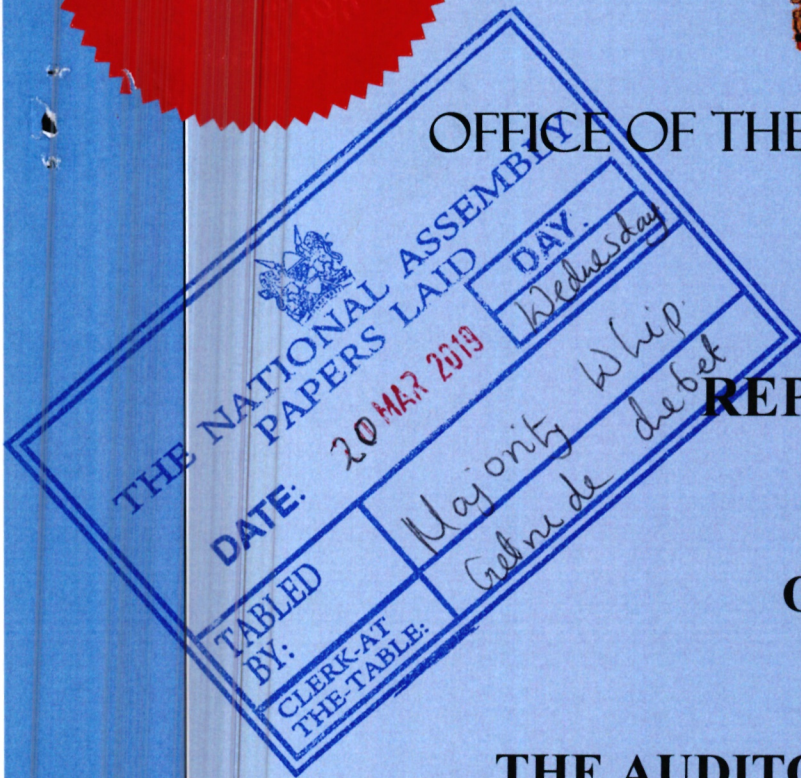


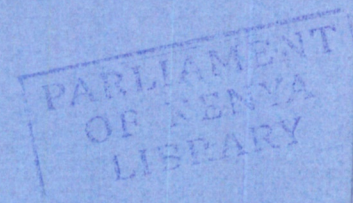
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



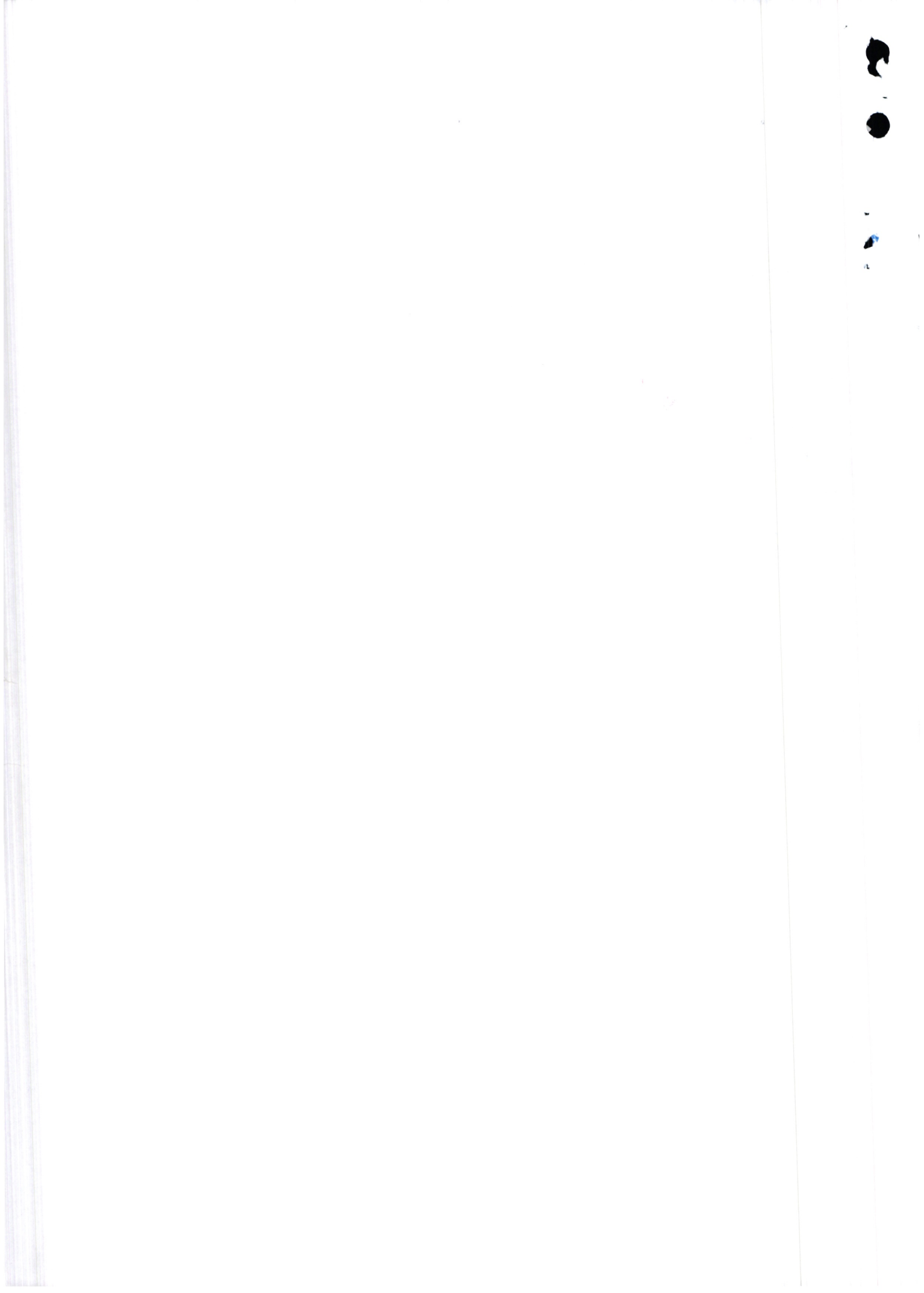
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KIRINYAGA UNIVERSITY

FOR THE YEAR ENDED
30 JUNE 2018





Kirinyaga University

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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



KyU is ISO 9001:2015 certified

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kirinyaga University is a fully chartered public university and owned by the government of Kenya. The University aims at becoming a world class university of science and technology specializing in industry oriented teaching, research, innovation and entrepreneurship in engineering, science, technology and ICT.

The University is located approximately 115 Km North East of Nairobi off Nairobi Sagana-Embu-Highway in Kutus Town, Kirinyaga County.



Kirinyaga University Dining Hall

Objective of the University

The main objective of the University is to provide, directly or indirectly through collaboration with other institutions of higher learning, university education including scientific and professional education, and technology transfer for effective application of knowledge and skills in life, work and welfare of the citizens of Kenya. The University aims to play a leading role in the development and expansion of the opportunities for higher education and research.

The University is expected to provide and advance university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates.

Kirinyaga University will pursue strategic objectives in the following: policy, human resource management, library, fund mobilization, physical infrastructure development,



information and communication technology (ICT), academic programmes, research, innovation, technology transfer and extension services.

(b) Principal Activities

The principal activity/mission of the University is to train and develop human resource equipped with innovative technology and skills to inspire enterprise in the discipline of engineering, science, health and technology, to meet the demands of a dynamic world.

