

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 07 MAY 2019

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BY:

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CLERK-AT
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M. Lemwa

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYATTA UNIVERSITY

FOR THE YEAR ENDED
30 JUNE 2018

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KENYATTA UNIVERSITY

Annual Report & Financial Statements

for the Year Ended

30th June 2018

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

Transforming Higher Education ...Enhancing Lives

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Corporate Philosophies

Our Vision

To be a dynamic, an inclusive and a competitive centre of excellence in teaching, learning and service to Humanity.

Our Mission

To provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

Our Identity

A community of scholars committed to the generation of knowledge and cultivation of wisdom for the welfare of society.

Our Philosophy

Sensitivity and responsiveness to societal needs and the right of every person to knowledge.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

Kenyatta University is an international Public University based in Nairobi, Kenya. Its main campus is located 23 kilometers from the City Centre along Nairobi-Thika Super Highway. It is set on 1,105 acres of land providing a quiet and serene environment conducive to learning, research and intellectual growth.

Kenyatta University began its long journey to the attainment of University status in 1965 when the British Government handed over the Templer Barracks to the Kenya Government. These were converted into an institution of higher learning known as Kenyatta College. Following the Act of Parliament of 1970, Kenyatta College became a constituent College of the University of Nairobi. Consequently, the name changed from Kenyatta College to Kenyatta University College. Kenyatta University College admitted its first batch of 200 students in 1972 to pursue studies leading to the award of the Bachelor of Education of the University of Nairobi.

In July, 1978, the Government transferred the faculty of Education of the University of Nairobi to Kenyatta University College Campus. As a result, the College became the only institution training teachers at both undergraduate and postgraduate levels. The University status was achieved on August 23, 1985, when the Kenyatta University Act received presidential assent making the institution a full-fledged University. The Act became operational on September 1, 1985 and the University was inaugurated on December 17, 1985.

In December 2012, the Government of Kenya brought the governance and Management of all Universities under one umbrella through the enactment of the Universities Act 2012, which repealed the individual public University's Acts including the Kenyatta University Act 1985. Under the new Universities Act 2012, Kenyatta University was granted Charter on 1st march 2013.

Kenyatta University has over the years established new schools and constituent Colleges. In this pursuit, Jomo Kenyatta University College of Agriculture and Technology became a constituent College of Kenyatta University in 1988 and in 1994 a full-fledged University, Jomo Kenyatta University of Agriculture and Technology (JKUAT). In 2007, Pwani University College in Kilifi was established as a Constituent College. It became Pwani University, a full-fledged University in January 2013. Machakos University College established in 2009 became a full-fledged University, Machakos University in 2016.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

The University has 19 schools, these are;

1. School of Agriculture & Enterprise Development
2. School of Hospitality and Tourism
3. School of Engineering & Technology
4. School of Economics
5. School of Applied Human Sciences
6. School of Humanities & Social Sciences
7. School of Environmental Studies
8. School of Education
9. School of Business
10. School of Law
11. School of Pure & Applied Sciences
12. School of Medicine
13. School of Public Health
14. School of Visual & performing Arts
15. Digital School of Virtual & Open Learning
16. Graduate School
17. School of Architecture & the Built Environment
18. School of Creative, Film & Media Studies
19. School of Security, Diplomacy & Peace Studies

The University has established campuses at;

Ruiru (2004),

Parklands (2004),

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

Mombasa (2007),

Nairobi City Centre (2010),

Nakuru (2010),

Nyeri (2010),

Kericho (2013) and

Daadab (2014).

In Addition to the above campuses, Kenyatta University established Open Distance and e-Learning centres' in Mombasa, Nyeri, Embu, Parklands, Nakuru, Kisumu, Kakamega, Garissa, Marsabit and Kericho.

(b) Principal Activities

The principal activity/mission of the University is to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

(c) Key Management

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

- Vice-Chancellor
- Deputy Vice-Chancellors
- Registrars
- Chief Finance Officer

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 are as listed below;

No.	Designation	Name
1	Vice-Chancellor	Prof. Paul K. Wainaina
3	Deputy Vice-Chancellor (Administration)	Prof. Fatuma Chege
4	Deputy Vice-Chancellor (Academic)	Prof. John Okumu
5	Deputy Vice-Chancellor (Finance and Development)	Prof. Godfrey Mse
6	Deputy Vice-Chancellor (Research, Innovation and Outreach)	Prof. Fredrick Q. Gravenir.
7	Registrar (Administration)	Dr. Daniel Muindi
8	Registrar (Academic)	Dr. Andanje Mwisukha
9	Registrar (Finance and Development)	Dr. Nelson Karagu
10	Registrar (Research, Innovation and Outreach)	Prof. Vincent O. Onywera
11	Chief Finance Officer	Mr. Joseph I. Gitahi

(e) Fiduciary Oversight Arrangements

The governing organs of the University are:

The University Council;

The Council shall exercise prudent leadership, innovative enterprise, and good judgment in directing the University and shall always charter in the best interest of the University.

The Council shall ensure that a proper management structure is in place and make sure that the structure, functions to maintain corporate integrity, reputation and responsibility.

The Council shall monitor and evaluate the implementation of strategies, policies and management criteria and plans of the University.

The council shall review the viability and financial sustainability of the University, and shall do so at least once every year.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(e) Fiduciary Oversight Arrangements (continued)

The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

The Senate of the University;

The Senate shall have the following powers and duties:-

To satisfy itself regarding the content and academic standard of any course of study in respect of any degree, diploma, certificate or other award of the University;

To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;

To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;

To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;

To make regulations governing such other matters as are within its powers in accordance with the charter or the statutes.

The University Management Board:

The University Management Board shall assist the Vice-Chancellor in;

The management of urgent day-to-day academic, administrative, research, developmental and outreach issues;

The efficient management of the human, physical, and financial resources of the University;

Coordination of University and colleges strategic and development plans;

Make proposal to Senate and Council on issues that have University-wide application;

Receive proposals from different sectors of the University for recommendation for Council consideration;

The implementation of Council and Senate approved policies;
Any other matters related to the management of the University.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(f) University Headquarters

Kenyatta University
Thika Road, Nairobi
P. O. Box 43844- 00100
Nairobi.

(g) University Contacts

Telephone: +254 020 8710901-19
Fax: +254 020 8711573
Telex 25483 KenUnKen
Website: <http://www.ku.ac.ke>

(h) University Bankers

Co-operative Bank of Kenya Ltd.
Helasie Selassie Avenue
P.O. Box 48231 – 00100
Nairobi

National Bank of Kenya Ltd.
P. O. Box 41862 – 00100
Nairobi.

Kenya Commercial Bank Ltd
P. O. Box 30081
Nairobi.

Standard Chartered Bank Ltd.
P. O. Box 64355 - 00620
Nairobi.

Equity Bank Ltd
P.O. Box 75104 – 00200
NAIROBI

(i) Independent Auditors

Auditor-General
Anniversary Towers
P.O. Box 30084 - 00100
GPO, Nairobi.

(j) Principal Legal Adviser

Lawrence Mungai and Advocates
P. O. Box 10130 - 00100
Nairobi.

MEMBERS OF THE UNIVERSITY COUNCIL

Chairman of the University Council

Prof. Shem E. Migot-Adholla Ph.D.,

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



Prof. Adholla (76) is the Chairman of Council of Kenyatta University having been appointed to the council on 14th March 2017. He is a private consultant based in Nairobi, Kenya and works on issues including agriculture and rural development, migration, land policy reform, environmental management and rural health issues. He is currently a member of the Board of Directors of Equity Bank, Kenya and serves as Chairman of Equity Bank subsidiary in South Sudan. Previously he held various positions including the Chairman of the Centre for Corporate Governance, Nairobi, served as

Vice-Chairman of the Board of Directors of the Kenya Wildlife Trust (KWT), the Lead Specialist on Land Policy and Administration for Africa Region at the World Bank Headquarters, Washington, DC, and served (on secondment) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. Earlier, he taught at the University of Nairobi, where he provided leadership in the Department of Sociology and was involved in research activities at the Institute for Development Studies (IDS).

Vice-Chancellor

Prof. Paul K Wainaina Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



Prof. Wainaina (67) is the Vice-Chancellor Kenyatta University, and is an ex-officio member of the University Council, having been appointed as the Vice-Chancellor on 26th January 2018. He is also Professor of Philosophy of Education, Kenyatta University.

