision of notice of training and development programmes relevant for members' continuous professional development.

### **Board and Member Performance**

The Council conducts annual evaluation to appraise its performance and performance of individual members as well as that of the Secretary. This exercise is

facilitated by the State Corporations Advisory Committee in accordance with a Board Evaluation Tool. The exercise provides an opportunity for the Council to identify strengths, collective skill gaps and individual areas of improvement

### **Board Remuneration**

The Council members are remunerated for their services in accordance with the prevailing relevant legislative provisions and relevant Government circulars as well as guidance from relevant authorities such as State Corporations Advisory Committee, Public Service Commission and Salaries and Remuneration Commission.

### **Governance Audit**

The purpose of the Governance Audit is to ensure that the University conforms to the highest standards of good governance. The University plans for Governance Audit to be undertaken on annual basis.

### **Separation of Roles of Council and Management**

The role of the Council is distinct from that of Management. The University Management is involved in day-to-day operations of the University while the Council retains the responsibility of oversight and policy direction. The Council operates under the guidance of an Annual Almanac and Workplan

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2022/2023 Recurrent capitation grants allocated was **Ksh.814.34M** which translates to monthly capitation recurrent grant of **Ksh.67.8M** Compared to the annual recurrent grant of **Ksh. 814.06M** which translates to a monthly recurrent grant of **Ksh. 67.8M** for the FY2021/2022.

The University Recurrent budget is funded through government support and internally generated funds It is worth noting that there was increase in internally generated funds from **Kshs. 370.5M** in FY 2021/2022 to **Kshs 430.4M** in FY 2022/2023.This was due to full resumption of face-to-face services to the students.

### A) University Funding- Recurrent

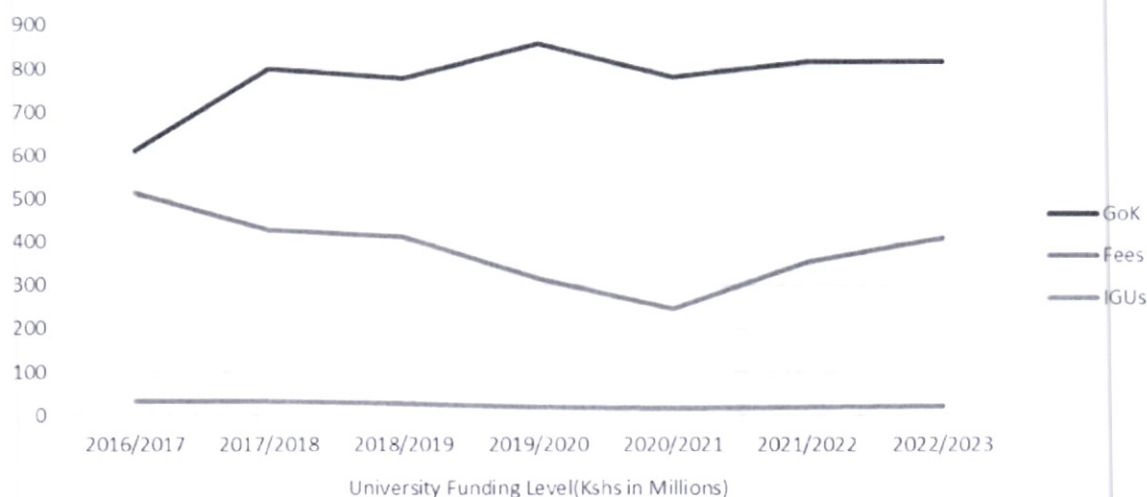
University of Kabianga is funded by the Government of Kenya, tuition fees from students and IGU revenue. The percentage of public funding for FY 2022/2023 comprises 65.4% whereas student related fees contribution is 32.9% and IGA,s 1.7% as shown in table 1 below.

**Table 1: University Funding- Recurrent**

University Funding Level(Amounts &Percentage)							
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>GoK</b>	610M (53%)	800M (64%)	778M (64%)	857M (72%)	780.5M (75%)	814M (68.7%)	814(65.5%)
<b>Fees</b>	514M (45%)	427M (30%)	412M (34%)	314.8M (26%)	244M (23%)	352M (29.7%)	409(32.8%)
<b>IGUs</b>	31M (2%)	31M (2%)	27M (2%)	18.5M (2%)	15.6M (2%)	18.3M (1.6%)	20.8(1.6%)

The table shows that University of Kabianga is mainly funded by the Government of Kenya. However, the revenue from the government reduced drastically from

75% in 2021/2022 to 65.4% in 2022/2023. Tuition fees from students also increased from 23% to 32.9% while revenue from income generating units decreased from 2% to 1.7%.



**Figure 1: Graph Showing the University Funding in Percentage**

### B) University Funding-Capital Development

Capital Development expenditure is wholly funded by the Government, during FY 2022/2023 **Kshs 70M** was awarded for the on-going project and **Ksh.27.6M** received as shown in table 2 below.

**Table 2: University Funding- Capital Development**

	University Funding-Capital (Kshs. Million)						
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>Approved</b>	250	214.43	224.3	150	143	90	70
<b>Received</b>	213	53.6	224.3	150	71.5	90	27.6
<b>Difference</b>	37	160.83	0	0	71.5	0	42.4

The above table shows that there are variations between the approved funds for capital development and the disbursed capital grants from Government of Kenya. The graphical presentation of the approval and received capital grant for the last 6 financial years from 2016/2017 to 2022/2023

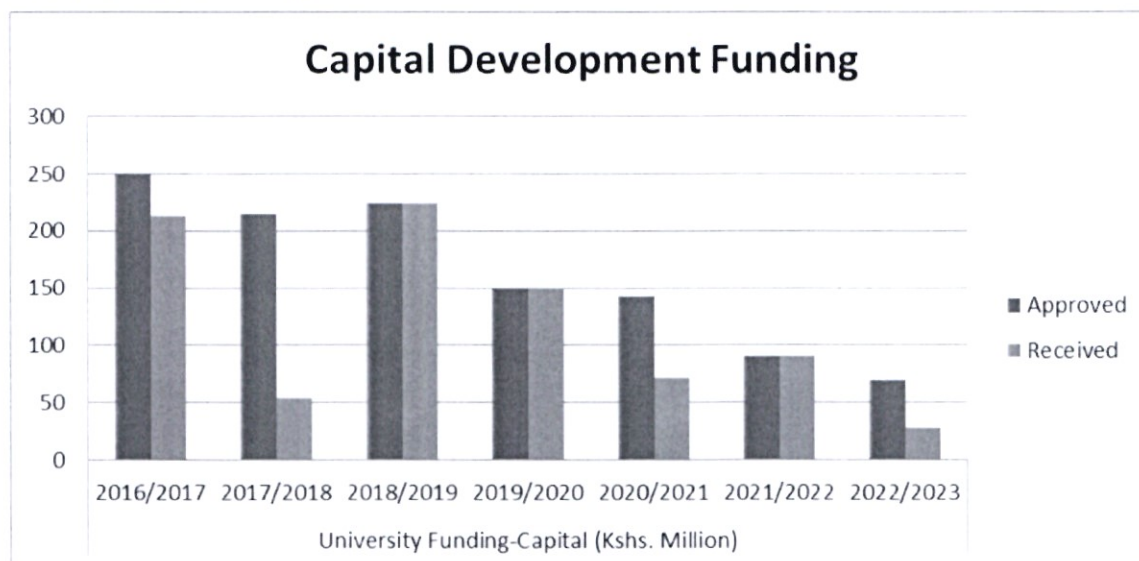


Figure 2: Graph Showing the University Capital Development Funding

### C) Income and Expenditure.

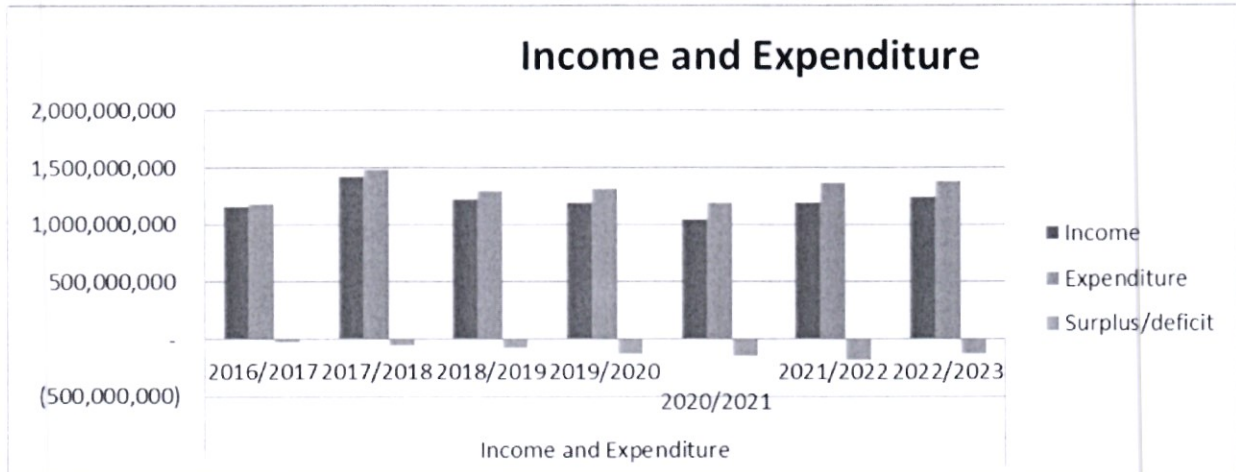
The income and expenditure for the University for the last six financial years is as tabulated below.

Table 3: University Income and Expenditure

	Income and Expenditure						
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>Income</b>	1,154,834,826	1,421,942,339	1,217,520,959	1,190,432,713	1,040,136,969	<b>1,184,572,071</b>	<b>1,244,830,985</b>
<b>Expenditure</b>	1,179,931,330	1,484,528,194	1,291,785,823	1,318,825,524	1,194,425,381	1,365,654,890	1,352,726,726
<b>Surplus/deficit</b>	(25,096,504)	(62,585,855)	(74,264,864)	(127,949,811)	(154,288,412)	(181,082,819)	(107,895,741)

From the tabulated figures above, the income increased from kshs. **1.18B** in the FY 2021/2022 to **1.24B** in the FY 2022/2023 while the expenditure decreased from **Ksh 1.36B** to **Ksh1.35B** within the same financial years. In general, the accumulated surplus/deficit increased from Kshs. (25,096,504) in the FY 2016/2017 to Kshs. (107,895,741) in the FY 2022/2023.