(c) Key Management

The Vice Chancellor, the University Management Board (UMB), Heads of Departments and Sections are responsible for management of the day-to-day operations of the University. The UMB meets weekly and is responsible for the execution of all policies on behalf of University Council and is chaired by the Vice Chancellor, who is the Chief Executive Officer. The heads of sections and chairmen of academic departments steer the University mandate as cascaded to them via the statutes, and report to the UMB through the respective Deputy Vice Chancellors and Registrars.

(d) Fiduciary Oversight

To execute this mandate, the University has various committees of Senate tasked with different responsibilities in the respective lines of operations; academic, student affairs, human resource, procurement, finance and general operations. These committees are domiciled in the respective divisions/ sections of the University, and have clearly defined terms of reference and reporting lines in the statutes.

The University Council has four committees as provided for in the statutes vide;

- The Finance, Human resource and General purpose committee,
- Audit & Risk management committee
- Academic and quality assurance committee
- Sealing committee

The respective committees of Council hold meetings quarterly and submit reports to full Council.

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiducial responsibility were:



Name	Designation
Senior Counsel Fred Ojiambo, MBS	Chancellor
Prof. Gideon B. Hanjari	Chairman of Council
Prof. Mary Ndung'u	Vice Chancellor

(e) Kirinyaga University Headquarters

P.O. Box 143-10300
Sagana – Embu Highway Kutus Town
Kerugoya, Kenya.

(f) Kirinyaga University Contacts

Telephone: (254) 728499650
E-mail: vc@kyu.ac.ke
Website: www.kyu.ac.ke

(g) Kirinyaga University Bankers

- 1) Kenya Commercial Bank, Kerugoya Branch
P.O Box 405090 -10300,
Kerugoya-Kenya.
- 2) Equity Bank, Kerugoya Branch
P.O. Box 1056 - 10300,
Kerugoya-Kenya.
- 3) Co-operative Bank, Kutus Branch
P.O. Box 218 - 10304,
Kutus - Kenya.



(h) Independent Auditors

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





(i) Principal Legal Adviser

The Legal Officer
Kirinyaga University
P.O. Box 143 – 10300
Kerugoya, Kenya



MEMBERS OF THE UNIVERSITY COUNCIL

	Name & Title	Date of Birth	Qualifications	Experience
	Prof. Gideon Billy Hanjari (Chairman of Council)	1945	Ph.D (University of London), Bachelor of Architecture 1971 (Nairobi University), Diploma Health Facility Planning (Cnaa)	53 Years
	Prof. Mary Wambui Ndung'u (Vice Chancellor/ Secretary to council)	1962	PhD- Chemistry (JKUAT), Msc- Chemistry (Kenyatta University), B.Ed. (Kenyatta University), EMBA (JKUAT)	31 Years
	Julius Lawi Onyango	1946	Masters of Laws (LL.M) Degree, - UoN Bachelor of Laws (LLB) Degree - UoN	52 Years
	Dr. Naomi Njeri Kagone	1979	PhD (Entr), - JKUAT Msc (Entr.), - JKUAT BED (Science) – KU Bachelor of International Business – USIU, Africa	9 Years
	M/s Kibibi Ndope	1987	MBA (International Business) – USIU, Africa Bachelor of Laws (LLB) Degree - CUEA	8 Years

	Mr. Alister M Murimi	1972	M. Sc. Finance - UoN MBA(Construction & Real Estate), - UK BA (Land Econ.) - UoN	17Years
	Mr. Joseph Ole Sarisar	1970	MSc Entrepreneurship, - JKUAT BCom. (Marketing) - UoN	22 Years
	Mr. James Muchiri (Rep. Ministry of Education)	1973	BED Moi University , Med Kenyatta University	17 Years
	Mr. Edward K. Wamweya (Rep. National Treasury)	1984	MBA CPA(K) CIFA(K)	8 Years



KIRINYAGA UNIVERSITY MANAGEMENT TEAM

	Name & Title	Date of Birth	Qualifications	Experience
	Prof. Mary Wambui Ndung'u Vice Chancellor / Chairperson	1962	PhD- Chemistry (JKUAT), Msc- Chemistry (Kenya University), B.Ed. (Kenya University), EMBA (JKUAT)	31 Years
	Prof. Charles Omwandho Deputy Vice Chancellor (ASA)	1961	PhD- Reproductive Immunology (new Castle University ,Australia 1998),Msc, Biochemistry , 1991(UON),BSC Biochemistry and Zoology 1986 (UON),	29 Years
	Mr. Wallace Waruiru Kamau Registrar ASA	1982	Ongoing MA Project Planning & Management (University of Nairobi), Bsc.- Environmental Studies (Kenya University)	14Years
	CPA Peter Mugo Kagika Finance Officer	1975	MBA – Strategic Management (DeKUT),BBA (Accounting & Finance) (KEMU), CPA(K)	19 Years
	Ms. Joyce Wangari Kiragu Human Resource Officer	1978	On-going Post graduate Diploma in HR M.ED – Education mgt & Administration, (Kenya University) B.ED – (Arts) (Kenya University)	17 years

	<p>Mr. Allan Gathanju Maina Ag. Dean of Students</p>	<p>1962</p>	<p>Ongoing EMBA – Entrepreneurship (Moi University), HND – Entrepreneurship (KTTC), DIP – Technical Education (KTTC), Dip – Theology (Limuru)</p>	<p>32Years</p>
	<p>Ms. Esther Wanjiru Ndirangu Procurement Officer</p>	<p>1988</p>	<p>Ongoing Msc. Procurement & Logistics (JKUAT) BSc Procurement and Logistics (JKUAT)</p>	<p>6 Years</p>
	<p>Mr. Joel Kimani Ndung'u Chief Security Officer</p>	<p>1978</p>	<p>B.A (Moi University), On-going Diploma in Criminology</p>	<p>14 Years</p>
	<p>Ms. Jane Wangechi Ndegwa Legal Officer</p>	<p>1987</p>	<p>Bachelor of Laws (LLB)-CUEA Diploma in Law- KSL</p>	<p>6 Years</p>

CHAIRMAN'S REPORT

I am pleased to present the Annual report and Financial Statements of Kirinyaga University for the year ended 30 June, 2018.

The demand for relevant higher education in the country has continued to rise prompting the University to continually develop programmes that respond to the demands of the market. The main objective of the Council is to position the University's main programmes within the context of the market requirements, cost rationalization, equity and customer satisfaction.

During the financial period, key achievements were realized at Kirinyaga University including but not limited to hiring of competent faculty, increased students' enrolment, substantial physical infrastructure development and investments in ICT. The University plan builds on to the previous plan and lays the direction for the University in her new status and for strategic positioning in changing landscape of University education. To achieve this objective, the University has started other mega projects which include Tuition complex phase one and a lecture theatre. This is in embracing the GoK policy on increasing access to higher education. As the University strives to increase capacity in teaching and learning facilities there has been commensurate increase in the operations costs which has led to the university realising deficit from its operations.

During the year under review, the University geared her financial commitments towards provision of teaching facilities, development of new curricula and recruitment of staff. The numbers of academic and non-academic staff have progressively grown since the inception of the University. The Council is in the process of recruiting additional senior academic and management staff to enable the implementation of new programmes and to offer quality services to the stakeholders.

I sincerely thank the Chancellor for his wise counsel and guidance to the leadership of the University. Support from the Council, Management, staff, students and stake holders is appreciated.



Prof. Gideon B. Hanjari

Chairman of Council

Vice Chancellor's report

Presented herein is the Annual Report and Financial Statements of Kirinyaga University for the year ended 30 June 2018 as per requirements of the Universities Act, No. 42 of 2012 and Public Audit Act, 2003.

Kirinyaga University was granted charter by His Excellency Hon. Uhuru Kenyatta the President of the republic of Kenya on 7th October 2016 with thirteen academic degree programmes then, and has since increased the number of academic degree programmes to twenty-five (25). The University is positioning itself to be a leader in offering courses geared towards producing employers and not employees in areas outlined by the Vision 2030.