Prior to his appointment he held various positions including Deputy Vice-Chancellor (Administration) Kenyatta University, Professor of Philosophy of Education, University of Namibia, Professor of Philosophy of Education, Moi University among others.

He is an alumni of University of Alberta, Canada

MEMBERS OF THE UNIVERSITY COUNCIL

Member

Prof. Collete A. Suda,

M.Sc.; Ph. D. (Missouri -Columbia) FKNAS, ERS

Prof. Collete Suda is a member of Kenyatta University Council by virtue of being the Principal Secretary, State Department of Science and Technology in the Ministry of Education, Science and Technology.

Previously, she was the Secretary, Gender and Social Development, Ministry of Gender, Children and Social Development, Full Professor of Sociology, University of Nairobi, Director, Board of Common Undergraduate Studies from and Director, Institute of African studies, University of Nairobi.



Professor Suda studied at University of Missouri, Columbus for her post graduate Degrees and her doctoral Degree in Rural Sociology. She is a Fellow of Kenya National Academy of Science (FKNAS). She has been honored with an award of the Order of the Burning Spear (EBS)

Member

Dr. Kamau Thugge.

M.A. B.A. (Nairobi) B.A. (Colorado College) M.E. Ph.D. (Johns Hopkins)



Dr. Kamau Thugge (61) is a member of Kenyatta University Council by virtue of being the Principal Secretary of National Treasury.

Dr. Thugge served as Treasury and Permanent Secretary of Kenya Reinsurance Corporation Ltd. He worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He also worked at the International Monetary Fund (IMF) in various capacities for over 21 years, both in the policy making Departments and non-policy making Departments as an Economist/Senior Economist and Deputy Division Chief. He is a career economist having served in various capacities in the Treasury and Central Bank.

He holds MA and BA degrees in Economics (University of Nairobi). Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado Collage, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA.

MEMBERS OF THE UNIVERSITY COUNCIL

Member

**Dr. Margaret W. Njoroge ,
Ph.D in counseling Psychology (Egerton University)**

Dr. Njoroge (51) is a member of Kenyatta University Council having been appointed on 14th March 2017. She is a Lecturer in the Department of Psychology at the Catholic University of Eastern Africa.

Previously she worked in other organizations like NGOs and learning institutions. These include among others, Mount Kenya University, The Presbyterian University of East Africa and Kenya Methodist University. She holds a Ph.D. in Counseling Psychology from Egerton University, a Masters Degree in Counseling Psychology and a Bachelors Degree in Psychology (Counseling).



Member

Mr. Ahmed M. Ibrahim, B.A. (Brunel University), M.A. (University of East London)



Mr. Ahmed (49) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently the Chief Executive Officer at Tassia Integrated Academies Limited.

He previously worked in several international organizations including Islamic Relief World Wide, The Kenya Red Cross and The Inter-Continental Charity Organization based in London, United Kingdom.

Mr. Ahmed holds a Masters Degree in Arts (International Relations) from Brunel University, London and a Bachelors Degree in Arts (International Development) from the University of East London, UK.

Member

Mr. Eric K. Sila, B. Com., MBA (University of Nairobi)

Mr Sila (50) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently Deputy Director, Credit Risk at NIC Bank Kenya. Mr. Sila is a professional banker with leadership skills in credit risk management, credit administration and operational risk amongst others. Previously he was Head of Business Support and Corporate Recoveries (Corporate Credit) at Barclays Bank of Kenya.



He has international leadership experience having led teams in Corporate Credit and Business Support and Recoveries in Zambia, Uganda and Tanzania.

He holds Masters Degree in Business Administration (Strategic Management) and a Bachelors Degree in Commerce (Finance) from the University of Nairobi.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Chancellor

Mr. BENSON WAIREGI, E.B.S.,

B. Com. (Accounting), MBA (Nairobi), CPA (K.)



The Chancellor performs such functions and enjoys such powers, rights and privileges as provided for under section 38 of the Act and the statutes.

The Chancellor, from time to time, gives advice to the Council which the Chancellor considers necessary for the betterment of the University.

The Chancellor has the right to take part in the formal and informal activities of the University.

Chairman of the University Council

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



The Chairperson of Council chairs Council meetings and exercises the powers and privileges as provided for in the Universities Act, Kenyatta University Charter and the Statutes.

Vice – Chancellor

PROF. PAUL K. WAINAINA, Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



The Vice-Chancellor is the Chief Executive Officer of the University having the following powers and function:

- Is the academic, administrative and financial head of the University;
- Have the overall responsibility for the direction, organization, administration and programmes of the University;
- Is the accounting officer of the University.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Administration)

PROF. FATUMA CHEGE,

B.Ed.,MA (Ed.) (Kenyatta), Ph.D. University of Cambridge (UK)

The Deputy Vice-Chancellor (Administration) is responsible to the Vice-Chancellor for all administration affairs including:

- Personnel issues in the University;
- Security issues;
- Catering services;
- Staff houses and accommodation;
- Legal issues;
- Health services;
- Transport services.



Deputy Vice Chancellor (Academic)

PROF. JOHN OKUMU, B.Ed., M.Sc. (Kenyatta), Ph.D. (Leeds)



The Deputy Vice-Chancellor (Academic) is the head of the Academic Division of the University and is responsible to the Vice-Chancellor and offers leadership, direction, organisation and administration of programmes of the Division.

Deputy Vice-Chancellor (Finance & Development)

PROF. GODFREY MSE, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)

The Deputy Vice-Chancellor (Finance and Development) is the head of the Finance and Development Division of the University with the following duties and functions:

- Preparation of estimates, allocation of funds, control of expenditure and financial accounting;
- Physical developments;
- Grounds and estates management;
- Procurement services.



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Research, Innovation & Outreach)

PROF. FREDERICK Q. GRAVENIR, M.A. Ph.D. (Prague)



The Deputy Vice-Chancellor (Research, Innovation and Outreach) duties and functions include:

- Driving the University's research agenda in line with Country's Vision;
- Encourage research culture in the University;
- Institutionalise networking, collaboration research and outreach in the University;
- Encourage innovation and handle issues to do with intellectual property rights;
- Ensure dissemination of research findings.

Registrar Administration

DR. DANIEL M. MUINDI, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)

The Registrar (Administration) is the principal assistant to the Deputy Vice-Chancellor (Administration), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Administration).



Registrar Academic

DR. ANDANJE MWISUKHA, B.Ed., M.Ed., Ph.D. (Kenyatta)



The Registrar (Academic) is the principal assistant to the Deputy Vice-Chancellor (Academic), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Academic).

Registrar (Finance and Development)

DR. NELSON M. KARAGU B.Sc., M.A. Ed (Idaho), Ph.D. (Nairobi)

The Registrar (Finance and Development) is the principal assistant to the Deputy Vice-Chancellor (Finance and Development), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Finance and Development).



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Registrar (Research, Innovation & Outreach)

DR. VINCENT ONYWERA, B.Ed., M.Ed., Ph.D. (Kenyatta), ISAK 2



The Registrar (Research, Innovation and Outreach) is the principal assistant to the Deputy Vice-Chancellor (Research, Innovation and Outreach), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Research, Innovation and Outreach).

Chief University Librarian

DR. GEORGE G. NJOROGE, Ph.D., (Nairobi)

The Chief University Librarian is responsible to the Vice-Chancellor and the Deputy Vice-Chancellor (Academic) for the leadership, management, organization, operation and utilization of University Library Services and maintaining high professional standards for all libraries within the University.



Chief Finance Officer

JOSEPH I. GITAH, B.Sc., M.Sc.Org,Dev.(USIU), CPA (K), FA.



The Chief Finance Officer is the head of Finance Department and the technical officer responsible for financial strategy and policy matters. He is responsible to the Deputy Vice-Chancellor (Finance and Development) and work closely with the Vice-Chancellor as the chief accounting officer of the University.

The Chief Finance Officer superintends and manages the finances and financial reporting obligations, and performs such other duties delegated or assigned to him by the Vice-Chancellor and Deputy Vice-Chancellor (Finance and Development).

CHAIRMAN'S STATEMENT



It is my Privilege to present the Annual Report and Financial Statement for the year ended 30th June 2018 for this great University.

During the year under review the University remained focused on its mission to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

I would wish to highlight that in the year 2017/2018, the University experienced downward trend in its revenues, which can be attributed to the decrease in student numbers as a result of non attainment of the University minimum entry grade, non facilitation of the third trimester and ICE programme contributed by the staff strike. It is my anticipation that in the year 2018-2019 the University will have an uninterrupted programme that will lead to an improved performance.