Below is a graphical presentation of the income and expenditure for the last 6 financial years from 2016/2017 to 2021/2022.



**Figure 3: Income and Expenditure**

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

University of Kabianga exists to transform lives. This is its purpose and the driving force behind everything the university does. It's what guides in the delivery of strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

University of Kabianga has developed resource mobilization strategies to enhance sustainability with reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure. These strategies are anchored on optimizing financial resources, opportunities for new sources of revenue and the university support systems.

### **ii) Environmental performance**

University of Kabianga has captured the emerging issues in the environment in the University strategic plan. The analyses will ensure that the university responds appropriately to emerging issues and position itself to contribute to the national strategy. The environmental policy guides the university in detailing the SWOT, PESTEL and stakeholder analysis. The university has put in efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

To ensure and enhance environmental conservation and sustainability. The University has over the past year planted over 1,000 trees to increase its forest cover. The

University under the school of agriculture and natural resource assisted the community by supplying the tree seedlings that were planted to recover the wetlands and reduce the land degradation. The trees' survival rate is 95%.

### **iii) Employee welfare**

The University of Kabianga employee welfare is guided by Recruitment Policy, Diversity policy and Quality Management Systems (QMS). The Recruitment policy aims at ensuring effective recruitment and selection based on merit and proven performance.

The diversity policy embraces the constitution of Kenya (2010) principle that not more than two thirds of all staff appointed shall be of the same gender.

The quality management systems take in stakeholders' engagement by having the needs and job specifications originating from the specific departments to human resources, approvals being given by management and constitution of Shortlisting and Appointment Committees. These policies are reviewed every three years and as need arise.

University of Kabianga has a staff training and development policy which provides guidelines for enhancing efficiency and productive capacity of the University's human resources with the objective of assisting staff to gain competences and skills in preparation for more responsibilities and to prepare them for changes at UoK. The policy also provides to ensure that sufficient human resource is available to meet the University's requirements and needs by providing appropriate training and development opportunities to all staff. Staff members are encouraged to seek for the-

se opportunities and employees' requests are promptly considered by the staff training and development committee in line with the budgetary provisions.

Additionally, the University has a performance management policy and conducts staff appraisal every financial year in accordance to guidelines on performance management of public servants. Subsequently, performance evaluation reports are forwarded to management for consideration of recommended rewards and or sanctions which include but not limited to Commendation, Letter of appreciation, Promotion, Demotion, Training, Counselling, Extended period of probation.

University of Kabianga occupational safety and health policy outlines occupational safety Health and Environmental standards for all the employees of the University. It outlines the University's commitment towards ensuring that its activities are conducted in a healthy and safe environment in compliance with the provisions of the Constitution of Kenya, Occupational Safety and Health Act, 2007 (OSHA, 2007), the Employment Act, 2007 and the Work Injury Benefits Act, 2007 (WIBA) and related legal notices from time to time.

This policy outlines the responsibilities of the employer and the employees respectively towards ensuring safety and health at workplace. It covers the following areas: Housekeeping; Sanitary facilities; Workplace ventilation; Lighting system; Working under extreme weather conditions; First aid; Clean water; Occupational health check-ups; Safety; Working environment; Protective equipment and clothing; Smoking; Alcoholism and substance abuse and Waste disposal

**iv) Market place practices-**

The University has put in place efforts to manage the following market place practices:

**a) Responsible competition practice.**

University of Kabianga ensures responsible competition practices by implementing anti-corruption policy, automating university processes, upholding ethical practices in university operations, implementing whistle blowing policy. The university is also responsive to political involvement, fair competition and respect for competitors.

**b) Responsible Supply chain and supplier relations**

The University of Kabianga has continuously maintained good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. This has been achieved through efficient procurement services and automation of procurement functions and operations. During the year under review, the University ensured efficient procurement processes in its acquisition of goods, works and services. The University maintained Access to Government Procurement Opportunities (AGPO) above the minimum 30% threshold, as prescribed by the Public Procurement and Asset Disposal Act (2015) and Public Procurement and Asset Disposal Regulations (2020). The University was awarded 56.2% and 69.4% of its total procurement spending on tenders to special interest groups (Youth, Women & PWD's) and local content respectively

**c) Responsible marketing and advertisement**

University of Kabianga has maintained ethical marketing practices in both advertisements on its products with strict adherence to ethical code of conduct.

#### **d) Product stewardship**

University of Kabianga safeguard consumer rights and interests through provision of high-quality training, research and extension services that meets customer requirements. In pursuit of this commitment, the University complies with all applicable requirements and continually improve on its effectiveness by implementing a Quality Management System (QMS) based on ISO 9001:2015 standard

#### **Awards - Financial Reporting (FiRe) Award**

The University, for the 1<sup>st</sup> time, won the Financial Reporting (FiRe) Award for its application of the International Public Sector Accounting Standards (IPSAS) accrual basis of reporting. In December 2022, the University scooped the top prize for its outstanding application of the IPSAS accrual basis of reporting out of sixty (60) semi-autonomous government agencies. This is a prestigious award in East Africa for financial reporting, sponsored by the Capital Markets University (CMA), Institute of Certified Public Accountants of Kenya (ICPAK), Nairobi Securities Exchange (NSE) and the Public-Sector Accounting Standards Board-Kenya (PSASB). This achievement underscores the University's consistency not only in financial reporting but good governance, accountability, transparency and continual improvement while executing its mandate and meeting its statutory obligations. IPSAS are accounting standards applied by public sector entities globally in the preparation of financial statements. The main benefits of use are enhanced accountability, efficient use of resources and asset management, as well as aiding in decision-making, among others.

#### **National Cohesion Values and Principles of Governance**

To promote National Cohesion, values and principles of Governance in the Authority and to the general public The University scored 100% in the National Cohesion and Values indicator of the FY 2022/2023 Performance

#### **Complaints Handling Committee**

To support an effective complaint handling system that promotes good governance and efficient public service delivery Annual Score for the FY2022/23 was 100%

*ISO 9001:2015 Certified Institution*

## 11. REPORT OF THE COUNCIL

The Council submits their reports together with the audited financial statements for the year ended 30<sup>th</sup> June, 2023 which show the state of affairs for the University of Kabianga.

### Principal activities

The principal activities of the University are to continue offering Higher Education, Research, Extension and Innovation services.

### Results

The results of the University for the Year ended June 30, 2023 are set out on pages 1 to 5.

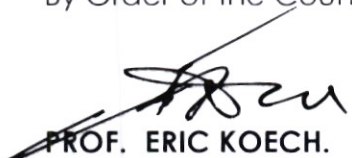
### Members of Council

The Members of the Council who served during the Financial Year 2022/2023 are shown on pages xii-xv. During the financial year 2022/2023, Council member Vainadu Titus Zakayo Ingana representing PS state department of Education and research- Ministry Of Education and Prof. Wilson K. Kipngeno, Secretary to the council completed the terms of Service.

### Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with Article 229 of the constitution of Kenya and the Public Audit Act 2015.

By Order of the Council

  
PROF. ERIC KOECH.  
VICE-CHANCELLOR

DATE 5. 4. 2024

## **12. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act Cap, 446 require the Council to prepare financial statements in respect of University of Kabianga, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University.

The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, 2012. The Council Members are of the opinion that the University's financial statements give a true and fair view of the state

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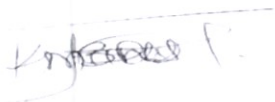
of University's transactions during the financial year ended June 30, 2023 and of the University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

The statement of financial performance as indicated on page 1 shows a deficit **Ksh. 107,895,741**. All the receipt of income generated activities is as indicated in the financial statements.

Nothing has come to the attention of the Council Members 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

The University's financial statements were approved by Council on 25.09.2023 and signed on its behalf by:



DR. ADELAIDE M. MBITHI, PhD, HSC  
CHAIRMAN OF THE COUNCIL



PROF. ERIC KOECH  
VICE-CHANCELLOR



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

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### 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 the 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 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 the University of Kabianga set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2023, 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 the University of Kabianga as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

## **Basis for Qualified Opinion**

### **1. Material Uncertainty Related to Sustainability of Services**

The statement financial position reflects current assets and current liabilities balances of Kshs.127,987,831 and Kshs.758,290,518 respectively, resulting to a negative working capital of Kshs.630,302,687. Further, the University recorded a deficit of Kshs.107,895,741 for the year and accumulated deficit of Kshs.747,779,746 as at June, 2023. However, Management did not make any disclosure on the face of the financial statements or in the Notes to the financial statements of the material fact that the University may not continue to sustain its services in the foreseeable future and the mitigating measures put in place to reverse the above situation.

The University is therefore technically insolvent and may face financial challenges in settling liabilities as and when they fall due.

### **2. Inaccuracies in the Financial Statements**

#### **2.1 Unreconciled Records**

##### **2.1.1 Student Enrolment Report Against Invoices Issued**

The statement of financial performance reflects revenue totalling to Kshs.1,244,830,985 which includes amounts of Kshs.238,280,700 and Kshs.171,322,721 in respect of tuition fees and tuition related income respectively totalling to Kshs.409,603,421 and as disclosed in Note 7 to the financial statements. However, review of the student's system generated enrollment report for the first semester from July, 2022 to December, 2022 and the second semester from January, 2023 to April, 2023 revealed total enrolment of 7,419 and 6,978 of students respectively resulting to variance of 441 students. Further, review of the list of students who deferred their studies during the year revealed a total of 47 students which resulted to 394 students who were not accounted for and were not invoiced resulting to revenue under-statement during the second semester which was not explained.

### **2.1.2 Student Data with Tuition and Related Income**

The statement of financial performance reflects total revenue amounting to Kshs.1,244,830,985 which includes amounts of Kshs.238,280,700 and Kshs.171,322,721 in respect of tuition fees and tuition related income respectively totalling to Kshs.409,603,421 and as disclosed in Note 7 to the financial statements. However, review of records revealed that the University did not reconcile its enrolment data for the year with the billed or income ledgers for the year. As a result, it was not possible to match the revenue with the number of students at any given time.

### **2.1.3 Bank Loan Balance**

The statement of financial position reflects a balance of Kshs.133,750,000 in respect of a bank loan taken for twenty (20) years from a local bank and as disclosed in Note 28 to the financial statements. However, review of the summary bank loan statement revealed a balance of Kshs.145,595,890 resulting to an unexplained and unreconciled variance of Kshs.11,845,890. Further, review of the supporting documents which include bank loan document and land sale agreement in respect of loan security revealed that the University acquired loan facility amount of Kshs.300,000,000 on 29 March, 2012 for twenty (20) years or 240 months for the purchase of land from Kipsigis Teachers Sacco. However, review of the land sale agreement signed on 30 March, 2012 revealed that the land purchase price was Kshs.225,000,000 resulting to an unexplained and unaccounted for amount of Kshs.75,000,000 in respect of loan acquired. The loan balance was also not supported with loan agreement and loan amortization schedule.