The mandate of the University is derived from the Universities Act No. 42 of 2012 which outlines the objectives toward promoting higher education in Kenya as follows:

- Advancement of knowledge through teaching, scholarly research and scientific investigation,
- Promotion of learning in the student body and society in general,
- Promotion of cultural and social life of the society,
- Support and contribution to the realization of national economic and social development
- Promotion of highest standards in and quality of teaching and research.
- Education, training and retaining higher level professional, technical and management personnel.
- Dissemination of the outcomes of the research conducted by the university to the community
- Promotion of gender balance and equality of opportunity among students and employees.
- Fostering of capacity of independent critical thinking among its students.
- Promotion of equalization for persons with disabilities, minorities and other marginalised groups.

The university operations are guided by the core values:

- Professionalism
- Integrity, transparency and accountability
- Innovation and creativity
- Excellence
- Equity

The University started the year with cash and bank balance of Kes 37,793,326.00. During the financial year 2017/2018, the University generated Kes 172,022,182.00 in appropriation in aid (A-in-A) vide student tuition and other fees, received Kes 41,081,345.00 for capital developments and Kes 246,933,816.00 for recurrent capitation from the Government of Kenya.

The University aims at diversification of revenue streams through the following:

- Continued government support in capitation and development grants,
- Increasing student enrolment in self-sponsored programmes,
- Increasing income generating activities and strengthening the existing ones,
- Establishing a resource mobilization centres. This will be achieved by hiring staff to drive commercial investment,
- Soliciting for grants, donations and sponsorship,
- Link with industries and agencies for research funding.

The current student population is 2,762 and is expected to increase to 4,000 students in the year 2018/2019. Staff population stood at total 227 for both academic and non-academic divisions and it is expected to increase to 250 in the next financial year 2018/2019.

The University also carries out key stakeholders' analysis with a view to identifying changing needs and ensuring cooperation and support in the achievement of her mission. The major stake holders include students, staff, alumni, the government, the community at large, industry, development partners, research and development institutions and institution of higher learning.

During the year under review, the University embarked on developing a number of academic programmes at Masters, Bachelors, and Diploma and certificate levels in the six schools, along an intensive marketing programme aimed at increasing student enrolment. The strategic objectives of the University during the year under review were in the areas of institutional governance, human resource, development of academic programmes, research and innovations, infrastructure development, community outreach, corporate image and fund mobilisation as well as aligning our efforts towards support of the Big four agenda of the country at large. The University strengthened training in civil, mechanical, electrical engineering and building sciences, fashion and textile technology, Clinical medicine and community health, forensic sciences, to support the big four agenda and all in line with the Second and Third Medium Term Plans.

During the year under review, the University Senate focused on creating knowledge and delivery of accessible equitable, relevant and quality training to sustain an internationally competitive knowledge based economy. The Senates advises and makes recommendations to Council on academic matters,

including creation of schools and development, approval and implementation of academic programmes in line with the country's skills priority agenda and taking cognizance of emerging global trends in education, science, technology and innovation.

On behalf of the management and staff of Kirinyaga University, I take this opportunity to thank the Chancellor and the Council for the guidance accorded to the UMB and for the visionary direction in development of this young institution of higher learning.

The support by the Government of Kenya throughout the year under review is highly appreciated. I appeal for more support especially for the purposes of establishing suitable facilities required towards becoming world class University and do hereby report that all public funds have been applied lawfully in an effective way as stipulated by the PFM Act, 2012.

I thank the management board, staff and students of Kirinyaga University for their continued cooperation in this challenging but noble task of building the University and look forward to the same enthusiastic participation in our upcoming development strategies.



Prof. Mary Ndung'u

Vice Chancellor

CORPORATE GOVERNANCE STATEMENT

The Universities Act, 2012, KyU charter, and statutes guide the management of the University in achieving its mandate. Institutional governance tenets of authority, accountability, stewardship, leadership, direction and control are deployed in the operations of the University. Policy and reference documents used alongside the University Statutes include the strategic plan, the University Service Charter, various internal policies, relevant national policies, legislations and guidelines. The Council takes responsibility of ensuring that KyU has adequate systems and processes of accountability, risk management and internal controls. Operations of the University are guided by ethical practices that seek to promote good corporate citizenship, while focusing on sustainability.

The Council provides strategic direction to the University, exercises control and remains accountable to all stakeholders by:

- Administering the property and funds of the University in a manner and for the purposes which shall promote the interest of the University; and in accordance with the procedures laid down by the Government of Kenya;
- Receiving on behalf of the University, donations, endowments, gifts, grants or other moneys and make disbursements therefrom to the University or other bodies or persons;
- Approving the appointment criteria and the terms and conditions of service of staff;
- Providing for the welfare of the staff and students of the University;
- Entering into association with other Universities or other institutions of learning, whether within Kenya or otherwise, as the Council may deem necessary and appropriate;
- In consultation with the Senate, make regulations governing the conduct and discipline of the students of the University.

The University Council is guided by the principles of corporate governance as summarized below;

- Council members should be informed and act ethically and in good faith, with due diligence and care, in the best interest of the University and the stakeholders.
- Review and guide corporate strategy, objective setting, major plans of action, risk policy, capital plans, and annual budgets.
- Oversee major acquisitions in the University.
- Select, compensate, monitor and replace key management members and oversee succession planning.
- Ensure the integrity of the University accounting and financial reporting systems, including the independent audit.
- Ensure appropriate systems of internal controls are established.

- Oversee the process of disclosure and communications.
- Where committees of the Council are established, their mandate, composition and working procedures should be well-defined and disclosed.

The UMB is responsible for:

- Efficient management of the human, physical and financial resources of the University.
- Making proposals to the University Council and the Senate on policies that have application across the entire University.
- Coordination of the University strategic and development plan.
- Any other matters related to the management of the University.

The University senate has the mandate of:

- Establishment, abolition or harmonization of faculties, school, Units, Departments and their titles to recommend for approval by the University Council.
- Approving all syllabus of the University
- Making recommendations to the Council for the establishment or abolition of degrees and other academic programmes.
- Approving examination results

The council appreciates the significant growth of the University infrastructure that has promoted a good teaching and learning environment for both students and staff. The financial support by Government so far is much appreciated. However, I would like to appeal for more funding in the capital development to ensure adequate infrastructure which will support the growing student population.

I wish to thank the University Council members, management, staff, parents, guardians and students for their continued support towards building a better Kirinyaga University.

Prof. Gideon B. Hanjari
Chairman of Council.





STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

At Kirinyaga University we consider the broader interests of society by taking responsibility for the impact of our activities. We believe our responsibility extends beyond the statutory obligation to comply with legislation, to voluntarily take action to improve the quality of life among our employees and their families, local communities and society at large as well as to protect the environment.

We are dedicated to creating a workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely. We foster a workplace culture in which the rights, needs and unique contributions of each employee are respected, while supporting their professional development opportunities.

The KyU is located in the community, and because we believe that strong neighbourhoods, towns, and cities are vital to the well-being of our society and to the economy, we acknowledge that we have both a special responsibility and role to play in helping the communities thrive. We participate in environmental and health care initiatives to help conserve the environment and save lives, and create stability in local communities. Our University blood donor club's contribution towards building a sustainable blood bank in Kenya benefits community members needing blood transfusions.

We contribute support to local community endeavours which help provide for a better quality of life, including contributing substantially to local employment, training and skills development. In addition, our employees and students participate in community outreach programmes to educate on Alcohol Drugs and Substance Abuse and HIV and AIDS prevention and other volunteer services.