Prof. Paul Kuria Wainaina is now the 6th Vice-Chancellor of Kenyatta University, effective from 26th January, 2018. He will serve for a period of five years.

After a long nearly two-year wait by the Kenyatta University fraternity, Professor Wainaina finally started his first day in office as substantive Vice-Chancellor on Tuesday, February 13th 2018 and was welcomed with songs, dance and ululations by the University staff and students.

Prof. Wainaina's journey has been long and extensive. The Doctor of Philosophy Professor specializing in Philosophy of Education with research interests in Theory of Knowledge, Moral Philosophy and Higher Education and Development began his journey as a lecturer.

He rose through the rank including serving as the Deputy Vice-Chancellor (Administration) and Deputy Vice-Chancellor (Academic) of Kenyatta University, eventually serving as the Acting Vice-Chancellor.

He is an accomplished scholar with a wealth of experience having served in various capacities in the educational field in Kenya and abroad. Besides Kenyatta University he has also worked at Moi University and University of Namibia (UNAM).

Other Activities;

Kenyatta University hosted a World under 18 Championships Pre-Games International Symposium from 10th – 11th July 2017. The Symposium themed "Enhancing Youth Sports for Good Health and Well-Being" was officially opened by the Principal Secretary, Ministry of Sports, Culture and the Arts, Amb. Peter Kirimi Kaberia.

The Symposium which was held in partnership with The Kenya Academy of Sports and IAAF featured renowned sports managers, researchers and seasoned athletes from across the continents who made presentations and held discussions on various topics affecting youth athletes in particular but also sports in general.

CHAIRMAN'S STATEMENT

Kenyatta University Students Association (KUSA) held an inauguration ceremony for incoming executive officers of the Students Governing Council (SGC) on Tuesday, November 21st at the Business and Students Services Centre. The student leaders were sworn-in to their new positions after a campaign period that ran for the better part of early November, with voting taking place between the 9th and 15th of the same month. This made Kenyatta University the first public university to adopt the new laws and format for electing student leaders.

On 28th March 2018, Voice of America (VOA) donated and handed over television production equipment worth approximately Ksh. 1.5 million to Kenyatta University. The donation came after a two-day capacity building training of KUTV and KU Radio staff on various areas of television and radio broadcasting including sales, target and market analysis, branding and quality television and radio programmes production. The training was conducted by Mr. Bert Kleinman, a consultant of VOA. Kenyatta University and Voice of America have a long-standing partnership that allows KUTV to access and broadcast content from VOA free of charge in addition to capacity building.

On infrastructure;

The University continued with the construction of teaching facilities projects such as the Teaching, Research and Referral Hospital, School of Business, Applied Human Sciences Building, and the children hospital among others. The University completed projects such as Ruiru Boundary wall, Funeral home extension, Rwanda campus renovations, Referral hospital perimeter wall, road and water tanks among others.

We will continue to work closely with the Government and other Collaborating partners to provide highly competitive and versatile graduates which the Country and Region need for sustainable development.

I take this opportunity to thank the Government of Kenya and all collaborating partners, both internal and external for their continued support.

Lastly I want to thank my fellow members of council, members of staff, and students for their tireless effort, team work and for achievements made in the year ended 30th June 2018.



Prof. Shem E. Migot-Adholla Ph.D.
Chairman, Kenyatta University Council

VICE-CHANCELLOR'S REPORT



I am delighted to present the University's results for the year ended 30th June 2018.

During the year under review the University remained on course in implementation of 2016-2026 Strategic Vision Plan; guided by the theme "Enhancing Higher Education Transforming Lives". The theme is grounded on the principles of inclusiveness and participation, good governance, equity, environmental consciousness and respect for diversity.

During the year, the University put in place the necessary Internal Controls on resources to ensure that we meet the targets of revenue collection and cost control.

The University held its 42nd graduation ceremony on 4th August 2017 and its 43rd Graduation Ceremony on 15th December 2017 at the main campus. The events saw 6,614 and 4,319 graduands respectively conferred with various certificates, Diplomas and Degrees in respective disciplines.

Kenyatta University registered over 10,000 new students in the year 2017/2018 who were admitted to study at the Main Campus and other University Campuses.

Education, Training and Research

In its endeavor to provide quality education and training, the University entered into collaborations, signed MOUs (Memorandum of Understanding) and organized workshops and seminars with various stakeholders. Notably;

Kenyatta University is partnering with Wadhvani Foundation engaged in an initiative to integrate entrepreneurship education programmes in the institution's current curriculum.

The Foundation will provide cloud based interactive e-content for entrepreneurship training under the initiative. Wadhvani Foundation is a US-based philanthropic organization founded in 2003 by Dr. Romesh Wadhvani, a Silicon Valley entrepreneur. The Foundation's primary mission is economic acceleration in emerging economies through large-scale initiatives in job creation and skill development

In July 2017, Wadhvani Foundation conducted a three-day workshop and Entrepreneurship Educators Programme (EEP) training for faculty in Kenyatta University which incorporated sessions in Entrepreneurship Concepts, Entrepreneurship Pedagogy and the Wadhvani Way of Entrepreneur Development.

Five Kenyatta University students are on an exchange visit to the University of Economics in Bratislava (UEB), Slovakia for five months. The five students, three from the School of

VICE-CHANCELLOR'S REPORT

Economics and two from the School of Business are beneficiaries of Erasmus+ Mobility Scheme that supports students and staff exchange. The students while at University of Economics in Bratislava will get the opportunity to learn subjects relevant to their disciplines that will earn them credit when they return.

Engineering Students get Scholarships to Study in Iowa In its continuing bid to build capacity at Kenyatta University School of Engineering and Technology (KUSET), Iowa State University (ISU) granted two Civil Engineering students scholarships to pursue their postgraduate studies. The scholarships will enable the two students, Ms. Winnie Kiarie and Ms. Millicent Orondo to study for their Masters and Doctorate programmes within a five year period.

This opportunity came about through implementation of a Memorandum of Understanding between Kenyatta University (KU) and Iowa State University (ISU), where ISU committed to provide scholarships to top engineering students who wish to join Kenyatta University faculty upon completion of their studies. ISU have also undertaken to build capacity of existing staff at KU School of Engineering.

On 1st September 2017, the Department of Biochemistry and Biotechnology held a workshop titled Sustainable Utilization and Conservation of Wild Sorghum for Striga Resistance, at Kenyatta University Conference Centre. The workshop was a dissemination forum to publicize research findings for a USAID funded project 'Sustainable Utilization and Conservation of Wild Sorghum for Striga Resistance' led by Dr. Steven Runo of the Department of Biochemistry and Biotechnology. The project aims to develop technology for harnessing and conserving wild sorghum as a source material for providing resistance to striga – a parasitic plant that attaches to roots of cereal crops and sucks out their nutrients causing severe stunting and death.

Chandaria BIIC held a Train the Trainer workshop for Applied Entrepreneurship Education Programme between 28th August and 5th September 2017. This is under the KU-HNU-DAAD project which involves capacity building of lecturers and instructors who will be instrumental in the contextualization of innovation and entrepreneurship into the respective Schools' programmes. The first batch of trainers trained included 17 academic staff from the School of Engineering and Technology; and the School of Pure and Applied Sciences.

Athletic coaches from ten countries gathered at Kenyatta University from 13th to 18th November, 2017 for the International Association of Athletics Federation (IAAF) Middle Distance/ Long Distance & RW Endurance Academy Elite Coach Course. The six day course facilitated by the IAAF Regional Development Centre (Nairobi), brought together coaches in Middle, Long Distance events from Kenya, Botswana, Ethiopia, Swaziland, France, South Africa, Tanzania, Lesotho, Germany and Nigeria. This course is highly recognized globally and is an indicator that a coach is not simply greatly experienced, but also has skills and knowledge to coach and instruct at the international level. Kenyatta University is among the few Universities globally selected to offer high level coaching courses by IAAF

VICE-CHANCELLOR'S REPORT

On 23rd November 2017, youth in Machakos County graduated with advanced entrepreneurial skills from the Student Training for Entrepreneurial Promotion for Youth (STEP-4Y) program. The STEP-4Y program is a joint initiative of Kenyatta University, Leuphana University, Konrad Adenauer Stiftung and Kenya National Commission for UNESCO among other global partners. The programme aims at providing answers to adverse labour market conditions and limited employment opportunities by providing youth with knowledge and skills for an alternative career option: self-employment, and hence transforming them into job creators. This is in line with Kenya's national objectives of Technical, Industrial, Vocational and Entrepreneurial Training (TIVET); to provide opportunities that make school leavers self-reliant, and to assist them in acquisition of practical skills, and appropriate attitudes to undertake income generating activities.