In addition, the statement reflects current liabilities in respect of bank loan balance of Kshs.15,000,000 which was not supported with the loan schedule.

## **2.2 Use of Goods and Services**

The statement of financial performance reflects an amount of Kshs.214,481,728 in respect of use of goods expenses and as disclosed in Note 16 to the financial statements. However, review of the supporting documents revealed a total amount of Kshs.202,469,220 resulting to an unexplained and unreconciled variance of Kshs.12,012,508.

## **2.3 Retention Money on Work-In-Progress**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,424,415,698 which includes a balance of Kshs.694,609,430 in respect of work-in-progress and as disclosed in Note 30 to the financial statements. This amount should attract 10% retention of Kshs.69,460,943, which was at variance with the reported retention balance of Kshs.44,587,268 and as disclosed in Note 27 to the financial statements. Further, Note 20 to the financial statements reflects cash and cash equivalents balance of Kshs.49,799,919 which includes Kshs.44,633,378 in respect of retention monies resulting to an unexplained variance of Kshs.46,110 with the retention amount of Kshs.44,587,268 disclosed in the statement of financial position. In addition, no explanation was provided as to why in some instances the retention was 5% as per the agreement with contractors and not the stipulated 10%.

In the circumstances, the accuracy and completeness of the financial statements as presented could not be confirmed.

### **3. Over-Expenditure on Employee Costs**

The statement of financial performance reflects an amount of Kshs.1,077,526,744 in respect of employee costs and as disclosed in Note 12 to the financial statements. However, review of the approved budget provided for audit revealed that the entity budgeted an amount of Kshs.976,755,467 in respect of employee costs resulting to an over expenditure of Kshs.100,771,277 which was not explained.

In the circumstances, the regularity, accuracy and completeness of the employee costs amount of Kshs.100,771,277 could not be confirmed.

### **4. Unsupported Balances**

#### **4.1 Electricity, Water and Conservancy**

The statement of financial performance reflects use of goods expenses totalling to Kshs.214,481,728 which includes an amount of Kshs.11,772,344 in respect of electricity, water and conservancy and as disclosed in Note 16 to the financial statements. However, review of the supporting expenditure schedules and payment vouchers revealed that amounts totalling to Kshs.1,782,137 were paid to various staffs through temporary imprest and not to the electricity and water providing companies. This is contrary to Regulations 93(3) of the Public Finance Management (National Government) Regulations, 2015 which states that temporary imprests shall be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses.

#### **4.2 University Medical Scheme**

The statement of statement of financial performance reflects use of goods expenses amount of Kshs.214,481,728 which includes an amount of Kshs.17,161,416 in respect of University medical scheme and as disclosed in Note 16 to the financial statements. However, review of the supporting expenditure schedules revealed that amounts totalling to Kshs.12,592,065 were paid to four (4) different hospitals and a total of Kshs.4,569,351 as reimbursements to staff in respect of hospital expenses which were not supported with the medical scheme or regulations.

#### **4.3 Marketing and Outreach Expenses**

The statement of financial performance reflects marketing expenses totalling to Kshs.6,010,077 which includes an amount of Kshs.2,018,575 in respect of marketing and outreach expenses and as disclosed in Note 17 to the financial statements. Further, review of the supporting expenditure schedules revealed that amounts totalling to Kshs.1,644,575 were paid to various staffs through issuance of imprest. However, supporting schedules including the approved marketing budgets, activities and means of transport were not provided for audit.

#### **4.4 Receivables from Exchange Transactions**

The statement of financial position reflects a balance of Kshs.65,655,757 in respect of receivable from exchange transactions and as disclosed in Note 21(b) to the financial statements. However, supporting documents including student fees summary statements and the control ledger including age analysis reflecting dates receivables from exchange transaction were incurred were not provided for audit review.

#### **4.5 Work-In-Progress**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,424,415,698 which includes an amount of Kshs.694,609,430 in respect of work in progress and as disclosed in Note 30 to the financial statements. However, supporting documents including details such as Interim payment certificates, contract agreements indicating start date, expected completion dates, percentage of completion, amounts spent to date, class of assets transferred and date of transfers if any and balance of work in progress at the end of the year, supporting the balance of Kshs.694,609,430 were not provided for audit.

#### **4.6 Payables from Exchange Transactions**

The statement of financial position reflects payables from exchange transaction balance of Kshs.324,007,784 which includes balances of Kshs.217,634,210 and Kshs.49,029,163 in respect of salary creditors-pension arrears and accrued salary arrears respectively as disclosed in Note 24 to the financial statements. However, the balances were not supported with any documents including payroll products. Further, payables from exchange transactions balance of Kshs.324,007,784 includes a balance of Kshs.5,240,599 in respect of capital creditors and as disclosed in Note 24 to the financial statements. However, the payables were not supported with documents including the invoices, receipts and issue vouchers, other certificates and inspection and acceptance committee reports.

In addition, review of the supporting schedules revealed that the outstanding payables date back to March, 2021 and June, 2021 and has remained outstanding for three (3) years. The balances were not settled contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which states that debt service payments shall be a first charge on the consolidated fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations. Further, failure to settle the outstanding payables amounts to breach of the law and may lead to the University incurring unquantified penalties and interest costs.

#### **4.7 Prepaid Fees**

The statement of financial position reflects refundable deposits and prepayments from customers balance of Kshs.147,681,927 which includes a balance of Kshs.79,862,325 in respect of prepaid fees and as disclosed in Note 25 to the financial statements. However, the balance was not supported with the control ledger reflecting the age analysis and student fees statement accounts details.

In the circumstances, regularity, accuracy and completeness of transactions totalling to Kshs.1,132,619,612 in respect to electricity, water and conservancy, University medical scheme, marketing and outreach expenses, receivables from exchange transactions, work-in-progress, payables from exchange transactions and prepaid fees could not be confirmed.

#### **5. Ineligible Expenditure on Accrued Interest on Capital Creditors**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,424,415,698 which includes a balance of Kshs.694,609,430 in respect of work-in-progress and as disclosed in Note 30 to the financial statements. However, review of the interim payment certificates revealed that a payment totalling to Kshs.2,089,134 was in respect of interest accrued on delayed payments.

In the circumstances the propriety and regularity of the amount of Kshs.2,089,134 in respect of interest accrued on delayed payments could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the University of Kabianga 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.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs.1,262,333,878 against actual expenditure of Kshs.1,421,818,123 resulting to an over-absorption of Kshs.159,484,245 or 13% of the budget. The over-absorption and spending above the approved budget results to unauthorized expenditure and burden of pending bills and the Management was in breach of the law.

My report is not modified in respect of this matter.

##### **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.

##### **Other Matter**

##### **Outstanding Prior Year Matters**

As disclosed under the progress on follow-up of auditor's recommendation section of the financial statements, Management has reflected seven (7) prior year audit issues excluding one issue. Further, six issues were presented as resolved and one partially

resolved. However, Management did not provide reports and invitations from the oversight committee's detailing the deliberations and recommendations of the committees.

## 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Employee Costs**

##### **1.1 Non-Compliance with Fiscal Responsibility Principles**

The expenditure on employee costs totalling Kshs.1,077,526,744 constitute 87% of total revenue of Kshs.1,244,830,985 collected during the year under review. This is 52% above the limit contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulation, 2015, which requires that the National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed thirty-five (35) percent of the National Government's equitable share of the revenue raised Nationally plus other revenues generated by the National Government pursuant to Article 209(4) of the Constitution.

##### **1.2 Late Remittance of Statutory Deductions**

The statement of financial performance reflects use of goods expenses amount of Kshs.214,481,728 which includes an amount of Kshs.21,330,856 in respect of rent and rates and as disclosed in Note 16 to the financial statements. However, review of payments schedule revealed payments to Kenya Revenue Authority in respect of outstanding principal tax on PAYE arrears from 2017 to 2022 amounting to Kshs.1,856,802. Further, review of the supporting documents including the demand letters from Kenya Revenue Authority (KRA) dated 11 April, 2023 revealed that the University was charged penalties and interest amounting to Kshs.1,363,334 due to the unremitted deductions. In addition, the payments were not supported with acknowledgment receipts from KRA, and the non-remittance of the deductions were contrary to Section 37(5) of the Income Tax.

##### **1.3 Irregular Recruitment Procedure**

Review of the human resource records revealed that the University advertised for various positions in the school of health sciences, school of science and technology, school of education arts and social sciences and student welfare through the daily newspapers on

20 September, 2022, and closing date for the applicants was on 4 October, 2022, which shows that the advertisement was open for only 15 days. This was contrary to the Public Service Human Resource Policy, 2016, under Section B4(1) which states that Ministries/State Departments will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert.

#### **1.4 Non-Compliance with the Third Rule on Basic Salary**

Review of the payroll for the month of March and June, 2023 revealed that twenty-seven (27) and four (4) officers were earning net salary less than one third of their respective basic pays. This is contrary to Section 19(3) of the Employment Act, 2012 and Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that the total amount of all deductions which may be made by an employer from the wages of his or her employee at any one time shall not exceed two-thirds of such wages or such additional or other amounts as may be prescribed.

#### **1.5 Regularity of Acting Allowances**

The statement of financial performance reflects employee costs amount of Kshs.1,077,526,744 which includes salaries and wages amounting to Kshs.646,773,287 as disclosed in Note 12 to the financial statements. The salaries and wages amount includes payment of acting allowance of Kshs.1,480,765 to six officers who have been in acting positions for more than six months contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which provides that, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. Further, the acting appointment letters were not provided for audit review.

In the circumstances, Management is in breach of the law and should remit the tax deductions to prevent further loss of funds charged due to penalties and interests.

## **2. Unremitted Staff Retirement Benefits**

The statement of financial position reflects payables from exchange transactions balance of Kshs.324,007,784 which includes a balance of Kshs.217,634,210 in respect of salary creditors-pension arrears and as disclosed in Note 24 to the financial statements which further includes an amount of Kshs.86,652,753 deductions from staff salary in respect of the retirement scheme. However, the balance was not remitted to the University of Kabianga Retirement Scheme contrary to Section 53A(1) of the Retirement Benefits Act, Revised Edition 2022, (1997) which states that where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

In the circumstances, Management was in breach of the law and runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in remitting the retirement benefits.