Kirinyaga University has collaborated with United Nations Industrial development organization on provision of services relating to Operations and Maintenance (O&M) training for ultra-low Head Micro Hydro Power (ULH-MHP) technology. This involves the research by the University staff on the installation sites for the system and training of about 20 participants annually who will offer technical support during and after commissioning of the project. The primary objective of the training is to develop capacity locally for operation and maintenance of ULH-MHP system to benefit the Mwea citizen and Kirinyaga County community at large in production of power. The project uses irrigation water for production of power and at the same time offers job opportunities to local community.

In the year under review the university won two grants funded by the National Research Fund for Infrastructure development where the engineering workshop will be equipped for training in manufacturing, and a multi-disciplinary research grant for research on cancer.

We are committed to enhancing the quality of life for our employees, students and the communities in which they live and work by encouraging, educating, engaging and ultimately spreading good by involving more of us in volunteerism and community service.

Principal activities

The principal activities of Kirinyaga University are set out on page iii

Results

The financial results of Kirinyaga University for the year ended 30 June 2018 are set out on page x

University Council Members

The members of the Council who served during the year are shown on page v, were appointed vide gazette notice No. 7614 with effect from 1st August 2017 for a period of three years.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012.

Previous audit report for the FY2016/2017 had unqualified opinion hence no major issues raised by the office of the Auditor General.

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL MEMBERS

The Kirinyaga University Charter of 7th October, 2016, requires the University Council to prepare financial statements for each financial year 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 for that year/period.

The responsibilities of University Council include:

- Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University;
- 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;
- Safeguarding the assets of the University,
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

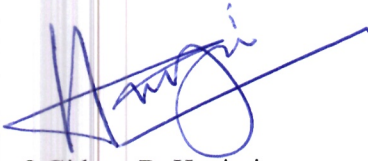
The Council members accept responsibility for Kirinyaga University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 Section 81 and the State Corporations Act, revised 2012 Section 14.

The Council members are of the opinion that the Kirinyaga University financial statements give a true and fair view of the state of the University transactions during the financial year ended June 30, 2018, and of the University 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 financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the University Council members to indicate that Kirinyaga 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

Kirinyaga University financial statements were approved by the University Council and signed on its behalf by:



Prof. Gideon B. Hanjari

Chairman of Council.



Prof. Mary Ndung'u

Vice Chancellor

REPUBLIC OF KENYA

Telephone: +254-20-342330
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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kirinyaga University set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kirinyaga University as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

During the financial year 2017/2018, the University recorded a deficit of Kshs.76,693,339 (2016/2017: a deficit of Kshs.27,017,679). The current liabilities balance of Kshs.166,595,621 exceeded current assets balance of Kshs.53,679,270 resulting in a negative working capital of Kshs.112,916,351 as at 30 June 2018. This precarious financial position is an indication of the existence of a material uncertainty which may cast a significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and creditors. However, this material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University management to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.

Report of the Auditor-General on the Financial Statements of Kirinyaga University for the year ended 30 June 2018

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kirinyaga University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion 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

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, except for the matter described in the Basis for Qualified Opinion section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes

and systems of internal control, risk management and 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 those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of Kirinyaga University to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

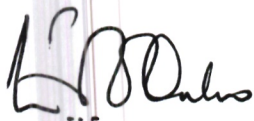
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kirinyaga University 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 or to sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

15 February 2019

**KIRINYAGA UNIVERSITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

		FY 2017/2018	FY 2016-2017
		<u>30-Jun-18</u>	<u>Audited</u> <u>30-Jun-17</u>
		Kes	Kes
	Notes		
Revenue from non-exchange transactions			
Transfers from the government- Recurrent	2	249,949,580	248,067,300
Transfers from the government- CBA Arreas	3	78,628,302	-
Transfers from Capital funds - Depreciation	18	55,772,253	84,383,197
		384,350,135	332,450,497
Revenue from exchange transactions			
Rendering of services	5	144,723,551	130,345,317
Rental revenue from facilities and equipment	6	1,720,000	1,025,500
Farm Surplus	34	7,944,962	12,690,280
Other income	7	17,633,669	6,149,366
		172,022,182	150,210,463
Total revenue		556,372,318	482,660,960
Expenses			
Bulk purchases of water and electricity	8	9,081,807	6,938,771
Employee costs	9	492,169,177	343,736,397
Remuneration of council	10	4,715,358	5,806,071
Repairs and maintenance	11	9,708,127	11,630,981
Contracted services	12	12,990,463	7,649,625
Student Welfare	13	10,590,834	12,030,699
Academic cost	14	10,775,443	15,463,923
Administrative costs	15	10,843,927	12,314,145
Finance costs	16	291,729	198,157
General expenses	17	36,403,807	50,236,640
Depreciation and amortization expense	18	26,241,021	29,531,232
Provision for Audit fee	28	696,000	696,000
Provision for service gratuity		4,987,043	13,500,000
Provision for Bad debt		3,570,921	-
Total expenses		633,065,657	509,732,639
Other gains/(losses)			
Deficit for the period		(76,693,339)	(27,071,679)
Taxation			-
Deficit for the period		(76,693,339)	(27,071,679)

The notes set out on pages 6 to 20 form an integral part of the Financial Statements

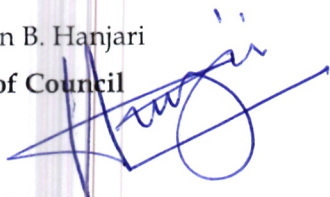


KIRINYAGA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

ASSETS	NOTES	FY 2017/2018	FY 2016-2017
		30-Jun-18	Audited 30-Jun-17
Current assets		Kes	Kes
Cash and cash equivalents	20	31,005,669	37,793,326
Receivables from exchange transactions	21	12,385,235	7,426,440
Receivables from non exchange transaction	22	3,570,921	3,570,921
Investments	23	3,871,272	92,106,536
Inventories	24	2,846,173	2,790,541
		<u>53,679,270</u>	<u>143,687,764</u>
Non-current assets			
Property, Plant and Equipment(PPE)	18	1,314,457,987	1,225,968,702
Biological assets	25	63,897,500	63,897,500
Library Books	26	35,207,068	35,207,068
		<u>1,413,562,555</u>	<u>1,325,073,270</u>
Total assets		<u>1,467,241,825</u>	<u>1,468,761,034</u>
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	27	165,203,621	57,000,858
Provision for audit fee	28	1,392,000	696,000
		<u>166,595,621</u>	<u>57,696,858</u>
Long term liabilities			
Provision for service gratuity	29	12,466,277	31,500,000
		<u>12,466,277</u>	<u>31,500,000</u>
FUNDS AND RESERVES			
Revaluation Reserves - PPE	30	865,399,026	865,399,026
Revaluation Reserves - Biological Assets	31	46,392,000	46,392,000
Accumulated surplus	32	-	75,106,945
Capital fund	33	376,388,902	392,666,204
		<u>1,288,179,928</u>	<u>1,379,564,175</u>
Total Funds, Reserves & Liabilities		<u>1,467,241,825</u>	<u>1,468,761,034</u>

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

Prof. Gideon B. Hanjari
 Chairman of Council



Date 9/01/19.

Prof. Mary Ndung'u
 Vice Chancellor



Date 9/01/19.

CPA Peter Kagika
 Finance Officer



Date

9/01/19.