Kenyatta University and Neu UI University of Applied Sciences held a successful investor- industry conference on 16th November 2017, where student innovators pitched their ideas. The keynote speaker was Dr. Kamau Gachigi, the Executive Director of Gearbox Maker Space and Light Manufacturing Facility.

The conference was the culmination of a series of activities under the KU-HNU-DAAD Project.

The project involved capacity building of lecturers and instructors who will later be instrumental in the contextualization of innovation and entrepreneurship in the respective schools' programmes.

The University hosted this year's Career Week themed "*Sensitizing the Youth on Career Choice and Labour Market Demands*" from 17th – 23rd February 2018. The first day was preserved for high school students. Out of the realization that many students joining the University are admitted to do courses that they have no idea what they entail, the Directorate of Career Placement at Kenyatta University found it necessary to dedicate one day of Career Week to high school students in order to give them relevant information in career decision making.

Kenyatta University hosted an International Training Workshop called *Being a Leader (BAL)* at Kenyatta University Conference Centre (KUCC) from 18th to 24th February 2018. The training workshop was organized and hosted by Kenyatta University, in collaboration with the American Friend of the Erhard-Jensen Ontological/Phenomenological Initiative, a philanthropic initiative based in the United States of America.

The goal of the six-day leadership course was to leave participants actually being leaders and exercising leadership effectively as their natural self expression.

Chair on Higher Education Development, Kenyatta University and the United Nations Educational, Scientific and Cultural Organization (UNESCO) recently established a UNESCO Chair to guide higher education development for a green economy and sustainability.

The purpose of the 'Chair' is to promote an integrated system of research, training, information and documentation in the development of higher education for a green economy and sustainability.

VICE-CHANCELLOR'S REPORT

This will facilitate collaboration between high level, internationally recognized researchers and teaching staff at the University and other institutions in Kenya; as well as elsewhere in Africa, Europe and the world

The School of Engineering through the UBORA Open Biomedical Engineering Initiative held the 1st Design Summer School at the Kenyatta University Conference Centre in November. The EU funded UBORA project is working at creating an e-Infrastructure, an open source co-design of new solutions to face the current and future healthcare challenges of Europe and Africa, by exploiting networking, knowledge on rapid prototyping of new ideas and sharing of safety criteria and performance data.

The Summer School that is under the stewardship of Dr. June Madete from the department of Electrical and Electrics Engineering introduces this new approach. Through the UBORA e-infrastructure, it is expected that the biomedical community will generate, exchange, improve and implement creative ideas in biomedical engineering underpinned by a solid safety assessment framework.

Achievements

Kenyatta University has successfully completed a Pilot Solar Module Plant at the Main Campus in Nairobi along the busy Thika Superhighway intended to meet part of the university's growing power needs.

The pilot project was commissioned on 4th December 2017 by Energy and Petroleum Cabinet Secretary, Charles Keter alongside his French counterpart, Mr. Nicolas Hulot, Minister of Ecological and Inclusive Transition.

The pilot project has a capacity of 100 kilowatts and is funded by the French government in partnership with French solar solutions provider, Urba solar at a cost of KSh17 million. The viability demonstration is expected to pave way for an even bigger second phase of the project - a 10MW solar park to be financed to the tune of KSh1.2 billion.

When completed, the project will set KU apart as the first public learning institution in Kenya to produce and connect solar power to the national grid. Through a Memorandum of Understanding that was signed between the French Government and Kenyatta University, the French government agreed to take part in the feasibility studies of the project which will also allow Kenya Power to improve reliability and quality of electricity distribution in Kenya.

The 91st Edition of the Kenya National Music Festivals that went down at the Masinde Muliro University of Science and Technology in July 2017 saw Kenyatta University amass significant accolades.

The University scooped the Best Overall Public University trophy among fifteen other trophies or performances presented in the tertiary institutions category. I applaud the University Choir for their outstanding performance during the music festivals that saw them win numerous accolades.

VICE-CHANCELLOR'S REPORT

For the fifth year running, Kenyatta University excelled and outshone all others at the Regional and National Drama and Film fetes that took place on 21st -24th March 2018 (Regional Festival) and 3rd – 14th April 2018 (National Festival) respectively.

At the Kenya National, Schools, Colleges and Universities Drama and Film Festival that was held at Moi Girls and Lenana High schools in Nairobi, KU maintained its stature and winning streak for the fifth consecutive year, surpassing previous exceptional performances to render their very best performances ever, achieving bountiful accolades. A total of twenty eight universities performed at the National

KU won all the categories except two (Dramatized Solo Verse and Mime). Most notable was that KU took number one and two in the most desirable trophy - Best play. KU was top two in 15 items entered, hugely bettering performances in previous years. Subsequent to the stupendous performance, KU was among the 15 groups from ECD to University and veritably the only university team that was invited to perform before President Uhuru Kenyatta at State House on 13th April 2018.

A team of five students from Kenyatta University School of Economics won the Global Management Challenge National Finals 2018 and are set to represent Kenya in the International Finals held in Dubai. The team of five students studying Economics and Finance emerged winners in the competitions themed "Transformation through Experience"; where participants were encouraged to leverage each other's unique strengths. The team dubbed "The Oligarchs" is composed of: Edwin Angasa, Sian Odhiambo, Dorothy Pendo Ngala, John Kabue and Melyn Oluoch.

Kenyatta University delivered outstanding performance and clinched the first position during the 7th Edition of the Kenya Universities Sports Association (KUSA) games hosted at Dedan Kimathi University of Technology (DeKUT) from 16th to 21st December 2017. A total of 23 universities from across the country participated in the games. Kenyatta University teams performed exceptionally well managing a total of 19 trophies and 95 medals. Their impressive performance during the games realized 44 gold, 28 silver and 23 bronze medals, as well as numerous team prizes. This victory is a testimony that Kenyatta University is the home of sporting excellence.

Appreciation

In conclusion, I take this opportunity to convey my appreciation and gratitude to the University Council, Management and all members of staff for their commitment to work and their timeliness and splendid effort that have seen Kenyatta University move towards its goal of becoming a world-class University.

Finally, I would like to thank the Government, Local and International Donors, Suppliers and Service providers for their trust, guidance and continued co-operation.



Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR

CORPORATE GOVERNANCE STATEMENT

Introduction

The statement outlines the key aspects of the University's corporate governance framework. Corporate governance is the process by which the University is directed, controlled and held to account. It provides the structure through which the strategic objectives of the University are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between the University Council, Senate, Management Board, Regulators and all Stakeholders.

The University in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its vision, mission, and core values for sustainability of the University.

The governing organs of the University are:

- (i) The University Council;
- (ii) The Senate of the University;
- (iii) The University Management Board.

(i) The University Council

Council Charter

The Council is guided by the Council Charter which defines the governance guidelines within which the Council exists and operates. It clearly states the respective roles, responsibilities and authorities of the Council and its Committees.

Council Appointment and Composition

In accordance with the Universities Act No. 42 of 2012, clause 36(1) the Council consists of nine persons appointed by the Cabinet Secretary for a period of three years and who are eligible for re-appointment for a further one term. The persons are as follows:

- The Chairperson
- Principal Secretary, Ministry of Education
- Principal Secretary, Ministry of Finance and The National Treasury
- Five members appointed by the Cabinet Secretary
- The Vice-Chancellor who is an ex-officio member of the Council.

The University Charter (Clause 17) requires that the members of the Council at the first meeting after their appointment determine by lot which of their number shall vacate office after a period of three and four years respectively.

Council Diversity

The Council members possess a broad range of skills, expertise, experience and knowledge essential to undertake the University's mandate. The areas of expertise of the current Council members include Sociology, economics, Counseling Psychology, International relations, Business Administration, among others as indicated on pages 9 to 11 of this Annual Report.

The University endeavors to and remains compliant with the one third (1/3) gender balance.

CORPORATE GOVERNANCE STATEMENT

Separation of Powers and Duties

The Chairman of Council's responsibilities include the operation, leadership and governance of the Council, ensuring its effectiveness and setting its agenda. The Vice-Chancellor's role and responsibilities include the day-to-day management of the University's business and overseeing the implementation of strategies and policies approved by the Council. This is clearly stipulated in the University Statutes.