### **3. Single Sourcing from Total Energies**

The statement of financial performance reflects repairs and maintenance expenses totalling to Kshs.14,066,350 which includes an amount of Kshs.6,654,594 in respect of vehicle running expenses as disclosed in Note 15 to the financial statements. However, review of the supporting documents including expenditure schedules and payment vouchers revealed that an amount of Kshs.3,013,497 was paid to total energies for supply of fuel in the year under review using direct procurement.

In the circumstances, the propriety and value for money of expenditure totalling Kshs.3,013,497 incurred on repairs and maintenance could not be confirmed.

### **4. Irregular Issue of Temporary Imprest**

#### **4.1 Members Subscription to Professional Bodies**

The statement of financial performance reflects use of goods expenses of Kshs.214,481,728 which includes an amount of Kshs.2,788,870 in respect of members subscriptions to professional bodies as disclosed in Note 16 to the financial statements. However, review of the supporting expenditure schedules and payment vouchers revealed that amounts totalling to Kshs.2,610,370 were paid to various staffs in form of temporary imprests and not to the respective professional bodies. This is contrary to Regulations 93(3) of the Public Finance Management (National Government) Regulations, 2015 which states that temporary imprests shall be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses.

#### **4.2 Irregular Purchase of Stationeries Through Cash**

The statement of financial performance reflects use of goods expenses amount of Kshs.214,481,728 which includes an amount of Kshs.11,127,019 in respect of stationery and as disclosed in Note 16 to the financial statements. However, review of the supporting expenditure schedules and payment vouchers revealed that expenditure totalling to Kshs.2,579,900 was in cash, through issue of imprests contrary to Regulation 92(a) of the Public Procurement and Assets Disposal Regulations, 2020 which states that a procuring entity may use low value procurement method under Section 107(b) of the Act, where the estimated cost of the goods, works or services being procured per item per financial year is as per the threshold matrix in the Second Schedule which recommends maximum level of expenditure under this method is Kshs.50,000 per item per financial year.

In the circumstances, propriety and regularity of the expenditure on membership subscriptions to professional bodies and stationary totalling to Kshs.2,610,370 and

Kshs.2,579,900 respectively could not be confirmed and Management was in breach of the law.

#### **5. Defects and Outstanding Works of the Completed Lecture Theatre Phase IV**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,424,415,698 which includes a balance of Kshs.1,382,701,000 in respect of building and as disclosed in Note 29 to the financial statements which further includes the cost of construction of Lecture Theatre Phase IV totalling to Kshs.247,942,745. Audit verification carried out on the 15 September, 2023 revealed that the project was complete and in use. However, the review of the certificate of practical completion revealed that the project engineer noted a number of defects in the building amounting to Kshs.236,685 which the contractor had not addressed and remained outstanding as at the time of audit. The University did not enforce Regulations 142(1) of the Public Procurement and Asset Disposal Regulation, 2015, which requires that the contractor be responsible for the repairs resulting from defects of poor workmanship and make the correction pointed out in the partial provisional acceptance report.

In the circumstances, the University may have not obtained value for money and Management was in breach of the law.

#### **6. Delayed Completion of Library at University of Kabianga**

Review of the contract for the construction of the library revealed that the University awarded the contract at a sum of Kshs.834,523,967. The contract commencement date was 08 June, 2017 and completion date was supposed to be 04 June, 2020 which was extended to 02 September, 2022. Further, the contract was extended on 06 October, 2022, which was already past the completion date of 02 September, 2022 at the time of extension. Audit verification carried out on 29 January, 2024 revealed that total payments of Kshs.694,609,430 have been made to the contractor and the work is still in progress, at 70% completion level. Despite granting of three (3) extensions and the last extension having expired on 23 October, 2023, the project is not yet complete. In addition, the Contractor's performance security bond was not provided for audit.

In the circumstances, the University use of public resources was not efficient and effective.

#### **7. Excess Committee Board Members**

Review of the Council committee minutes and attendance register revealed that each of the three committees established had more than three members as shown below;

<b>Type of Committee</b>	<b>Number of Committee Members</b>
Audit Committee	5 Members
Finance Resource Mobilization and Infrastructure Development.	6 Members
Academic, Research, Planning, Human Resource and Administration Committee	7 Members

This is contrary to the management of State Corporation Circular referenced OP/CAB.9/1A dated 11 March, 2020 B (4) which recommend that the number of any committee should not exceed 3 members.

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

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 are in compliance, 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 effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 University 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Oathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 May, 2024**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

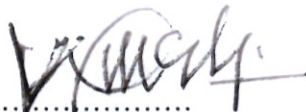
	Note	2022-2023 Kshs	2021-2022 Kshs
<b>Revenue from non-exchange transactions</b>			
Exchequer Grants	6	814,344,603	814,061,889
<b>Revenue from exchange transactions</b>			
Tuition fees	7(a)	238,280,700	223,100,742
Tuition related Income	7(b)	171,322,721	129,064,515
Rendering of Services	8	10,020,054	10,841,877
Finance Income- Interest on Deposits	9	-	-
Income from facilities and equipment	10	384,000	1,641,540
Other Income	11	10,478,907	5,861,509
<b>Total Revenue</b>		<b>1,244,830,985</b>	<b>1,184,572,071</b>
<b>Expenses</b>			
Employee Costs	12	1,077,526,744	1,064,081,551
Remuneration of Council members	13	11,425,315	12,182,415
Depreciation and Amortization Expense	14	-	42,086,350
Repairs and Maintenance Expense	15	14,066,350	13,591,128
Use of Goods Expense	16	214,481,728	200,888,319
Marketing Expenses	17	6,010,077	5,102,591
Contracted Services	18	8,026,118	4,592,200
Finance Costs	19	21,190,394	23,130,336
<b>Total Expenditure</b>		<b>1,352,726,726</b>	<b>1,365,654,890</b>
<b>Surplus/ (Deficit)</b>		<b>(107,895,741)</b>	<b>(181,082,819)</b>

The notes set out from pages 9 to 38 form an integral part of these Financial Statements


The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:

  
.....  
VICE-CHANCELLOR  
PROF. ERIC KOECH

Date: 5.4.2024

  
.....  
HEAD OF FINANCE  
CPA WILLY K KOECH

ICPAK NO. 9696  
Date: 05.04.2024

  
.....  
CHAIRMAN OF THE COUNCIL  
DR. ADELAIDE M. MBITHI

Date: 5.4.2024

### 15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
<b>Current Assets</b>			
Cash & Cash equivalents	20	49,799,919	55,612,223
Receivables from non-exchange transactions	21(a)	10,101,454	-
Receivables from exchange transactions	21(b)	65,655,757	77,091,363
Inventories	22	2,430,701	1,084,617
<b>Total Current Assets</b>		<b>127,987,831</b>	<b>133,788,203</b>
<b>Non-current Assets</b>			
Property, Plant & Equipment	30(b)	2,424,415,698	2,290,073,052
Intangible Assets	29	-	-
Biological Assets	23	50,390,375	44,871,847
<b>Total Non-current Assets</b>		<b>2,474,806,073</b>	<b>2,334,944,899</b>
<b>Total Assets</b>		<b>2,602,793,904</b>	<b>2,468,733,102</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	24	324,007,784	185,051,918
Refundable Deposits and Prepayments from Customers	25	147,681,927	117,885,712
Current Provisions	26	227,013,539	237,782,492
Retention- WIP	27	44,587,268	43,985,084
Co-operative Bank Loan	28	15,000,000	15,000,000
		<b>758,290,518</b>	<b>599,705,205</b>
<b>Non-Current Liabilities</b>			
Co-operative Bank Loan (20yrs)	28	133,750,000	148,750,000
<b>Total liabilities</b>		<b>892,040,518</b>	<b>748,455,205</b>
<b>Net assets</b>			
Capital Reserves		1,870,818,139	1,843,216,685
Revaluation Reserve		587,714,994	541,265,947
Accumulated Surplus		(747,779,746)	(664,204,735)
<b>Total Net Assets</b>		<b>1,710,753,387</b>	<b>1,720,277,897</b>
Total net assets and liabilities		<b>2,602,793,905</b>	<b>2,468,733,102</b>


The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:

  
.....  
VICE-CHANCELLOR  
PROF. ERIC KOECH

Date... 5. 4. 2024

  
.....  
HEAD OF FINANCE  
CPA WILLY K KOECH

ICPAK NO. 9696  
Date... 05. 04. 2024

  
.....  
CHAIRMAN OF THE COUNCIL  
DR. ADELAIDE M. MBITHI

Date... 05. 04. 2024

## 16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Description	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at July 1, 2021</b>	395,517,187	-	(384,144,752)	1,753,216,685	1,764,589,120
Issued new capital	-	-	-	-	-
Revaluation gain	145,748,760	-	-	-	145,748,760
Transfer of excess depreciation on revaluation	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-
Surplus/ deficit for the year	-	-	(280,059,983)	-	(280,059,983)
Capital/development grants received during the year	-	-	-	90,000,000	90,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Interim dividends paid	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
<b>As at June 30, 2022</b>	541,265,947	-	(664,204,735)	1,843,216,685	1,720,277,897
<b>As at July 1, 2022</b>	541,265,947	-	(664,204,735)	1,843,216,685	1,720,277,897
Issue of new share capital	-	-	-	-	-
Revaluation gain	46,449,047	-	-	-	46,449,047
Transfer of excess depreciation on revaluation	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-
Surplus/ (deficit) for the year	-	-	(83,575,011)	-	(83,575,011)
Capital/development grants received during the year	-	-	-	27,601,454	27,601,454
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Interim dividends paid	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
<b>As at June 30, 2023</b>	587,714,994	-	(747,779,746)	1,870,818,139	1,710,753,387