KIRINYAGA UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
AS AT 30 JUNE 2018

ATTRIBUTABLE TO THE OWNERS OF THE CONTROLLING ENTITY

	CAPITAL FUND	REVALUATION RESERVE (PPE)	REVALUATION RESERVE (BIOLOGICAL ASSETS)	ACCUMULATED FUNDS	TOTAL
	Kes	Kes	Kes	Kes	Kes
Balance as at 1 July 2016	318,350,211	865,399,026	46,392,000	102,178,625	1,332,319,862
Additions in the Year	158,699,190	-	-	-	158,699,190
Deficit for the Year	-	-	-	(27,071,679)	(27,071,679)
Transfer to Income Statement	(84,383,197)	-	-	-	(84,383,197)
Balance as at 30 June 2017	392,666,204	865,399,026	46,392,000	75,106,946	1,379,564,176
Balance as at 1 July 2017	392,666,204	865,399,026	46,392,000	75,106,946	1,379,564,176
Additions in the year (Note 2)	41,081,345	-	-	-	41,081,345
Deficit for the Year	-	-	-	(76,693,339)	(76,693,339)
Transfer to Income Statement	(55,772,253)	-	-	-	(55,772,253)
Adjusted Cumulative Loss	(1,586,394)	-	-	1,586,394	-
Balance AS AT 30 June 2018	376,388,902	865,399,026	46,392,000	0	1,288,179,928

KIRINYAGA UNIVERSITY
STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018

		FY 2017-2018	FY 2016-2017
			Audited
		<u>30-Jun-18</u>	<u>30-Jun-17</u>
	NOTES	Kes	Kes
Deficit for the period		(76,693,339)	(27,071,679)
Adjustments for:			
Depreciation	18	26,241,021	29,531,232
Provision for audit fees	28	696,000	696,000
Provision for service gratuity	29	4,987,043	13,500,000
Provision for Bad debt		3,570,921	
Accumulated Depreciation	18	(55,772,253)	(84,383,197)
		(96,970,607)	(67,727,645)
Cash flows from operating activities			
Change in;			
Increase Receivables - Exchange transactions	21	(4,958,795)	(703,255)
Increase in Inventory	24	(55,632)	286,774
Increase in Payables	27	89,865,040	27,047,508
Net cash flows used in operating activities		84,850,613	26,631,027
Cash flows from Investing activities			
Purchase of Motor vehicles	18	-	(9,985,501)
Purchase of Computers	18	(4,705,679)	(4,250,498)
Purchase of Furniture & Equipment	18	(2,842,335)	(8,088,963)
Work in progress	18	(116,436,258)	(39,989,180)
Purchase of Library Books		-	(22,590,085)
Decrease in Fixed Deposit account	23	88,235,264	(74,106,536)
Net cash flows used in investing activities		(35,749,008)	(159,010,763)
Cash flows from financing activities			
Capital fund	33	41,081,345	158,699,190
Net cash flows used in investing activities		41,081,345	158,699,190
Net increase/(decrease) in cash and cash equivalents		(6,787,657)	(41,408,191)
Cash and cash equivalents at the beginning of the year		37,793,326	79,201,517
Cash and cash equivalents at the end of the year		31,005,669	37,793,326

KIRINYAGA UNIVERSITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE QUARTER ENDED 30 JUNE 2018

	Original Budget	Adjustment	Final Budget	Actual	Performance Difference	% Variance
	FY 2017-2018		FY 2017-2018	FY 2017-2018		
			Shs	Shs		
REVENUE						
Transfers from government	505,896,000	(255,946,420)	249,949,580	249,949,580	-	-
Other Income	13,740,000	(7,940,000)	12,558,950	17,633,669	5,074,719	40
Rendering of services	136,324,000	(1,324,000)	135,000,000	144,723,551	9,723,551	7
Rental income and agency fees	2,000,000	(200,000)	1,800,000	1,720,000	(80,000)	(4)
Farm Surplus	12,000,000	(273,952)	11,726,048	7,944,962	(3,781,086)	(32)
Total Income	669,960,000	(265,684,372)	411,034,578	421,971,762		
EXPENSES						
Compensation of employees	505,896,000	(258,962,184)	246,933,816	492,169,177	(245,235,361)	(99)
Repairs & Maintenance	8,812,000	188,000	9,000,000	9,708,127	(708,127)	(8)
Finance cost	200,000	-	300,000	291,729	8,271	3
Contracted services	3,258,870	9,241,130	12,500,000	12,990,463	(490,463)	(4)
Remuneration to the council	4,459,000	2,421,095	6,880,095	4,715,358	2,164,737	31
Students welfare	19,389,000	(4,389,000)	15,000,000	10,590,834	4,409,166	29
Depreciation	31,228,000	-	31,228,000	26,241,021	-	-
Academic cost	20,392,000	(5,392,000)	15,000,000	10,775,443	4,224,557	28
Administrative Costs	14,000,000	(4,000,000)	10,000,000	10,843,927	(843,927)	(8)
General expenses	41,229,130	8,500,000	45,000,000	36,403,807	8,596,193	19
Water & Electricity	6,900,000	100,000	7,000,000	9,081,807	(2,081,807)	(30)
Audit fee	696,000	-	696,000	696,000	-	-
Gratuity	13,500,000	(13,500,000)	-	-	-	-
Total expenditure	669,960,000	(265,792,959)	399,537,911	624,507,693	(8,557,964)	(2)
Deficit for the period	-			(202,535,930)		

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

Kirinyaga University financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the indirect method. The financial statements are prepared in accordance with PFM Act, 2012 the state Corporation and International Public Sector Accounting standard (IPSAS) accrual basis.

Summary of significant accounting policies

(a) Revenue recognition

Revenue from exchange transactions

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

(ii) 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.

(iii) Interest income

This relates to held-to-maturity investments with the commercial bank. The Entity determines the classification of its financial assets at initial recognition.

(iv) Farm

University operate a farm for coffee tea and horticulture. The proceeds of the farm are normally recognised in the financial statement net of related cost.

(v) Revenue from non-exchange transactions

The University recognizes revenue from transfers from government once they are included in the printed estimates and the outcome of the transaction can be estimated reliably.

The university has received a total of Kes. 369,659,228 being:

Recurrent Grant	-	Amount (Kes)
• August 2017	-	19,069,936.00
• September 2017	-	19,069,936.00
• October 2017	-	19,069,936.00
• November 2017	-	19,069,936.00
• December 2017	-	19,069,936.00
• December 2017	-	3,015,764.00
• January 2018	-	19,069,936.00
• January 2018	-	3,015,764.00
• February 2018	-	19,069,936.00
• February 2018	-	3,015,764.00
• March 2018	-	19,069,936.00
• March 2018	-	3,015,764.00
• April 2018	-	19,069,936.00
• April 2018	-	3,015,764.00
• May 2018	-	19,069,936.00
• May 2018	-	3,015,764.00
• June 2018	-	19,069,936.00
• June 2018	-	<u>3,015,764.00</u>
Sub-Total		<u>249,949,580.00</u>
Funds for CBA 2013-2017		
• July 2017	-	33,204,604.20
• July 2017	-	30,344,877.50
• December 2017	-	<u>15,078,821.95</u>
Sub-Total		<u>78,628,303.65</u>
Development Funds		
• 12 October 2017	-	24,206,345.00
• 17 th April 2018	-	6,931,278.00
• 17 th April 2018	-	<u>9,943,722.00</u>
Sub- Total		<u>41,081,345.00</u>
Grand Total	-	

b) Budget information

The annual budget was prepared on the accrual basis where all planned costs and income were presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(c) 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. 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.

Depreciation

The University land is a freehold property and not subjected to amortization. Fixed assets have been depreciated using straight line method to write off the costs of the assets over their useful economic life at the following rates;

Land	Nil
Building	2%
Furniture and Fittings	12.5%
Motor Vehicles	25%
Computers and Accessories	30%
Plant and Machinery	12.5%

Depreciation is charged fully in the year of acquisition and no depreciation charged in the year of disposal.