Powers and Functions of the Council

The powers and functions of the Council include:

- To make new or additional Statutes, alter, amend or revoke existing Statutes in consultation with the Senate;
- To establish such standing or other committees with membership and with such terms of reference as it may deem fit;
- To make regulations in accordance with the Charter for any purpose in respect of which regulations may be made, provided that no regulations shall be made until Senate has had an opportunity of reporting thereon;
- To provide the land, building, premises, furniture and equipment, including specialized scientific equipments, vehicles, machinery, facilities and other means required for carrying out the work of the University;
- To determine method of recruitment, appointment and promotion of all staff of the University;
- To make the appointments authorized by the Charter and the Statutes and to determine the terms and conditions of service for all staff of the University;
- To provide for the welfare of every person in the employment of the University;
- To establish, confirm, abolish or hold in suspense any professorship, lectureship or other academic, as well as other senior administrative posts in consultation with the Senate;
- To confer, after report from Senate, the title of Professor Emeritus, Adjunct Professor, Adjunct Faculty and other senior staff;
- To receive, consider and approve from University Management Board estimates of expenditure required to carry out the work of the University and to provide the requisite in so far as the estimates are approved and accepted by the Council;
- To provide control and regulate the finances of the University as the Council may provide in the Statutes or Regulations from time to time;
- To control, manage and regulate accounts, investment property and all the business affairs of the University and for that purpose appoint bankers, auditors, lawyers or any other agent as the Council may deem necessary from time to time;
- To promote and make financial provisions and facilities for research within the University;
- To determine, after considering the recommendations of Senate, all fees payable to the University;
- To invest any moneys belonging to the University including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time think fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rent and subject to the Charter

CORPORATE GOVERNANCE STATEMENT

with the power of varying such investment from time to time by sale or re-investment or otherwise;

- To sell, buy, exchange, lease, grants or take on lease moveable and immovable property on behalf of the University, pursuant to section 17 of the Charter;
- To borrow money on behalf of the University, and for that purpose and subject to the Charter, to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;
- To enter into, vary, carry out or terminate contracts on behalf of the University;
- To select a Seal, Arms and Mace for the University and to have the sole custody and use of the Seal;
- To provide by Statutes for the creation of new Colleges, Campuses, Schools, Departments, Directorates, Institutes, Centres or other bodies of learning and research in the University and for the abolition from time to time of any such bodies, and to approve the establishment, abolition or sub-division of any such bodies on the recommendation of Senate;
- To institute, on the recommendation of Senate, donors' fellowships, studentships, exhibitions, bursaries, prizes and other aids to study and research where appropriate and upon conditions acceptable to the Council;
- To determine the terms and conditions upon which Internal and External Examiners shall be appointed by the Senate;
- To consider and give effect to reports from Senate on those matters upon which Senate is authorized or required to make by the Statute;
- To exercise powers of removal from office for good cause of any officer or staff member and other disciplinary controls in the University;
- May empower any of its committee to act jointly with any committee appointed by the Senate, provided that the Council shall not delegate to the Chairperson or to a committee the powers to approve without further reference to the Council the annual Estimates of Expenditure;
- May refer any financial matters affecting the academic policy of the University to the Senate for advice;
- Shall determine the method and condition of appointment and promotion, terms of service and remuneration of all staff of the University;
- Shall authorize or control the establishment and disestablishment of Campuses, Colleges, Schools, Departments, Directorates, Institutes, Bureau, Units and Centres;
- Shall authorize or control the establishment and disestablishment of academic, library, administrative, technical, secretarial and all other posts in the University necessary for the proper functioning of the University;
- Shall control the appointment of any other persons working for the University, pay honoraria, fees and other remuneration as the Council may determine from time to time.

CORPORATE GOVERNANCE STATEMENT

Meetings of the Council

While the Council is responsible for its agenda, it is the responsibility of the Chairperson and the Council Secretariat working closely with the Vice-Chancellor, to come up with the Annual Council Work Plan and Agenda for the Council meetings.

The Council Work Plan together with the calendar of meetings for the Financial Year 2017/2018 was fixed in advance and provided to all Council members. The agenda and supporting papers were distributed in advance to all members of the Council and its Committee's.

Unless the Council otherwise determines, meetings of the Council are held at least four times in each calendar year at such a place and time as the Chairperson may determine.

At all meetings of the Council, a quorum is the nearest whole number above half the membership of the Council.

Where consensus is not achieved, decisions of the Council may be by a simple majority vote of those present and voting, provided that the chairperson of the council shall have a casting vote in case of an equality of votes.

The Chairperson may at any time call a meeting of the Council within twenty eight (28) days of receiving request for that purpose addressed to him and signed by at least a half of the membership of Council.

Councils' Effectiveness

In order to ensure that the Council members are effective in their contribution to the management of the University, it is important that they develop good understanding of the University and its operations.

Council members undergo regular training to enable them to fulfill their responsibilities.

The University has also developed a comprehensive induction program and inducts all new board members.

Evaluation

The Council has put in place evaluation system to ensure that the Council achieves their objective. In the year under review, no evaluation was done due to change of management and University Council evaluation will be done in the next Financial Year.

Council Committees

The University has a total of four committees and five boards whose chairperson reports to the main Council and assists in executing the mandate of the Council and by extension, the University.

CORPORATE GOVERNANCE STATEMENT

A) Council Committees

- 1) Finance and Strategy Committee
- 2) Terms of Service and Conditions Committee
- 3) Audit Committee
- 4) Governance, Risk and Compliance Committee

B) Boards

- 1) Staff Appeals Board
- 2) **Appointment and Promotions Board** (*For Professors, Associate Professors & Equivalent Grades*)
- 3) **Disciplinary Board for Senior Staff** (*Grade A-F, Graduate Assistants to Professor & Equivalent Grades*)
- 4) Honorary Degree Board
- 5) Sealing Board

Composition of Committees and Boards of the 10th Kenyatta University Council and their Terms of Reference

1. Finance and Strategy Committee

a) Membership

- 1) Council Member - Chairperson
- 2) Vice-Chancellor
- 3) Principal Secretary in the Ministry for the time being responsible for Education
- 4) Principal Secretary in the Ministry for the time being responsible for Finance
- 5) One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Registrar (Finance and Development)
3. Registrar (Planning and Strategy)
4. The Chief Finance Officer
5. Director ICT
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

CORPORATE GOVERNANCE STATEMENT

c) Terms of Reference

i) Finance

The Committee advises the Council on:

- Financial and investment projections of the University.
- Making provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University
- Fees and other rates to be paid by Students

The Committee is responsible on the delegated authority of the Council for:

- Preparing of University Development Plans for an approved period and submit to Council
- Keeping under review approved development programmes and to ascertain that the objectives of the University are being achieved and to make recommendations thereon to Council
- Considering the annual report and financial statement and make recommendation to Council
- Receiving, considering and submitting the proposed budget estimates from the relevant sectors for approval by Council
- Ensuring that there are adequate controls in place for prudent management of financial resources
- Reviewing the endowment and donations policy to ensure adequate monitoring and control
- Exercising such powers as Council may from time to time delegate to the Committee

ii) Strategy

The Committee advises the Council on:

- The vision, core values and the strategic direction of the University
- The status of the implementation of the University Strategic and Vision Plan

The Committee is responsible for the delegated authority of the Council for:

- Reviewing annually the University financial and investment strategy to ensure that it is sustainable and supports the University Strategic and Vision Plan
- Overseeing the development, implementation and integration of the Universities information technology strategy into learning, teaching and research and in the performance monitoring of the University
- Overseeing the implementation of ICT Policy

CORPORATE GOVERNANCE STATEMENT

2. Terms of Service and Conditions Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. Principal Secretary in the Ministry for the time being responsible for Finance
4. One Council Member
5. Vice-Chancellor

b) In Attendance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Corporate Affairs)
3. Registrar (Administration)
4. The Chief Finance officer
5. Human Resource Manager
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- Terms and conditions of service of all staff in the University

The Committee is responsible on the delegated authority of the Council for:

- Considering proposals of terms and conditions of service made by staff unions through the University Management Board

3. Governance, Risk Compliance Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for Finance
3. One Council Member
4. Vice-Chancellor

b) In Attendance

Governance, Risk and Compliance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Planning & Strategy)
3. Chief Finance Officer
4. Chief Legal Officer

CORPORATE GOVERNANCE STATEMENT

5. Officer in Charge of Risk and Compliance
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

i) Governance

The Committee advises the Council on:

- The roles and operations of the Council based on best practice in corporate governance
- Regulations and procedures for Council and Council Committees
- Membership, powers and duties of Committees of Council