## 17. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023

	2022-2023	2021-2022
	Kshs	Kshs
<b>Cash Flow From Operating Activities:</b>		
<b>Receipts</b>		
Exchequer Grants	814,344,603	814,061,889
Tuition fees	409,055,364	313,191,496
Rendering of Services	10,020,054	10,841,877
Finance Income- Interest on Deposits	0	0
Rental Income from Facilities and Equipment	384,000	1,641,540
Other Income	10,478,907	5,861,509
	<b>1,244,282,928</b>	<b>1,145,598,310</b>
<b>Payments</b>		
Employee Costs	943,366,520	991,393,570
Remuneration of Council Members	11,425,315	12,182,415
Repairs and Maintenance	14,066,350	13,591,128
Use of Goods and Services	186,217,326	186,341,475
Marketing Expenses	6,010,077	5,102,591
Contracted Services	8,026,118	4,592,200
Finance Costs	21,190,394	23,130,336
	<b>1,190,302,100</b>	<b>1,236,333,715</b>
<b>Net Cash flows from Operating Activities</b>	<b>53,980,827</b>	<b>-90,735,405</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(62,293,131)	(58,599,815)
<b>Net cash flows used in Investing activities</b>	<b>(62,293,131)</b>	<b>(58,599,815)</b>
<b>Cash flows from Financing activities</b>		
Government Grants – Capital	17,500,000	90,000,000
Increase (Decrease) in Revaluation Reserve	-	46,771,596
Repayment of borrowings	(15,000,000)	(15,000,000)
<b>Net Cash flows from Financing activities</b>	<b>2,500,000</b>	<b>121,771,596</b>
<b>Net Increase / (Decrease ) In Cash &amp; Cash Equivalents</b>	<b>(5,812,304)</b>	<b>(27,563,624)</b>
Cash & Cash Equivalents at Beginning of the year	55,612,222	83,175,846
<b>Cash &amp; Cash Equivalents at End of the year</b>	<b>49,799,919</b>	<b>55,612,222</b>

### 18.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual expenditure	Performance/ Variance	% of Utilization
	a	b	C=a+b	d	e=c-d	f=d/c%
	Kshs	Kshs.	Kshs.	Kshs		%
<b>REVENUE</b>						
<b>Revenue from non-exchange transactions</b>						
Exchequer Grants – Recurrent	814,344,604	-	814,344,604	814,344,604	-	100%
Exchequer Grants - Capital Dev.	70,000,000	(42,398,546)	27,601,454	27,601,454	-	100%
<b>Sub-Total</b>	<b>884,344,604</b>	<b>(42,398,546)</b>	<b>841,946,058</b>	<b>841,946,058</b>	-	<b>100%</b>
<b>Revenue from exchange transactions</b>						
Tuition fees	271,718,400	-	271,718,400	238,280,700	33,437,700	88%
Tuition related Income	118,278,833	-	118,278,833	171,322,721	- 53,043,888	145%
Rendering of Services	17,053,245	-	17,053,245	10,020,054	7,033,191	59%
Income from facilities and equipment	23,320	-	23,320	384,000	- 360,680	1647%
Research Grants	1,069,361	-	1,069,361	-	1,069,361	0%
Short Courses	1,069,361	-	1,069,361	-	1,069,361	0%
Endowment Fund	1,647,532	-	1,647,532	3,823,482	- 2,175,950	232%
Other Income	9,527,768	-	9,527,768	6,655,425	2,872,343	70%
<b>Sub-Total</b>	<b>420,387,820</b>	-	<b>420,387,820</b>	<b>430,486,382</b>	- 10,098,562	<b>102%</b>
<b>Total Revenue</b>	<b>1,304,732,424</b>	<b>(42,398,546)</b>	<b>1,262,333,878</b>	<b>1,272,432,440</b>	- 10,098,562	<b>101%</b>
<b>Expenses</b>						
Employee Costs	957,686,197	19,069,270	976,755,467	1,077,526,744	(100,771,277)	110%
Remuneration of Council members	9,105,667	2,319,648	11,425,315	11,425,315	-	100%
Repairs and Maintenance Expense	13,350,000	818,540	14,168,540	14,066,350	102,190	99%
Use of Goods and Services	211,340,560	- 14,014,304	197,326,256	214,481,728	(17,155,472)	109%
Marketing Expenses	5,500,000	510,077	6,010,077	6,010,077	-	100%
Contracted Services	4,200,000	3,703,518	7,903,518	8,026,118	(122,600)	102%
Finance Costs	22,000,000	856,749	21,143,251	21,190,394	(47,143)	100%
Non-Current assets	11,550,000	- 11,550,000	-	9,415,507	(9,415,507)	0%
Capital Dev. Projects	70,000,000	(42,398,546)	27,601,454	59,675,890	(32,074,436)	216%
<b>Total Expenditure</b>	<b>1,304,732,424</b>	- 40,685,048	<b>1,262,333,878</b>	<b>1,421,818,123</b>	- 159,484,245	<b>113%</b>
<b>Surplus/ (Deficit)</b>	-	-	-	- 149,385,683		

## **Budget Notes**

### **EXPLANATION OF MATERIAL VARIANCE**

The following are the explanations on the material variances to the budget versus actual performance.

#### **Tuition Fees – Kshs 238M**

The Tuition fee collection as at the end of the financial year is Kshs 238m from the budget of Kshs 271M resulting in a negative variance of Kshs 33.4M. This arose as a result of some students deferring their studies

#### **Tuition-related Income – Ksh. 171.2M**

This category of income includes registration fees, students ID Charges, Examination fees, Insurance fees, Activity fees, Computer fees and Internet fees. These charges had favourable variance since most of these charges are related to the services offered by the university to students. The positive variance arose as a result of the university implementing the debt management policy. The management has recovered part of the outstanding debtors.

#### **Rendering of Services – Ksh. (7.0M)**

This class of income includes Accommodation fees and Catering Services. The negative variance on this income arose as a result of reduced income from student's mess. The students who reside in outside hostels takes their meals outside campus thus affecting the income

#### **Repairs and Maintenance Expense (Ksh. 0.06M)**

There was a favourable variance of **Kshs. 0.06M**. These are maintenance works and improvements within the university including the internal roads, improvement to buildings and Painting works. These were refurbishment and improvement work of the University in readiness for the 10<sup>th</sup> Anniversary celebrations culminating in Fundraising to Endowment funds held on 1<sup>st</sup> March 2023.

### **Use of Goods and Services (Kshs.17.15M)**

This unfavourable variance is as result of continuing procurement/sourcing of goods and services for students. This includes procurement of lab chemicals and equipment, teaching materials, drugs and stationeries and continued payments of pending bills.

### **Non-current assets – Kshs. (9.4) M**

These are items of capital nature whose procurement process is long. The unfavourable variance recorded is a result of payment of pending bills for the non-current assets earlier procured.

### **Capital Development projects expenditure Kshs. 58M**

The unfavourable variance is attributable to the payment of certificates for work in progress during the quarter under review.

### **Explanation of changes between original and final budget**

During the financial year 2022/2023 the university operated the original budget. After approvals was done, inter-vote adjustments were incorporated in a virement report which resulted in a Final Budget

### **RECONCILIATION OF THE STATEMENT OF BUDGET AND ACTUAL AMOUNTS WITH THE STATEMENT OF FINANCIAL PERFORMANCE**

1. The statement of comparison of budget and actual amounts includes amounts budgeted for non-current assets included in the recurrent budget of **Ksh. 11.5.M** and the capital development budget of **Ksh.27.6M**.
2. Finance costs in the statement of comparison of budget and actual amounts include the repayment of principal loan of **Ksh.15M**.

3. Reconciliation of statement of financial performance and actual in the statement of budget and actual amounts.

<b>Revenue</b>	2022-2023 Kshs
Total revenue as per statement of financial performance	<b>1,244,830,985</b>
<b>Add revenue accounted under Funds</b>	
Exchequer grants Capital development	27,601,454
Total revenue as per statement of comparison of Budget and Actual Amount.	<b>1,272,432,439</b>
<b>Expenses</b>	
Total expenses as per Statement of Financial Performance	<b>1,352,726,726</b>
Purchase of Non-current Assets	9,415,507.00
Capital development-W.I. P	59,675,890.00
	<b>69,091,397.00</b>
Total Expenditure as per statement of comparison of Budget and Actual Amount.	<b>1,421,818,123.00</b>

## **19. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

University of Kabianga is established by and derives its authority and accountability from charter vide University Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to offer University education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION IPSAS 1**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the University's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University. University of Kabianga financial statements have been prepared in accordance with the PFM Act, the state Corporations Act and the International Public Sector Accounting Standards (IPSAS). The accounting policies have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS.

i. **New and amended standards and interpretations in issue effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
<p><b>IPSAS 41: Fi-</b>  <b>nancial In-</b>  <b>struments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the 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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

Standard	Effective date and impact:
<p><b>IPSAS 42: So- cial Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of ac-</p>

Standard	Effective date and impact:
	<p>crual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other im-            provements            to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires, Assets that meet the criteria to be 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:</p> <p>Assets that meet the criteria to be 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.</p>

ii. **Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash,

goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

## **ii) Revenue from exchange transactions**

### **Rendering of services**

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

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

### **Sale of goods**

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

### **Interest income**

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

### **Rental income**

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

#### **b) Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget..

The University's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under the

Statement of comparison of budget and actual performance these financial statements.

### **c) Taxes**

#### **Current income tax**

The University is exempted from taxation under the first schedule of the income tax Act Cap 470.

### **d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

### **e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accord-

ingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Fixed Assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets are subjected to a full year's depreciation.

The annual depreciation rates in use are:

Building	2%
Furniture, plant and equipment	12.5%
Motor Vehicles	25%
Library books	10%
Computers	33.3%

Freehold land is not depreciated as it is deemed to have an infinite life.

#### **f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### **g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

#### **h) Biological assets**

Biological assets are revalued yearly as per the policy of the University. Professional valuer is engaged to value the biological assets at the end of the financial year. Market values are taken into consideration by carrying out market survey.

#### **i) Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential

- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

## **i) Financial instruments**

### **Financial Assets**

#### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The University determines the classification of its financial assets at initial recognition.

#### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

#### **Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account

any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### **Impairment of financial assets**

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

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

## **Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

### **Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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

#### **k) Provisions**

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision of 5% of the total receivables has been provided to take care of receivables which may not be recovered in full.

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

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

### **Contingent liabilities**

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

### **Contingent assets**

The 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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### **l) Nature and purpose of reserves**

The university creates and maintains reserves in terms of specific requirements as follows: (i) capital reserve – used to record contribution made by government in form of grants / transfers (ii) revaluation reserve – used to indicate the revalued amount on the plant property and equipment.

### **m) Changes in accounting policies and estimates**

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.

### **n) Employee benefits**

#### **Retirement benefit plans**

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

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

### **o) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors

denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **p) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **q) Related parties – IPSAS 20**

University of Kabianga 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. Members of key management are regarded as related parties and comprise the University Council and Management.

University of Kabianga Enterprise and Services (UKES) Limited is a related party, fully owned by the University of Kabianga. Cash and cash equivalents for UKES Limited includes Cash in Kenya Commercial Bank account number 1280940670 of **Ksh 2,786,750.50**

#### **r) Service concession arrangements**

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to

whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**s) Investment policy**

Any excess/idle funds should be invested in short-term treasury bills/bonds or commercial banks Fixed deposits (FDR) as per the central bank guidelines.