(d) 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:

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

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

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

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

Library books

Library books relate to books purchase by the valued at cost. This are deemed to be used by the student hence represented by in the financial statements.

(e) Employee benefits

Retirement benefit plans

Kirinyaga 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.

Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. The most common type of defined

contribution plan is a savings and thrift plan. Under this type of plan, the employee contributes a predetermined portion of his or her earnings (usually pretax) to an individual account, all or part of which is matched by the employer

(f) Foreign currency transactions

There were no foreign currency transactions during the period under review.

(g) 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.

(h) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statement for the year ended June 30, 2018.

(i) Receivables

Receivables are recognized when commitments are effected at their fair value and there is no policy in place for their provisions.

(j) Trade payables

Trade payables are nearly always classified as current liabilities, since they are usually payable within one year. If that is not the case, then such payables can be classified as long-term liabilities. A longer-term liability typically has an interest payment associated with it, and so is more likely to be classified as long-term debt.

(k) Nature and purpose of reserves

Kirinyaga University creates and maintains reserves in terms of specific requirements. The entity has the following reserves:

Revaluation Reserve. This reserve was occasioned by the fact that the University valued all its assets. It represents the difference between the net book value as at June 30, 2018 and the revalued amount.

Accumulated Surplus. This reserve represents the accumulated surplus over years.

Capital fund relate to development funds made to the University.

(l) Changes in accounting policies and estimates

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

(m) Biological assets

Kirinyaga University accounting treatment and disclosures related to Agricultural activity is provided for in these financial statements. These activities have been measured at fair value less estimated cost to sell at the point of harvest or at the point of disposal.

(n) Significant judgements and sources of estimation uncertainty

The preparation of Kirinyaga University 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. Nothing has come to the attention of the University Council that can result to contingent liability or asset.

(o) Related parties' disclosures

In accordance to IPSAS 20, Kirinyaga University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University. Members of University Council and the key management are regarded as related parties and comprise the Chancellor, Vice Chancellor, Deputy Vice Chancellors, Registrars, Deans of Schools, Chairmen of Departments and Heads of sections in the University.

National Government is also a related party to the University by the factual of it being formed by the Act of the parliament through the University Charter of 7th October 2016.

(p) Disclosure on financial risk management

The University overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and

has in place policies to ensure that credit is extended to students and customers with an established credit history.

- **Credit risk** - Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings and students whose balances are manageable since the student is not issued with examination cards if they have a fee balance hence they cannot sit for examinations.

The amount that best represents the University's maximum exposure to credit risk is made up as follows:

	Fully performing Sh	Past due Sh	Impaired Sh	Total Sh
At 30 June 2018				
Student receivables	1,718,607	-	-	1,718,607
Accrued Interest	214,153	-	-	214,153
Deposits with financial institutions	3,871,272	-	-	3,871,272
Bank balances	<u>31,005,669</u>	-	-	<u>31,005,669</u>
	<u>36,809,701</u>	=	=	<u>36,809,701</u>
At 30 June 2017				
Student receivables	6,334,812	-	-	6,334,812
Accrued Interest	687,128	-	-	687,128
Deposits with financial institutions	92,106,536	-	-	92,106,536
Bank balances	<u>37,793,326</u>	-	-	<u>37,793,326</u>
	<u>136,921,802</u>	=	=	<u>136,921,802</u>

- **Liquidity risk** - Liquidity risk is the risk to the University's financial condition or safety and soundness arising from her inability (whether real or perceived) to meet her

contractual obligations. To manage this risk, Kirinyaga University ensures availability of funds before committing an expenditure or collateral to fulfil those needs at the appropriate time. Ultimate responsibility for liquidity risk management rests with the University management board, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk by maintaining banking facilities and through continuous monitoring of forecasts and actual cash flows.

Prudent liquidity risk management includes maintaining sufficient cash to meet the University obligations. Senior management reviews the cash forecasts monthly and determines the University cash requirement.

The table below analyses the University's financial liabilities into relevant maturity based on the remaining period at the end of reporting period to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30 June 2018				
Trade payables	2,658,802	35,068,447	111,196,965	148,924,214
At 30 June 2017				
Trade payables	1,004,449	38,267,477	17,728,932	57,000,858

(q) Fixed Deposit Kes. 3,871,272.00

1. Kes. 3,264,736.00 was fixed on call from 2nd August 2017 with Cooperative bank at an interest of 7% p.a. The maturing date was 28th September 2017.
2. Kes 606,536.00 this is a bank guarantee with KCB Bank Ltd for fuelling with National Oil Corporation of Kenya.



(r) Gratuity

University transited 23 TSC staff on contract basis for a period of five years with effect from 1st December 2013. The contract ended on 30th November 2017 and paid their dues.

(s) Comparative information

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

(t) Related party disclosures.

During the financial year the University paid Kes: 4,715,358.00 to the Council members and Kes: 37,764,556 to the top management.

(u). Contingent Liabilities.

According to IPSAS 19 contingent liabilities and contingent assets should be disclosed during preparation of financial statement. Kirinyaga University had legal fees amounting to Kes. 2,046,071.00 *financial* as at 30 June 2018 relating to cases which were still pending in court. It is the management opinion that this amount should be disclosed.

(v). Capital Commitment

University had approved capital budget of Kes 211,000,000.00 but received Kes. 41,081,345.00 From the government during the year.

(w). Ultimate and Holding entity

Kirinyaga University is a Semi-Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

(x). Currency

The financial statements are presented in Kenya shillings (Kes).

(y) Notes to Budget

In these financial statements, any variance above one million is considered significant and explained as follows;

- The University had budgeted to receive Kes 12,558,950.00 on others incomes. The actual revenue was Kes 17,633,669.00 resulting to a favourable variance of Kes 5,074,719.00. This variance is attributable to increase of research grant from donors.
- The farm surplus had a budget of Kes 11,726,048. The actual revenue was Kes 7,944,962.00 resulting to unfavourable variance of Kes 3,781,086. This is due to delays in leasing the coffee plantation after the old contract expired in March 2017.
- The University submitted a personnel budget of Kes 505,896,000 to the National Treasury through the Ministry of Education. However, a downward adjustment to Kes 246,933,816 against actual expenditure of Kes. 492,169,177 resulted to unfavourable variance of Kes 245,235,361 from employee's compensation.
- Remuneration of council had a budget of Kes 6,880,095 against actual of Kes 4,715,358 with a favourable variance of Kes 2,164,737 this due to reducing council meetings.
- Student welfare had a budget of Kes 15,000,000 against actual of Kes 10,590,834 with a favourable variance of Kes 4,409,834 this due to student charitable activities being spoused by donors.
- Academic cost had a budget of Kes 15,000,000 against actual of Kes. 10,775,443 with a favourable variance of Kes 4,224,557 this due to saving on curriculum development.
- General expenses had a budget of Kes 45,000,000 against actual of Kes. 36,403,807 with a favourable variance of Kes 8,596,193 this due to the reduced capitation, the university had to put measures to cut cost on various vote for financing its employee cost from internally generated revenues.
- Water and electricity had a budget of Kes 7,000,000 against actual of Kes 9,081,807 with a unfavourable variance of Kes 2,081,807, this due to bills going up and increased number of student



KIRINYAGA UNIVERSITY
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FOR THE YEAR ENDED 30 JUNE 2018

	FY 2017-2018	FY 2016-2017 (Audited)
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>Kes</u>	<u>Kes</u>
2 TRANSFER FROM THE GOVT - RECURRENT		
July	19,069,936	20,672,275
August	19,069,936	20,672,275
September	19,069,936	20,672,275
October	19,069,936	20,672,275
November	19,069,936	20,672,275
December	3,015,764	20,672,275
December	19,069,936	
January	3,015,764	
January	19,069,936	20,672,275
January	3,015,764	-
February	19,069,936	20,672,275
February	3,015,764	-
March	19,069,936	20,672,275
March	3,015,764	-
April	19,069,936	20,672,275
April	3,015,764	-
May	19,069,936	20,672,275
may	3,015,764	-
June	19,069,936	20,672,275
	249,949,580	248,067,300
3 TRANSFER FROM THE GOVT - CBA FUNDS		
July	33,204,604	-
July	30,344,877	-
December	15,078,821	-
Total	78,628,302	-
4 TRANSFER FROM THE GOVT - DEVELOPMENT		
Ocober	24,206,345	-
November	-	18,772,880
January	-	7,500,980
May	-	51,649,664
April	6,931,278	-
April	9,943,722	-
May	-	59,964,671
May	-	20,810,995
Total	41,081,345	158,699,190

NB/This amount relates to Development grant recognised in changes in Net asset Statement.