The Committee is responsible on the delegated authority of the Council for:

- Monitoring the performance of Council Committees
- Receiving reports on effectiveness of Council and its Committees
- Considering and recommending to the Council changes to governance framework (Charter, Statutes, and policies)

ii) Risk

The Committee advises the Council on:

- The adequacy and effectiveness of the risk management framework
- Major risks which may impact on the reputation of the University and the associated risk mitigation mechanism

The Committee is responsible on the delegated authority of the Council for:

- Receiving reports and providing oversight on the implementation of the risk management policy
- Receiving regular audit reports on the Risk function and report to Council on any matters that require their consideration
- Reviewing the implementation of the risk management framework on a quarterly basis

iii) Compliance

The Committee advises the Council on:

- All issues relating to external and internal compliance

The Committee is responsible on the delegated authority of the Council for:

- Monitoring the effectiveness of the University's processes for ensuring compliance with relevant laws, rules, regulations, and standards

CORPORATE GOVERNANCE STATEMENT

- Receiving reports on legal compliance audit and recommend on strategies to manage any breaches and risks effectively

4. Audit Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Chief Finance Officer
3. Chief Internal Auditor
4. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- The adequacy and effectiveness of management procedures with regard to issues relating to risk management, control and governance

The Committee is responsible on the delegated authority of the Council for:

- Reviewing and approving the audit charter where applicable and internal audit annual work plans
- Reviewing internal and external audit findings and recommendations and proposing corrective and preventive action where necessary
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
- Initiating special audits/ investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer/Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

University Boards

1. Staff Appeals Board

a) Membership

1. Chairman of Council - **Chairperson**
2. Independent Council Member
3. Independent Council Member

b) In Attendance

1. Vice Chancellor
2. The relevant Dean/Head of the Department/Section concerned
3. Registrar (Administration)
4. Human Resource Manager
5. Chief Legal Officer
6. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

The Board is responsible on the delegated authority of the Council for:

- Considering and determining appeals from individual members of staff against decisions in relation to their discipline from both the Junior and the Senior Board of discipline.

2. Appointments and Promotions Board (For Professors, Associate Professors and Equivalent Grades)

a) Membership

1. Chairman of Council - **Chairperson**
2. One (1) Council Member
3. Vice-Chancellor

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. Principal of the College Concerned
3. Dean of the School concerned
4. Head of the Department/Section concerned

CORPORATE GOVERNANCE STATEMENT

5. Registrar (Administration)
6. Human Resource Manager
7. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Board shall be responsible to the Council for the appointment and promotions of Associate Professors, Professors and Equivalent Grades as may be determined by the Council.

3. Disciplinary Board for Senior Staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades)

a) Membership

1. Vice-Chancellor
2. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. The relevant Dean/Director/Head of the Department/Section concerned
3. Relevant Staff Union representative
4. Registrar (Administration)
5. Human Resource Manager
6. Chief Legal Officer
7. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

Shall be responsible to the Council for the discipline, suspension and removal from Service of all senior staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades) as may be determined by the Council.

CORPORATE GOVERNANCE STATEMENT

4. Honorary Degrees Board

a) Membership

1. Vice-Chancellor - **Chairperson**
2. Chairman of Council
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Registrar (Academic)
3. University Council Secretary
4. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

- 1) To receive and consider nomination (s) from the various boards of Schools and Institutes for the award (s) of honorary degrees and fellowships
- 2) To recommend to the senate persons deemed fit for the award of honorary degrees

5. Sealing Board

a) Membership

1. Chairperson of Council - **Chairperson**
2. Vice-Chancellor
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Registrar (Academic)
3. Head, Transcript, Graduation and Certificates
4. Council Secretary

CORPORATE GOVERNANCE STATEMENT

c) One person above half the number of Members)

d) **Terms of Reference**

To receive, verify and seal certificates before they are issued to graduands

Council Remuneration

The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chancellor and the Chairman of Council receives honoraria on a monthly basis as indicated in Note 10 of the Financial Statements.

Council allowances are based on approved rates and guidance provided in Government Circulars

Conflict of Interest

The Council members are obligated to fully disclose to the Council any real or potential conflict of interest, which comes to any Council member's attention, whether direct or indirect. At any meeting the Council members are expected to make a declaration of any interest they may have in the business under discussion. In the financial year under review, there were no transactions with any of the Council members or their related parties.

Code of Conduct and Ethics

The University has a code of conduct and ethics policy that binds the Council members, management and employees. When joining the University, every employee is provided with a copy of the code of conduct and ethics policy and must commit to abide by its requirements as part of the employment contract with the University.

Whistle Blowing Policy

This is provided for in Kenyatta University Anti-Corruption Policy Clause 17. Which states that the University undertakes to protect the identity of persons making corruption disclosures and the information provide therein shall be handled in utmost confidentiality. Allegations that are false and made with malicious intent are discouraged. Where such malicious or allegations are discovered, the person who made the allegation shall be subjected to disciplinary action.

Risk Management and Internal Controls

The University Council is responsible for the University system of risk management and internal control, which is designed to identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

The Council has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit Committee. Details in relation to the Audit Committee's work in this regard are set out in the University Statutes.

CORPORATE GOVERNANCE STATEMENT

The Vice-Chancellor is responsible for implementing the system, including a system of internal controls and audits, to identify and manage risks that are material to the University. Independent review of the risk management framework is carried out through the University Internal Audit function that carries out risk based internal audit on regular basis.

The University has an in-house legal officer and has appointed advocates to advice on litigation risks. The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The University Council through its Audit Committee receives regular reports during the year on internal controls and risks.

The University's Key Risks include;

1. Strategic/Commercial Risks
2. Economical/Financial/Market Risks
3. Legal and Regulatory Risks
4. Organization/Management/Human Factor Risks
5. Political Risks
6. Environmental Risks
7. Technical/Operational/Infrastructure Risks

Compliance

The Council operates in a manner reflecting the University's values and in accordance with the Corporate Guidance, the University Act, University Charter, University Statutes, Council Charter, Mwongozo and all other applicable regulations.

The Council is committed to ensuring that it complies with all applicable laws and regulations

Governance Audit

The University did not conduct governance audit this year but the same will be conducted in the year 2018/2019.

Stakeholders

Stakeholders may be categorized, on the basis of location, into internal and external. Internal stakeholders include those inside the University. These include students and employees. On the other hand, external stakeholders are based outside the University, but have implications for survival of the University. These include customers, suppliers, government agencies, development partners, local communities, alumni, external examiners and trade unions.

Going Concern

The Council is committed to ensuring that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE STATEMENT

Conclusion

The Council recognizes that practices and procedures can always be improved. Accordingly, the corporate governance framework of the University is kept under review to take account of changing standards and regulations.

Number of full Council, Committees and Board Meetings held during the year 2017/2018

S/No	Type of Meeting	Number of Meetings
1	Full Council	4
2	Human Resource Committee (Previously) Terms and Conditions Committee (Current)	4
3	Audit Committee	4
4	Finance and Strategy Committee	3
5	Governance, Risk and Compliance Committee	1
6	Sealing Board	2
7	Disciplinary Board for Senior Staff (Grade A-F, Graduate Assistants to Professor and Equivalent Grades)	7

CORPORATE GOVERNANCE STATEMENT

(i) The Senate of the University

The membership of the Senate shall be:-

- The Vice-Chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- The Principals of each Constituent College;
- The Principals of each College within the University;
- Registrars;
- Executive Deans;
- Directors of Campuses;
- Chairpersons of Departments;
- One Professor representing each College;
- The Chief University Librarian;
- The Chief Finance Officer;
- Director of Student Affairs;
- Director Information, Communication and Technology Services (ICT);
- Two members elected by the students' organization, who shall be entitled to attend deliberations of the Senate on matters which are considered by the Chairperson of the Senate to be confidential of which relate to examinations, the general discipline of students, and other related matters; and
- Such other member as Council may determine in accordance with the Statute

The Deputy Vice-Chancellor in charge of Academic affairs shall be secretary to the senate.

The Senate shall have the following powers and duties:-

- 1) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- 2) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- 3) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- 4) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- 5) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.

The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

CORPORATE GOVERNANCE STATEMENT

(ii) The University Management Board

Members of the University Management Board shall be;

- The Vice-chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- Registrars;
- Chief Finance Officer
- Chief Legal Officer
- Such other member of senior management as the Council may determine and as provided for in the statutes.