**t) Capital Funds Retention policy**

All capital development projects shall attract a retention fee of 10% which shall be deposited to Kenya Commercial bank retention account and shall be paid to the contractor upon completion of the project.

**u) Cash and cash equivalents**

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

**w) Comparative figures**

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

### **x) 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.

## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the University's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

- i. The condition of the asset based on the assessment of experts employed by the Entity
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset
- v. Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included

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 CONT'

### Note 6: Exchequer Grants- Recurrent

Description	2022-2023 Kshs	2021-2022 Kshs
<b>Unconditional grants</b>		
Ministry of Education		
July	67,862,050	67,584,584
August	67,862,050	67,584,584
September	67,862,050	67,584,583
October	67,862,050	67,584,584
November	67,862,051	67,584,584
December	67,862,051	67,584,584
January	67,862,051	67,584,584
February	67,862,051	67,584,584
March	67,862,049	67,584,584
April	67,862,050	67,584,584
May	67,862,050	69,108,025
June	67,862,050	69,108,025
<b>Total Recurrent Received to Date</b>	<b>814,344,603</b>	<b>814,061,889</b>

### Note 7 : Tuition and Related Income

Description	2022-2023 Kshs	2021-2022 Kshs
<b>a) Revenue from Tuition Fees</b>	<b>238,280,700</b>	<b>223,100,742</b>
<b>b) Tuition Related Income</b>		
Registration fees	2,528,000	2,227,100
Students' ID charges	2,027,650	1,811,550
Examination fees	21,699,000	12,453,000
Insurance fees	1,499,000	1,096,000
Graduation Fees	5,924,500	9,289,765
Activity fees	10,921,000	9,398,500
Computer fees	14,467,500	7,347,000
Field trips/Teaching Practice	24,038,631	18,952,200
Internet fees	14,423,000	13,311,000
MBA Thesis	1,440,000	2,050,000
Supervision	1,730,000	2,280,000
Medical fees	21,714,200	12,494,600
Amenity fees	14,432,500	9,293,500
Cobes	1,867,500	1,765,500
Research Fees	195,000	48,100
Practical Manual & 3 Log Books	-	-
Transport Fees	2,187,500	2,526,500
UoKSO	2,491,800	2,334,000
Library Fees	18,165,940	9,678,000

Supplementary Exams	1,094,500	547,700
Clinical Placement fee	600,000	912,000
Community Diagnosis	672,000	800,000
Exposures	1,340,000	1,800,000
Quality Assurance Fee	2,450,500	2,282,500
Special Rotation - Accommodation	350,000	392,000
Clinical Assessment Fee	3,063,000	3,974,000
<b>Sub-Total</b>	<b>171,322,721</b>	<b>129,064,515</b>
	<b>409,603,421</b>	<b>352,165,257</b>

**Note 8: Rendering of Services**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Accommodation Services	7,451,500	7,046,800
Farm income	-	1,770,783
Catering Services	2,568,554	1,250,809
Guest House income	-	719,620
Fruit Juice	-	53,865
	<b>10,020,054</b>	<b>10,841,877</b>

**Note 9: Finance Income**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Fixed Deposits	-	-
	-	-

**Note 10 Income From Facilities**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Income from Facilities	384,000	1,641,540
	<b>384,000</b>	<b>1,641,540</b>

**Note 11: Other Incomes**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Book Shop Sales	-	9,052
Photocopying/Sale of tender documents	25,000	5,500
Application fees	708,250	530,500
Fines and penalties	684,152	374,687
Seedlings	19,255	8,765
Hospitality Restaurant Unit	-	-
Misc. Income	434,763	250,225
Examination Retake	776,000	320,000

UoKSO Nomination Fees	24,500	23,700
Transcript Correction/Replacement	261,500	152,600
Remarking	2,000	6,000
Water Bill	38,030	41,655
Kapkatet Morgue Services	6,000	10,000
Valuation/Consultancy/Electricity	944,273	1,749,000
Endowment Fund	3,823,482	1,136,867
Lost Books	14,448	24,353
Hire of Gowns	1,431,900	619,200
UOK Annual Cross Country Income	-	-
UOK Annual Conference	-	-
Decrease in provision for bad debts	-	259,735
Administrative Income	1,285,354	339,670
Short Courses Training	-	-
	<b>10,478,907</b>	<b>5,861,509</b>

**Note 12: Employee Costs**

Description	2022-2023 Kshs	2021-2022 Kshs
Salaries and Wages	646,773,287	648,478,306
Employee related Costs- Contribution to pension	82,062,437	74,235,811
Commuter/ car Allowance/other Allowances	115,358,633	107,026,077
House Allowance	233,332,387	234,341,357
<b>Employee costs</b>	<b>1,077,526,744</b>	<b>1,064,081,551</b>

**Note 13: Remuneration of Council members**

Description	2022-2023 Kshs	2021-2022 Kshs
Chancellor's Honoraria	-	-
Chairman's Honoraria	1,020,000	1,020,000
Council Allowance	4,839,275	7,091,430
Travelling and Accommodation Allowances	5,566,040	4,070,985
<b>Total Council emoluments</b>	<b>11,425,315</b>	<b>12,182,415</b>

**Note 14: Depreciation and Amortization Expense**

Description	2022-2023 Kshs	2021-2022 Kshs
Property, Plant and Equipment	-	42,086,350
<b>Total Depreciation and Armotization</b>	<b>-</b>	<b>42,086,350</b>

**Note 15: Repairs and Maintenance Expense**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of Catering and Hostels	727,798	230,434
Maintenance of plant and equipment	508,150	988,594
Maintenance of Water supply & Sewerage	1,433,114	827,622
Maintainance of Buildings	3,355,651	563,333
Maintenance of Play Grounds	1,182,708	127,015
Vehicle running expenses	6,654,594	9,718,112
Maintenance of Computers & Copiers	204,336	1,136,018
<b>Total Repairs and Maintenance</b>	<b>14,066,350</b>	<b>13,591,128</b>

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Recruitment/Training Expenses	158,020	-
Senate Committee meetings	397,750	194,280
Cleaning materials	74,932	370,375
Conferences and seminars	1,665,510	869,775
Electricity, water and conservancy	11,772,344	10,635,180
External examiners expenses	3,097,662	2,553,676
External Travelling Expenses	-	-
Graduation Expenses	5,411,587	7,239,142
Strategic Plan Implementation	133,610	934,525
ISO related Expenses	704,388	656,408
Insurance Expenses	8,748,385	3,686,776
Internet connectivity expenses	19,189,040	19,932,575
Legal & Other Expenses	1,169,676	5,113,308
Library Journals	640,188	381,873
Medical Drugs	4,207,716	1,718,598
Meetings & Workshops	4,025,340	2,084,514
Bsc Nursing Training Files and Indexing Expenses	-	-
Minor works on water & sewerage	217,870	237,619
Office Expenses	44,500	1,669,249
Official entertainment	60,300	-
Open & Cultural Day Expenses	827,030	305,800
Payment of Rent & Rates	21,330,856	24,579,299
Purchase of uniforms	2,730	-
Teaching materials	298,145	1,485,330
Telephones	3,857,000	3,914,990
Travelling and accommodation	16,855,172	9,746,373
University medical scheme	17,161,416	14,175,199
University Research Programme	3,839,380	2,769,555

Valuation/Consultancy	5,704,118	2,779,400
Works Study programme	684,675	242,350
Farm Expenses	-	100,500
Games and sports expenses	97,129	30,000
Guest house expenses	-	762,162
Kitchen Expenses	5,146,414	3,842,120
Bookshop Expenses	-	23,750
Fruit Juice processing plant	-	401,695
UoKSO Welfare	2,739,484	1,688,590
Lab Chemicals	2,308,156	879,640
Postal and telegram	268,678	46,560
Student Activities	5,543,537	3,346,601
Student Field Trips/Courses Expenses	7,652,633	11,289,475
Academic Programmes Development & Accreditation	1,793,365	1,119,200
Inter-University Games	1,192,593	610,420
KUCCPS and Quality assurance charges	-	1,274,000
Teaching Practice & Attachment	11,157,024	14,221,605
Performance contract Expenses	1,589,689	499,700
Stationery	11,127,019	7,768,439
Audit fee	1,624,000	696,000
Academic Scholarship	-	-
Community Based Education Service(COBES)	2,003,445	2,921,694
Dev. Project Consultancy Fees	-	-
External Research Grants Expenses	4,858,095	14,121,303
Increase in provision for bad debt	12,012,508	-
Decrease in inventories	-	3,303,120
Collaboration & linkages	62,000	46,500
Students ID charges	-	-
ICT Systems, Compliance & legal audit	-	26,100
Bench fee Expense	24,000	41,000
COVID-19 Expenses	485,900	795,765
Supervision Expenses(students)	-	102,550
Clinical Placement & Assessment	6,240,909	7,765,461
Innovation and Entrepreneurship	64,000	-
Member Subscriptions to professional bodies	2,788,870	-
Gender Mainstreaming	337,940	-
Community placement, diagnosis & Rotation	-	2,176,900
Staff Development	1,085,000	2,711,300
<b>Total Use of Goods and Services</b>	<b>214,481,728</b>	<b>200,888,319</b>

**Note 17: Marketing Expenses**

Description	2022-2023	2021-2022
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	Kshs	Ksh
Publishing and Printing	1,178,460	817,500
Advertising & Publicity	2,470,592	4,080,511
Marketing & Outreach Expenses	2,018,575	204,580
UoK Annual Cross Country Event	342,450	-
<b>Total Marketing Expenses</b>	<b>6,010,077</b>	<b>5,102,591</b>

**Note 18: Contracted Services**

Description	2022-2023	2021-2022
	Kshs	Kshs
Contract/Outsourced Services	8,026,118	4,592,200
<b>Total Contracted Services</b>	<b>8,026,118</b>	<b>4,592,200</b>

**Note 19: Finance Costs**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest on Loan	19,561,295	21,486,301
Bank Charges	1,629,099	1,644,035
<b>Total Finance Costs</b>	<b>21,190,394</b>	<b>23,130,336</b>

**Note 20: Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	2022-2023	2021-2022
		KShs
Current account	49,799,919	55,612,223
On - call deposits		-
Fixed deposits account		-
Staff car loan/ mortgage		-
Others(specify)		-
<b>Total cash and cash equivalents</b>	<b>49,799,919</b>	<b>55,612,223</b>