Detailed analysis of the grants by University

Name of the entity sending the grant	Amount recognized to statement of comprehensive income	Amount deferred	Amount recognised in capital fund	Total Income for the Year	Total grant income during the year 2015-2016
MoE -Recurrent	249,949,580	-	41,081,345	291,030,925	406,766,490
MoE -CBA Arrears	78,628,302	-	-	78,628,302	-
Total	328,577,882	-	41,081,345	369,659,227	406,766,490

5 RENDERING SERVICES

Tuition and other fees	144,723,551	130,345,317
	144,723,551	130,345,317

KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	FY 2017-2018	FY 2016-2017 (Audited)
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>Kes</u>	<u>Kes</u>
6 RENTAL REVENUE		
Rent Income	1,720,000	1,025,500
Balance c/d	<u>1,720,000</u>	<u>1,025,500</u>
7 OTHER INCOMES		
Sale of tender forms	113,500	256,000
Disposal of Assets	262,352	237,952
Medical & Other Income	3,700	8,900
Kitchen sales	4,767,223	3,736,330
Interest Income	1,352,018	1,479,259
Research Grant	10,617,150	-
Hire of Facilities	517,726	430,925
TOTAL INCOME	<u>17,633,669</u>	<u>6,149,366</u>
8 BULK PURCHASE OF WATER AND ELECTRICITY		
Electricity expenses	6,358,266	5,931,827
Water expenses	2,723,541	1,006,944
	<u>9,081,807</u>	<u>6,938,771</u>
9 EMPLOYEE COSTS		
Basic Salaries	165,103,051	138,735,555
Casual workers	4,012,544	8,765,370
House allowances	90,080,595	87,064,256
Part time teaching	29,160,101	18,738,640
Gratuity and pension	60,657,374	24,060,380
House to Office allowance	24,237,564	24,583,883
Other personal allowances	25,971,105	19,421,535
Passage & Baggage	118,176	166,279
Staff Medical Cover	17,667,894	22,200,499
CBA Arrears	75,160,773	-
	<u>492,169,177</u>	<u>343,736,397</u>
10 RENUMERATION OF COUNCIL		
Chairman's Allowance	1,080,000	1,080,000
Sitting Allowance	1,912,000	3,000,000
Travelling & Accommodation	523,358	849,404
Chancellor Allowance	1,200,000	876,667
	<u>4,715,358</u>	<u>5,806,071</u>
11 REPAIRS AND MAINTENANCE		
Vehicle repairs	1,566,432	1,813,430
Maintenance of Buildings	6,584,271	8,627,984
Machine & Equipment repairs	1,557,424	1,189,567
	<u>9,708,127</u>	<u>11,630,981</u>



**KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	FY 2017-2018 <u>30-Jun-18</u> <u>Kes</u>	FY 2016-2017 <u>30-Jun-17</u> <u>Kes</u>
12 <u>CONTRACTED/PROFESSIONAL SERVICES</u>		
Master Plan	-	549,386
Asset Tagging	-	394,397
Project Supervisory Expenses	-	3,127,104
Legal Services	2,046,071	476,241
ISO Expenses	555,460	3,102,497
House Keeping/Cleaning Services	8,705,111	-
Security Services	1,683,821	1,722,243
	<u>12,990,463</u>	<u>9,371,868</u>
13 <u>STUDENTS WELFARE</u>		
Students games	3,027,560	3,813,412
Students medical expenses	4,587,727	5,865,534
Fees refunds	1,779,516	1,174,861
Students Entertainment	862,941	824,814
KYU Students union	333,090	352,078
	<u>10,590,834</u>	<u>12,030,699</u>
14 <u>ACADEMIC COSTS</u>		
Academic Field trips	5,000	151,140
Curriculum Development	263,692	1,734,164
Attachement expenses	985,979	781,436
Student admision Expense	1,314,000	1,514,319
Gratuation Expense	4,996,178	1,618,795
Teaching materials	3,210,594	9,664,069
	<u>10,775,443</u>	<u>15,463,923</u>
15 <u>ADMINISTRATIVE COSTS</u>		
Travelling and accommodation	3,656,803	4,821,820
Stationery	7,187,124	7,492,325
	<u>10,843,927</u>	<u>12,314,145</u>
16 <u>FINANCE COSTS</u>		
Bank charges	291,729	198,157
	<u>291,729</u>	<u>198,157</u>

**KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	FY 2017-2018	FY 2016-2017
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
17 <u>GENERAL EXPENSES</u>	<u>Kes</u>	<u>Kes</u>
Conferences & Seminars	1,405,610	4,407,749
Internet expenses	5,725,398	5,377,848
Vehicle licenses & insurance	2,484,183	2,759,223
Purchase of Uniforms	635,374	868,762
Vehicle fuel and oil	2,149,061	2,328,284
Performance Contracting	317,652	539,502
Advertisement & Marketing	6,160,508	5,715,286
Staff Welfare & Trainings	1,521,648	4,163,773
News papers	342,757	358,278
Telephone & Postage expenses	205,581	427,732
Subscription to Professional bodies	505,000	353,155
Cleaning Materials	2,120,627	2,909,114
Sewarage expenses	-	552,366
Public celebrations/Demise	549,870	360,000
Catering expenses	10,335,255	9,392,263
Corporate Social Responsibility	-	29,860
Research	1,337,783	1,789,989
Library Expense	-	1,149,208
Award of University Charter	607,500	5,032,006
Totals	<u><u>36,403,807</u></u>	<u><u>48,514,398</u></u>