The University Management Board shall assist the Vice-Chancellor in;

- 1) The Management of urgent day-to-day academic, administrative, research, development and outreach issues;
- 2) The efficient management of the human, physical, and financial resources of the University;
- 3) Coordination of University and colleges strategic and development plans;
- 4) Make proposals to Senate and Council on issues that have University-wide application;
- 5) Receive proposals from different sectors of the University for recommendation for Council consideration;
- 6) The implementation of Council and Senate approved policies;
- 7) Any other matters related to the management of the University.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenyatta University is committed to being a responsible organization, both in how she works with students and staff but also in terms of how she contributes to the wider community and the world around us.

Service to humanity is one of the major components of Kenyatta University Mission. To assist in accomplishing its mission, Kenyatta University initiated a Directorate of Community Outreach and Extension Programmes (COEP) in August 2007.

The Main objective of COEP is to facilitate Kenyatta University Community to reach out and touch the lives of Kenyan by extending knowledge, skills, information and other resources that would help to improve the quality of individual, families and community life. The Directorate of COEP further helps communities identify mobilize and utilize the resources available to them for their own development.

Kenyatta University has a wide range of abilities as a result of diverse areas of training and experiences, COEP gives everybody in the University, both staff members and the students an opportunity to reach out and extend their services to the communities in any part of this nation and beyond based on the identified needs. This is a gesture of Kenyatta University giving back to the Kenyan society within which the University exists.

Major Programmes under COEP include:

1. Students' Community Service Programme

- Facilitate students in community service project, extended services to communities of their choice
- Conduct training seminars for students going for community service projects
- Co-ordinate field supervision for students in community service projects
- Analyse students' field report, for impact assessment and further intervention.

2. Development of Community based Project proposals by Kenyatta University Departments/Units

- Conduct baseline survey to determine community needs,
- Develop fundable community-based project proposals,
- Establish links with relevant collaborators,
- Implementing, monitoring and evaluation of community projects,
- Compile and disseminate project reports,
- Follow up for impact assessment and determine further intervention.

3. Train underprivileged youths in Trade Skills to empower them for employment

- Developing training programmes for disadvantaged youths,
- Recruit and admit the youth to the appropriate programmes,

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

- Impact the youth with employable knowledge and skills,
- Prepare the trained youth for the Government trade tests.

4. University Response to National Crisis

- Collect materials and financial donations from Kenyatta University community and other willing donors,
- Supply the donations to the people in need.

In the past, the directorate in partnership with clubs/departments/religious movements has organized and undertaken response to National Crises initiatives as well as mentoring visits, offering free medical camps, environmental conservation activities at schools, children's homes and at village level. Notably:

Kenyatta University through the Directorate of Community Outreach and Extension Programmes in collaboration with the Directorate of University Health Services and the School of Medicine mounted a one-day medical camp on Saturday 17th March, 2018 at St. Georges Primary School, Ruiru Sub-County, Kiambu County.

The medical camp themed "Focus on total health" was geared towards promoting total health by addressing both non-communicable and communicable diseases in Kiambu County, as well as treating the residents for minor ailments. It was also in the objective of the camp to promote healthy lifestyles including nutrition and hygiene. This was besides enhancing the visibility of Kenyatta University's activities in the community which is one of the strategic objectives in the University's 2016-2026 Strategic Plan.

Kenyatta University in her effort to improve access to Higher Education for Orphans and Vulnerable Students (OVS) established the Financial Aid Office (FAO) with the mandate to mobilize funds for scholarships in February 2009. The initiative of the Vice-Chancellor is in line with the Kenyatta University (KU) philosophy statement; being, "sensitive and responsive to societal needs and the right of every person to knowledge", and lays emphasis on the societal development of an individual.

The Objectives of the Financial Aid Office are:

- To empower orphans and vulnerable students by enabling them acquire higher education through financial support
- To establish deliberate methods of empowering women in acquisition of higher education so that they can become role models for other women in society
- To support the education of the disabled so as to make them self-reliant and useful members of society
- To continuously seek for sources of funding as a means of establishing a sustainable OVS Fund.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenyatta University and Christian Aid - Kenya, on 6th April 2018 signed a memorandum of understanding (MoU) to explore opportunities in areas of research within the Comprehensive Assistance, Support and Empowerment of Orphans and Vulnerable Children (CASE-OVC) programme. CASE-OVC is a five-year USAID funded programme that aims to improve the well-being of Orphans and Vulnerable Children (OVCs) and households by ensuring that they demand and access quality health, nutrition, education, legal and psychosocial services. The programme endeavours to realize this through provision of comprehensive quality services, strengthening household livelihoods and economic status; and strengthening both formal and informal child welfare and social protection systems. The scope of cooperation between the two institutions encompasses research implementation and evidence generation, capacity building; learning and dissemination practices.

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 15 of the State corporation Act and section 47 of the University Act, 2012, require that the Council prepares financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University and is responsible for safeguarding the assets of the University.

The Council is 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, 2018. 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.

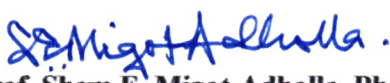
The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) Accrual, and in the manner required by the University Act, 2012 and Kenyatta University Charter. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2018, and of the University's financial position as at that date. The Council 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 University Council is committed to have the University be and 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 the Board and signed on its behalf by:


Prof. Paul K. Wamaina, Ph.D.
VICE-CHANCELLOR


Prof. Shem E. Migot-Adholla, Ph.D.
CHAIRMAN OF COUNCIL

MANAGEMENT DISCUSSION AND ANALYSIS

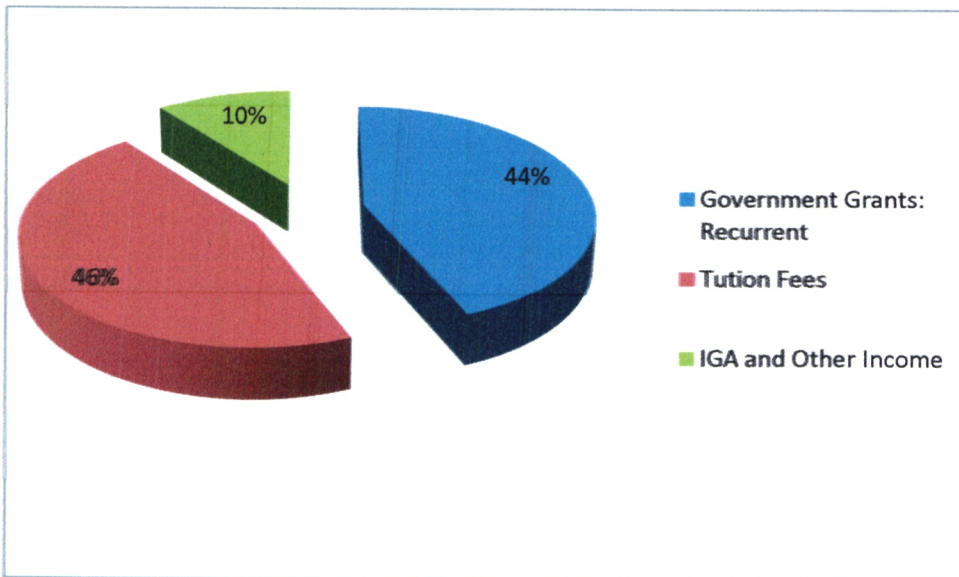
The University's Management discussion and analysis, provides an overview of the University's financial activities for the fiscal year ended 30th June 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the University's financial statements and Notes to the Financial Statements following this section.

University Sources of Funds

1. Government Grants – Recurrent and Development
2. Internally generated funds- Tuition and other income generating activities.
3. Externally sourced funds- Donations and grants from private sector, loans and overdrafts

In the year 2017/2018 the University received Kshs 4,148,305,985 Government Grants, Kshs 4,347,821,552 Tuition and other fees and Kshs 1,008,916,433 from Income Generating Activities and other incomes.