**Note 20: Cash and Cash Equivalents**

Description	Financial Institution	Account number	2022-2023	2021-2022
			Kshs	Kshs
	Kenya Commercial Bank (Pssp)	1120671418	1,434,246.50	1,793,103
	Kenya Commercial Bank( Gssp)	1120671299	978,231.14	106,480
	Kenya Commercial Bank ( Accom.)	1120671450	68,145.70	11,833
	Co-operative Bank of Kenya( Pssp)	01129335586401	536,373.69	731,092
	Co-operative Bank of Kenya( Gssp)	01129335586400	299,020.24	808,438
	Co-operative Bank of Kenya Operations A/C	01129046214700	406,868.86	(45,310,312)
	Co-operative Bank of Kenya Capital Dev. A/C	01120335586400	597,998.33	52,850,006

Stanchart (Gssp)	0102832991700	58,350.00	58,350
Stanchart (Pssp)	0102832991701	91,076.00	91,076
Stanchart Research Account	0102832991702	112,594.74	112,594
Equity Bank (Gssp)	0530271957342	482,758.00	303,808
Equity Bank (Pssp)	0530271957475	100,877.00	77,377
Kenya Commercial Bank (Retention A/C)	1207008966	44,633,378.50	43,978,379
		<b>49,799,919</b>	<b>55,612,223</b>

**Note 21(a): Receivables from Non Exchange Transactions**

Description	2022-2023 Kshs	2021-2022 Ksh
Exchequer grants-Recurrent	10,101,454	-
	10,101,454	-

**Note 21(b): Receivables from Exchange Transactions**

Description	2022-2023 Kshs	2021-2022 Ksh
Student fees debtors	81,725,705	81,148,803
Provision for doubtful Debts	(16,069,948)	(4,057,440)
<b>Total Receivables</b>	<b>65,655,757</b>	<b>77,091,363</b>

**Ageing Analysis- Receivables from non-exchange transactions**

	2022-2023	% of the total
Less than 1 year	16,922,048	21%
Between 1-2 years	10,847,562	13%
Between 2-4 years	22,120,651	27%
Between 4-6 years	18,541,250	23%
Over 6 years	13,294,194	16%
<b>Total</b>	<b>81,725,705</b>	<b>100%</b>

**Note 22: Inventories**

Description	2022-2023 Kshs	2021-2022 Ksh
Inventories- Consumable stores	2,430,701	1,084,617
<b>Total Inventories</b>	<b>2,430,701</b>	<b>1,084,617</b>

**Note 23: Biological Assets**

Description	2022-2023 Kshs	2021-2022 Ksh
Tea	4,300,000	3,325,297
Livestock	2,776,000	3,739,700
Cypress Trees	7,901,000	5,257,700
Pine Trees	558,500	435,000

Eucalyptus Trees	27,899,000	27,239,350
Gravillea Trees	6,696,475	4,669,000
Macademia Nut Trees	65,000	49,000
Bananas	194,400	156,800
<b>Total Biological Assets</b>	<b>50,390,375</b>	<b>44,871,847</b>

**Note 24: Payables from Exchange Transactions**

Description	2022-2023 Kshs	2021-2022 Ksh
Recurrent Creditors	52,103,812	47,308,170
Capital Creditors	5,240,599	5,240,599
Salary creditors-Pension arrears	217,634,210	132,503,149
Accrued salary arrears	49,029,163	-
<b>Total Payables from Exchange Transactions</b>	<b>324,007,784</b>	<b>185,051,918</b>

**Note 25: Refundable Deposits and Pre-payments from Customers**

Description	2022-2023 Kshs	2021-2022 Ksh
Caution Money	12,246,850	9,838,850
KUCCPS fees	19,619,350	16,450,350
Student Deposits	4,524,040	-
CDF/County/Other	-	-
HELB	-	-
Other sponsors	-	-
Room Deposit	5,490,050	4,980,050
Insurance death benefits	1,227,763	1,227,762
Student field trips and attachment	11,291,276	5,462,302
Research funds from donors	13,420,274	9,133,120
Prepaid fees	79,862,325	70,793,278
<b>Total Refundable Deposits</b>	<b>147,681,927</b>	<b>117,885,712</b>

**Note 26: Current Provisions**

Description	2022-2023 Kshs	2021-2022 Ksh
Part-time lecturers	224,025,039	234,561,992
Provision for audit fees	1,856,000	2,088,000
Provision for Valuation & Consultancy	1,132,500	1,132,500
<b>Total Current Provisions</b>	<b>227,013,539</b>	<b>237,782,492</b>

### Note 27: Retention

Description	2022-2023 Kshs	2021-2022 Ksh
<b>Retention- WIP</b>		
Lecture Phase III	550,933	550,933
Lecture Phase II	3,113,241	3,154,791
Hostel Phase II	940,615	1,006,071
Health Unit 1	-	-
Library	30,915,163	30,205,973
Lecture Theatre Phase IV	7,719,398	7,719,398
Pineapple juice plant- Changing rooms	119,283	119,283
ICT Infrastructure	-	-
Dining hall	1,126,917	1,126,917
Staff Toilets	101,718	101,718
	<b>44,587,268</b>	<b>43,985,084</b>

### Note 28: Borrowings

Description	2022-2023 Kshs	2021-2022 Ksh
Co-operative Bank Loan (20yrs)	133,750,000	163,750,000
	<b>133,750,000</b>	<b>163,750,000</b>

Description	2022-2023 Kshs	2021-2022 Ksh
<b>Balance at the beginning of the period</b>	<b>163,750,000</b>	<b>178,750,000</b>
Repayment		
July	1,250,000	1,250,000
August	1,250,000	1,250,000
September	1,250,000	1,250,000
October	1,250,000	1,250,000
November	1,250,000	1,250,000
December	1,250,000	1,250,000
January	1,250,000	1,250,000
February	1,250,000	1,250,000
March	1,250,000	1,250,000
April	1,250,000	1,250,000
May	1,250,000	1,250,000
June	1,250,000	1,250,000
<b>Sub-total</b>	<b>15,000,000</b>	<b>15,000,000</b>
<b>Balance at the end of the period</b>	<b>148,750,000</b>	<b>163,750,000</b>

Co-operative Bank Loan (20yrs)-Current Portion	15,000,000	15,000,000
Co-operative Bank Loan (20yrs)-Non current portion	133,750,000	148,750,000

**Note 29: Intangible Assets**

**Description**

**2022-2023**

**2021-2022**

**Kshs**

**Ksh**

**Cost**

At the beginning of the year	26,584,000	26,584,000
------------------------------	------------	------------

Additions	-	-
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At the end of the year	26,584,000	26,584,000
------------------------	------------	------------

Additions - internal development	-	-
----------------------------------	---	---

At the end of the year	26,584,000	26,584,000
------------------------	------------	------------

**Amortization and impairment**

At the beginning of the year	26,584,000	26,584,000
------------------------------	------------	------------

Amortization	-	-
--------------	---	---

At the end of the year	26,584,000	26,584,000
------------------------	------------	------------

Impairment Loss	-	-
-----------------	---	---

At the end of the year	26,584,000	26,584,000
------------------------	------------	------------

**NBV**

The intangible assets (ABN Unisol ERP and Memory soft payroll system) were fully amortized as at 30 June 2023. The University management initiated the process of revaluing the assets and the exercise is expected to be completed in FY2023-2024.

**Note 30(a): PPE Schedule**

	Land	Buildings	W.T.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Library books	Total
Depreciation Rate	0	2.00%	12.50%	33.33%	12.50%	25%	10%		
COST/VALUATION	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs.	KShs.
As at 1 July,2021	110,000,000	1,691,221,849	577,629,576	48,524,929	11,174,520	46,573,021	37,666,606	59,557,602	2,582,348,103
Additions	-	-	57,303,964	19,030	1,774,415	-	4,743,004	63,840,413	-
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	137,100,000	(308,520,849)	-	(42,935,959)	-	(42,623,021)	(13,016,606)	(306,705,041)	-
Transfer to Buildings	-	-	-	-	-	-	-	-	-
As at 30 June,2022	247,100,000	1,382,701,000	634,933,540	5,608,000	12,948,935	3,950,000	24,650,000	27,592,000	2,339,483,475
As at 1 July,2022	247,100,000	1,382,701,000	634,933,540	5,608,000	12,948,935	3,950,000	24,650,000	27,592,000	2,339,483,475
Additions	-	-	59,675,890	1,931,036	154,000	169,130	7,161,341	69,091,397	-
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	6,201,731	8,444,056	11,885,870	(3,526,000)	(7,164,831)	15,840,826	-
Transfer to Buildings	-	-	-	-	-	-	-	-	-
As at 30 June,2023	247,100,000	1,382,701,000	694,609,430	13,740,767	21,546,991	16,005,000	21,124,000	27,588,510	2,424,415,698
DEPRECIATION	-	(222,549,382)	(45,768,021)	(7,324,074)	(42,067,213)	(18,833,304)	(24,775,250)	(361,317,243)	-
At 1 July, 2021	-	(27,654,020)	(701,000)	(43,15,880)	(493,750)	(6,162,500)	(2,759,200)	(42,086,350)	-
Revaluation	-	222,549,382	-	45,768,021	-	18,833,304	24,775,250	353,993,170	-
At 30 June, 2022	-	(27,654,020)	-	(701,000)	(493,750)	(6,162,500)	(2,759,200)	(49,410,423)	-
At 1 July, 2022	-	(27,654,020)	-	(701,000)	(493,750)	(6,162,500)	(2,759,200)	(49,410,423)	-
Depreciation	-	-	-	-	-	-	-	-	-
Revaluation	-	27,654,020	-	701,000	493,750	6,162,500	2,759,200	49,410,423	-
At 30 June, 2023	-	-	-	-	-	-	-	-	-
NET BOOK VALUE	247,100,000	1,382,701,000	694,609,430	13,740,767	21,546,991	16,005,000	21,124,000	27,588,510	2,424,415,698
As at 30 June 2023	247,100,000	1,382,701,000	634,933,540	4,907,000	1,308,981	3,456,250	18,487,501	24,832,800	2,290,073,052
As at 30 June 2022	247,100,000	1,355,046,980	634,933,540	4,907,000	1,308,981	3,456,250	18,487,501	24,832,800	2,290,073,052

Capital projects remain as work in progress until they are certified complete then they are recognised as assets.