KIRINYAGA UNIVERSITY
MOVEMENT OF FIXED ASSET AS AT 30 JUNE 2018

PROPERTY, PLANT & EQUIPMENTS

Note 18

	<u>LAND</u>	<u>BUILDING</u>	<u>MOTOR VEHICLES</u>	<u>COMPUTER & ACCESSORIES</u>	<u>PLANT & MACHINERY</u>	<u>FURNITURE & EQUIPMENTS</u>	<u>WORK IN PROGRESS</u>	<u>TOTAL</u>
	NIL	2%	25%	30%	12.5%	12.5%	NOTE 3	
	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>
Bookvalue as at 01/07/2016	677,500,000	182,983,014	24,656,701	11,207,159	27,646,342	53,880,839	216,152,736	1,193,881,791
Additions for the period	-	-	9,985,501	4,250,498	-	8,088,963	39,148,183	61,473,145
Transfers	-	68,585,300	-	-	-	-	(68,585,302)	-
Disposal for the period	-	-	-	-	-	-	-	-
As at 30/06/2017	677,500,000	251,568,314	34,642,202	15,457,657	27,646,342	61,969,802	186,715,617	1,255,354,936
Accumulated Depreciation								
As at 01/7/2016	-	14,757,405	31,122,167	15,785,387	9,926,724	12,791,514	-	84,383,197
Depreciation of the disposed asset	-	-	-	-	-	-	-	-
Charge for the period	-	5,031,366	8,660,551	4,637,297	3,455,793	7,746,225	-	29,531,232
Disposal Adjustment	-	-	-	-	-	-	-	-
As at 30/06/2017	-	19,788,771	39,782,718	20,422,684	13,382,517	20,537,739	-	113,914,429
Bookvalue as at 01/07/2017	677,500,000	246,536,948	25,981,652	10,820,360	24,190,549	54,223,577	186,715,617	1,225,968,702
Additions for the period				4,705,679		2,842,335	102,937,897	110,485,911
Transfers								
As at 30/06/2018	677,500,000	246,536,948	25,981,652	15,526,039	24,190,549	57,065,912	289,653,514	1,336,454,613
Accumulated Depreciation								
As at 01/7/2017	-	19,788,771	39,782,718	20,422,684	13,382,517	20,537,739	-	113,914,429
Depreciation of the disposed asset	-	-	-	-	-	-	-	-
Charge for the period	-	4,930,739	6,495,413	4,657,812	3,023,819	7,133,239	-	26,241,021
As at 30/06/2018	-	24,719,510	46,278,130	25,080,496	16,406,335	27,670,978	-	140,155,450
Book value as at 30/06/2018	677,500,000	241,606,209	19,486,239	10,868,227	21,166,731	49,932,673	289,653,514	1,314,457,987
Bookvalue as at 01/07/2017	677,500,000	246,536,948	25,981,652	10,820,360	24,190,549	54,223,577	186,715,617	1,225,968,702

KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

19 WORK-IN-PROGRESS	Bal b/f <u>01-Jul-17</u>	Additions	FY 2017-2018	FY 2016-2017
			Bal C/F <u>30-Jun-18</u>	Bal b/f <u>30-Jun-17</u>
Library	23,361,494	-	23,361,494	23,361,494
Tuition block	66,802,644	-	66,802,644	66,802,644
Dinning Hall	34,681,377	-	34,681,377	34,681,377
ERP & ICT Infrastructure	48,875,572	-	48,875,572	48,875,572
University Gate	6,396,274	-	6,396,274	6,396,274
CCTV	5,228,378	-	5,228,378	5,228,378
Radio Communication Infrastructure	1,369,878	-	1,369,878	1,369,878
Tuition Complex	-	62,368,402	62,368,402	-
Walkways & Road Paths	-	7,525,297	7,525,297	-
Lecture Theatre	-	33,044,198	33,044,198	-
	<u>186,715,617</u>	<u>102,937,897</u>	<u>289,653,514</u>	<u>186,715,617</u>
20 CASH AND BANK BALANCES				
			2018	2017
			30-Jun-18	30-Jun-17
			Kes	Kes
Kenya comercial bank	Account No.			
Current Account	1135935173		25,646,779	26,357,714
Fees collection Account	1104016028		405,867	465,707
Development Account	1164419137		30,630	6,862,802
Equity bank				
Fee collection Account	0100299420333		530,112	322,818
Cooperative bank				
Fees collection Account	01129489200000		117,083	1,302,451
Farm Account	01120489200000		3,227,904	2,288,169
Giachai Farm Account	01120489200001		1,035,503	178,682
Cash balances			11,791	14,983
			<u>31,005,669</u>	<u>37,793,326</u>
21 RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Student debtors			1,718,607	6,334,812
K.P.L.C. deposits			404,500	404,500
Accrued Interest - Cooperative Bank			178,064	415,128
Accrued Interest - KCB Bank			36,089	272,000
Prepaid Insurance			10,047,975	-
			<u>12,385,235</u>	<u>7,426,440</u>
22 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS				
MoEST			3,570,921	3,570,921
			<u>3,570,921</u>	<u>3,570,921</u>
23 INVESTMENT				
Fixed Deposit - Cooperative Bank			3,264,736	31,500,000
Fixed Deposit - KCB Bank			606,536	60,606,536
			<u>3,871,272</u>	<u>92,106,536</u>
24 INVENTORIES				
Stock			2,846,172	2,790,541
			<u>2,846,172</u>	<u>2,790,541</u>

KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	FY 2017-2018	FY 2016-2017
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>Kes</u>	<u>Kes</u>
25 BIOLOGICAL ASSETS		
64,108 Coffee trees	19,500,000	19,500,000
148,052 Tea bushes	37,500,000	37,500,000
4.5 acres Banana Plantation	2,000,000	2,000,000
28 Avocado trees	140,000	140,000
15 Macandamia trees	172,500	172,500
10 Bee hives mounted on trees	185,000	185,000
5 Fish ponds	1,200,000	1,200,000
2.5 acres Agroforest	3,200,000	3,200,000
Total	<u>63,897,500</u>	<u>63,897,500</u>
This was at net realisable value		
26 LIBRARY BOOKS		
Library Books	35,207,068	35,207,068
	<u>35,207,068</u>	<u>35,207,068</u>
27 TRADE AND OTHER PAYABLES		
Student creditors	2,658,802	1,004,449
Trade Creditors- Recurrent	79,158,370	38,267,477
Trade Creditors - Development	55,913,403	-
Retention funds	27,473,046	17,728,932
Total	<u>165,203,621</u>	<u>57,000,858</u>
28 AUDIT FEES		
Balance b/f	696,000	1,392,000
Paid in the Year	-	(1,392,000)
Provision Audit fees for the Year	696,000	696,000
Balance c/d	<u>1,392,000</u>	<u>696,000</u>
29 PROVISION FOR SERVICE GRATUITY		
Balance b/f	31,500,000	18,000,000
Add provision for the year	4,987,043	13,500,000
Gratuity paid during the year	(24,020,766)	-
Balance c/d	<u>12,466,277</u>	<u>31,500,000</u>
30 REVALUATION RESERVE - PPE		
Balance b/f	865,399,026	865,399,026
Additions for the Year	-	-
Balance c/d	<u>865,399,026</u>	<u>865,399,026</u>
31 REVALUATION RESERVE (BIOLOGICAL ASSETS)		

KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	FY 2017-2018	FY 2016-2017 (Audited)
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
32 ACCUMULATED SURPLUS	<u>Kes</u>	<u>Kes</u>
Balance b/f	75,106,946	102,178,625
Loss for the period	(76,693,339)	(27,071,679)
Adjusted Cummulative Loss	<u>(1,586,394)</u>	<u>-</u>
Balance c/d	<u>(1,586,394)</u>	<u>75,106,946</u>
33 CAPITAL FUND		
Balance b/f	392,666,204	318,350,211
Development fund	41,081,345	158,699,190
Transfer to Income Statement	(55,772,253)	(84,383,197)
Adjusted Cummulative Loss	<u>(1,586,394)</u>	<u>-</u>
Balance c/d	<u>376,388,902</u>	<u>392,666,204</u>
34 FARM ACCOUNTS		
<u>Revenue</u>		
Coffee	-	2,381,897
Tea income	9,349,228	11,323,269
Factory dividend	-	16,275
Horticulture	1,003,164	1,730,015
Interest Income	-	49,583
Total Income	<u>10,352,392</u>	<u>15,501,039</u>
<u>Expenditure</u>		
Tea picking casuals	1,907,410	1,143,026
Tea pruning	104,680	98,062
Fertilizers & Inputs	221,464	375,988
Horticulture expenses	121,433	1,184,543
Farm staff welfare	16,790	2,410
Farm travelling charges	16,720	1,760
Electricity Water & Conservation	<u>18,932</u>	<u>4,970</u>
Total Expenditure	<u>2,407,429</u>	<u>2,810,759</u>
Sulplus	<u>7,944,962</u>	<u>12,690,280</u>