**Note 30 (b):Property, Plant & Equipment**

Description	2022-2023	2021-2022
	Kshs	Kshs
Land	247,100,000	247,100,000
Buildings	1,382,701,000	1,355,046,980
Work in Progress (W.I.P)	694,609,430	634,933,540
Plant & Equipment	13,740,767	4,907,000
Computers,Printers & Copiers	21,546,991	1,308,981
Furniture & Fittings	16,005,000	3,456,250
Motor Vehicles	21,124,000	18,487,501
Library Books	27,588,510	24,832,800
	<u>2,424,415,698</u>	<u>2,290,073,052</u>

**Note 31: Revaluation Loss**

Description	2022-2023	2021-2022
	Kshs	Kshs
Buildings	-	85,971,467
Furniture &Fittings	-	555,808
Library Books	-	11,933,356
Biological Assets	-	516,533
<b>Total Revaluation Loss</b>	<u>-</u>	<u>98,977,164</u>

**Note 32: Revaluation gain**

Description	2022-2023	2021-2022
	Kshs	Kshs
Land	-	137,100,000
Plant and Equipment	6,902,731	2,832,062
Motor Vehicles	2,636,500	5,816,698
Buildings	27,654,020	-
Furniture &Fittings	12,379,620	-
Library Books	(4,405,631)	-
Computers,Copiers and Printers	20,084,010	-
Biological Assets	-	-
<b>Total Revaluation Gain</b>	<u>65,251,249</u>	<u>145,748,760</u>

**Note 33 : Reserves/Net Assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
Capital Reserves	1,870,818,139	1,843,216,685
Revaluation Reserve	587,714,994	541,265,947
Accumulated Surplus	(747,779,746)	(664,204,735)
<b>Total Reserves</b>	<u>1,710,753,387</u>	<u>1,720,277,897</u>

### 34. Related Party Disclosures

The following transactions were carried out with related parties

Key Management Compensation	2022/2023	2021/2022
<b>(i) Council Remuneration</b>		
Allowances paid to Council Members	11,425,315	12,182,415
<b>(ii) Grants from related parties</b>		
Grants from the Government	814,344,603	814,061,889

### 35. CASH GENERATED FROM OPERATIONS

Note	2022-2023 Kshs	2021-2022 Ksh
<b>Cash Flow From Operating Activities:</b>		
Deficit for the year	(107,895,741)	(181,082,819)
Adjustments for Revaluation	(1,279,737)	(47,288,129)
Adjustments for Depreciation	-	42,086,350
<b>Surplus Before Working Capital</b>	<b>(109,175,478)</b>	<b>(186,284,598)</b>
<b>Changes in Working Capital</b>		
(Increase)/ Decrease in Inventories	(1,346,084)	3,303,120
(Increase)/ Decrease in Biological as- sets	(5,518,528)	(516,533)
(Increase)/ Decrease in Receivables from Exchange Transactions	11,435,606	4,934,966
Increase/(Decrease) in Payables from Exchange Transactions- Retention WIP	602,184	(7,724,397)
Increase/(Decrease) in refundable de- posits and prepayments from customers	29,796,216	(5,782,144)
Increase/(Decrease) in Current provisions	(10,768,953)	17,656,878
Increase/(Decrease) in Payables from Exchange Transactions	138,955,866	83,677,304
<b>Net Cash flows from Operating Activi- ties</b>	<b>53,980,828</b>	<b>(90,735,405)</b>

### **36. Risk management policies-**

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University has financial liabilities comprising trade and other payables.

The University has exposure to the following risks:

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks
- iv) COVID-19 pandemic

The Council has overall responsibility for the establishment and oversight of the University's risk management framework.

The University's risk management policies will be established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in economic conditions and the University's activities.

#### **Market risk management**

##### **Interest rate risk**

The University has interest bearing borrowings and is financed by cash generated from its operations. The University will always strive to increase its market share to match the interest of the day.

##### **Liquidity risk**

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Typically the University ensures that it has sufficient cash on demand to meet

expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government.

### **Credit risk**

Credit risk is the risk of financial loss to the University if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University receives fees from students which minimizes the credit risk exposure. The University has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

### **Rising deficits and negative working Capital**

The university has incurred a deficit of **Kshs.107.9M** in the FY2022/2023 resulting in accumulated deficit of **Kshs.747.7M**. The University Council has developed a strategic plan and financial sustainability plan to ensure additional revenue and mitigate the rising deficits. In addition, the University student allocation has increased which will lead to increase in revenue collection. The introduced university funding model will improve fees collection therefore addressing the issue of going concern. University of Kabianga expects continued financial support from the Government of Kenya through Budgetary allocation as per previous financial years.

### **Classification of credit risk bearing assets**

The table below represents University's maximum exposure to credit risk as at 30 June 2023 and 2022.

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	49,799,919	55,612,223
Account Receivables.	75,757,211	77,091,363
	<b>125,557,130</b>	<b>165,202,176</b>

All the University's receivables are fully performing and are expected to be received. Cash and Cash Equivalents includes cash in hand and deposits held with Commercial banks.

### **37. Provisions**

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

### **38. Contingent Assets and Liabilities**

The University had no contingent liability as at the end of the financial year 2022/2023.

## 20.APPENDICES

### APPENDIX 1: Implementation Status of Auditor-General's Recommendations.

University of Kabianga received audit report for the FY 2021/2022. The following is the summary of the matters raised by the external auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Long outstanding payables	<p>The unremitted pension relates to the financial year 2021/2022 and 2022/2023 after implementation of unfunded CBA 2017/2021 which has drastically increased the payroll costs.</p> <p>An increase of Kshs.87,884,837 during the year on payables from exchange transactions was as a result of unremitted pension funds hereby itemized as salary creditors up from Kshs. 59,815,168 in FY 2020-2021 to Kshs. 132,503,149 in FY 2021-2022. The recurrent capitation and CBA 2017-2021 allocations are inadequate to cover the payroll costs. The University implemented the new salary scales in the month of July 2021 as per CBA 2017-2021. Every month the University</p>	<p><b>Partly resolved -</b> The employee component are now being deducted and remitted- from January 2023</p>	FY2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		incurs a deficit of Kshs. 15,935,565 and therefore this contributes to rising deficit the University has been experiencing		
1.2	Failure to disclose a related party bank balance	The University formed A company (UKES) to carry out activities related to the generation of income so that the University handles the core mandate. The company had been in existence for 9 months in FY 2021/2022.	Resolved	FY2022/2023
2.1	Unconfirmed accuracy of retention money on work in progress	The Reconciliation of the retention money on work in progress has been done. The retained funds had been calculated at 5% after the maximum funds at 10% had been retained	Resolved	FY2022/2023
2.2	Unsupported Work in Progress	The work in progress register with details such as asset category, location of the asset, start date, expected completion date, percentage of completion, amount spent to date, and balance of work in progress at the end of the year has been updated and provided for verification	Resolved	FY2022/2023
3.0	Unreconciled Stu-	Management reconciled	Resolved	FY2022/2023

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	dent data with Tuition Fees	the student's records with the general ledger		
4.0	Offset of Bank account balances	The balances reflected under the cash and cash equivalent category are not bank balances but cash book balances. The overdraft reflected arose as a result of cheques drawn as at the end of the financial year even though the capitiation had not been received. This led to a negative variance of Kshs.45,310,312 . The cheques has since been presented and the cheques have been cleared by the bank.	Resolved	FY2022/2023
5.0	Material Uncertainty related to Sustainability of Services	The continued challenges of revenue allocation	Partly Resolved	FY2023/2024

## APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects implemented by the University funded by the Government of Kenya (GoK).

	<b>Project</b>	<b>Total pro- ject Cost</b>	<b>Total expend- ed to date</b>	<b>Completion % to date</b>	<b>Budget FY 2021-2022</b>	<b>Actual</b>	<b>Sources of funds</b>
1	University Library	Kshs. 834,523,967	KSh. 382,199,177.44	70%	Kshs 45,000,000		GoK
2	Lecture Theatre Phase IV	Kshs 247,942,475	KSh 231,798,979.41	100%	Kshs 45,000,000		GoK
3	Student Dining hall	Kshs 20,991,670	Kshs 14,861,022.50	85%			AIA

### Status of Projects completion

### APPENDIX III: INTER-ENTITY CONFIRMATION LETTER



UNIVERSITY OF KABIANGA  
P.O BOX 2030-20200 KERICHO, KENYA  
TEL: 020-2172665

The state department for university education and research wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below

Confirmation of amounts received by University of Kabianga as at 30th June 2023							
Amounts Disbursed by state department for University Education & Research as at 30th June 2023							
Reference Number	Date Disbursed	Recurrent(A)	Development(B)	Inter-Ministerial(C)	Total(D)	Amount received 30th June 2022(E)	Differences(F)
	3/8/2022	67,862,050	-	-	67,862,050	67,584,584	277,466
	8/9/2022	67,862,050	-	-	67,862,050	67,584,584	277,466
	3/10/2022	67,862,050	-	-	67,862,050	67,584,583	277,467
	10/11/2022	67,862,050	-	-	67,862,050	67,584,584	277,466
	9/12/2022	67,862,050	-	-	67,862,050	67,584,584	277,466
	30/12/2022	67,862,050	-	-	67,862,050	67,584,584	277,466
	10/2/2023	67,862,050	-	-	67,862,050	67,584,584	277,466
	17/03/2023	67,862,050	-	-	67,862,050	67,584,584	277,466
	30/04/2023	67,862,050	-	-	67,862,050	67,584,584	277,466
	5/5/2023	67,862,050	-	-	67,862,050	67,584,584	277,466
	9/6/2023	67,862,050	-	-	67,862,050	69,108,025	(1,245,975)
	27/06/2023	67,862,050	-	-	67,862,050	69,108,025	(1,245,975)
							-
	30/9/2023		17,500,000	-	17,500,000	45,000,000	(27,500,000)
	4/7/2023		10,101,454	-	10,101,454	45,000,000	(34,898,546)
<b>TOTAL</b>		<b>814,344,600</b>	<b>27,601,454</b>	<b>-</b>	<b>841,946,054</b>	<b>904,061,889</b>	<b>(62,115,835)</b>

I confirm that the amounts shown above are correct as of the date indicated

**FINANCE OFFICER**

**UNIVERSITY OF KABIANGA**

Name: CPA Willy Koech

Sign: .....

Date: 05.04.2024

#### **Appendix IV- Inter-Entity Confirmation Letter**

The University did not have any transfers from other government entities disbursed as at 30<sup>th</sup> June 2023.

#### **Appendix V: Reporting of Climate Relevant Expenditures**

University of Kabianga did not incur any climate relevant activities for the period ended 30<sup>th</sup> June 2023.

#### **Appendix VI: Reporting on Disaster Management Expenditure**

University of Kabianga did not incur any expenditures relating to any disasters within the period ended 30<sup>th</sup> June 2023.