Income for the year 2018



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30TH JUNE 2018

University Expenditure

University Expenditures are categorized as follows:

1. Telephone Electricity and Water
2. Personal Emoluments
3. Council Expenses
4. Depreciation
5. Repairs and Maintenance
6. Contracted Professional Services
7. Operation and Maintenance
8. Finance Cost

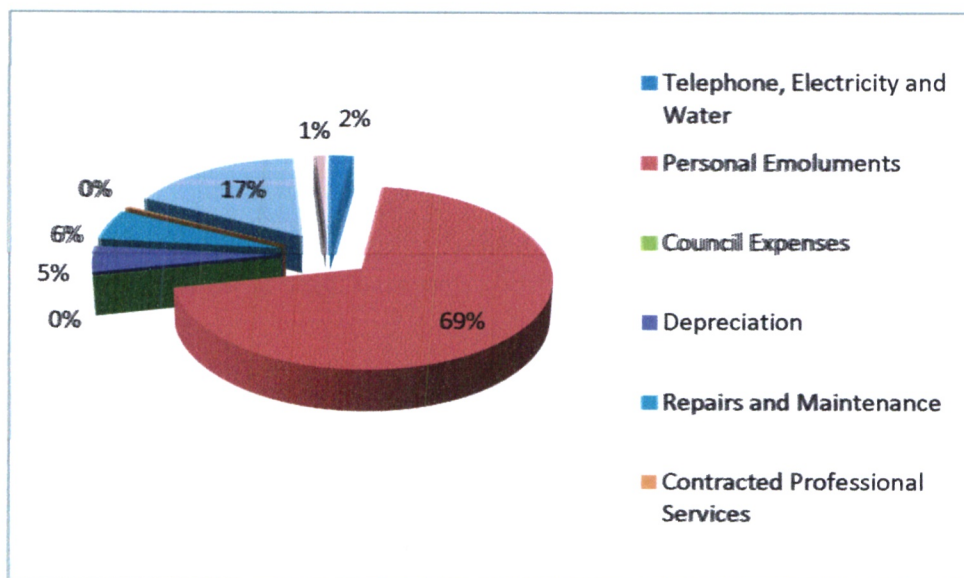
The University's expenditure increased from Kshs 8,350,136,262 in the year 2014 to Kshs 11,162,946,388 in the year 2018.

In the year 2018, the University's expenditures were as follow;

Particulars	Amount in Kshs
1. Telephone Electricity and Water	249,050,363
2. Personal Emoluments	7,726,090,829
3. Council Expenses	9,777,840
4. Depreciation	549,888,557
5. Repairs and Maintenance	616,729,470
6. Contracted Professional Services	36,918,502
7. Operation and Maintenance	1,861,096,802
8. Finance Cost	113,394,025

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30TH JUNE 2018

Expenditures for the year 2018

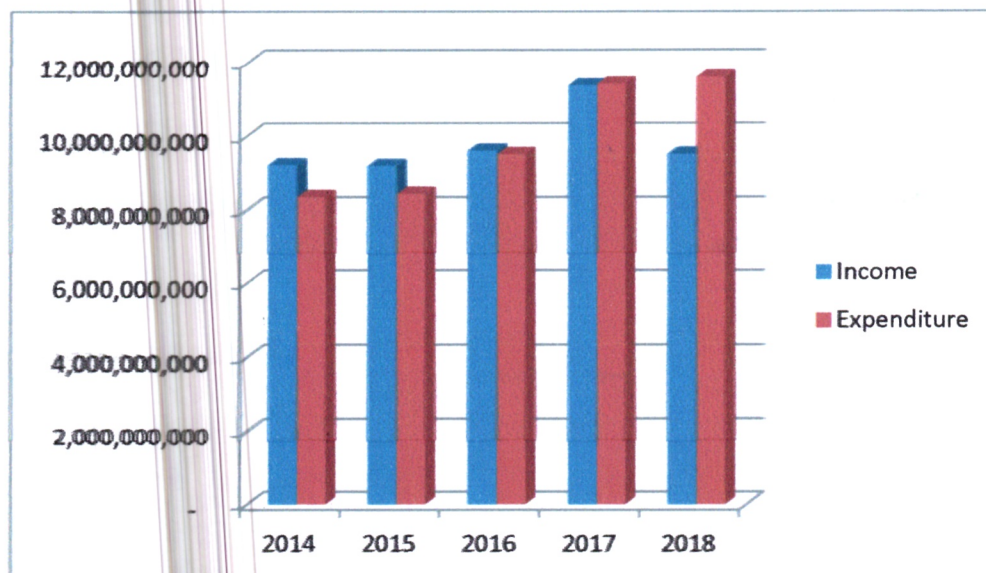


Five Years Financial Performance 2014 to 2018

INCOME-KSHS					
PARTICULARS	2014	2015	2016	2017	2018
Government Grants: Recurrent	3,817,484,384	3,185,791,190	3,128,934,681	3,660,925,439	4,148,305,985
Tuition Fees	4,849,029,471	5,444,777,689	6,104,228,062	5,859,663,442	4,347,821,552
IGA and Other Income	545,516,623	552,415,021	362,299,459	1,847,439,325	1,008,916,433
Income	9,212,030,478	9,182,983,900	9,595,462,202	11,368,028,206	9,505,043,970
EXPENDITURE KSHS					
PARTICULARS	2014	2015	2016	2017	2018
Personal Emoluments	5,515,227,739	5,462,780,328	5,682,895,658	6,631,832,567	7,726,090,829
Operation and Maintenance	2,834,908,523	2,971,217,471	3,819,403,485	4,780,098,638	3,888,361,651
Expenditure	8,350,136,262	8,433,997,799	9,502,299,143	11,411,931,205	11,614,452,480
Deficit/Surplus	861,894,216	748,986,101	93,163,059	(43,902,999)	(2,109,408,510)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30TH JUNE 2018

Income and Expenditures Trend 2014 to 2018



University Net Assets

The University Net Assets is composed of;

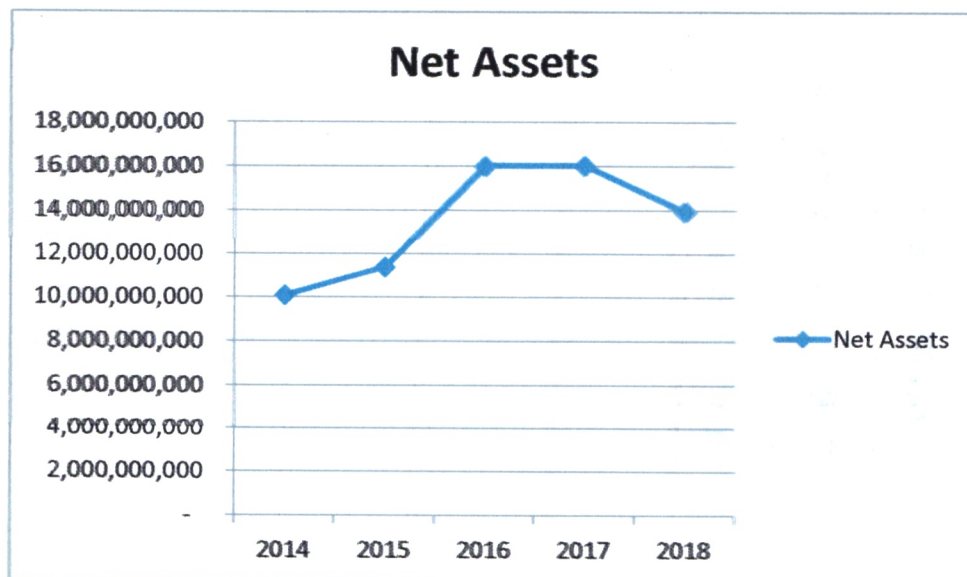
1. Revaluation Reserves
2. Accumulated Surplus
3. Capital Fund (Government Capital Grants)

Although the University's net assets declined from Kshs 16,049,793,140 in the year 2017 to Kshs 13,940,384,630 in the year 2018, the net assets have increased from Kshs 10,109,242,976 in the year 2014 to Kshs 13,940,384,630 in the year 2018 as illustrated in the graph below.

The University's Net Asset for the year 2018 is composed of Kshs 4,394,045,564 Revaluation Reserves, Kshs 6,522,406,889 Accumulated Surplus and Kshs 3,023,932,178 Capital Fund.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30TH JUNE 2018

University's Net Assets for the year 2014 to 2018.



Conclusion:

The University's performance in the last two years has been on a down ward trend, with its revenue declining from Kshs 11,368,028,206 in the year 2017 to Kshs 9,505,043,970 in the year 2018. Its net assets have also declined from Kshs 16,049,793,141 in the year 2017 to Kshs 13,940,384,630 in 2018. The University has put in measures to ensure that its revenues and net assets do not decline further.

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta University set out on pages 51 to 90, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 Kenyatta 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 University's Act, 2012 of the Laws of Kenya.

Basis for Qualified Opinion

1.0 Going Concern

During the year under review, the University recorded a deficit of Kshs.2,109,408,510 (2017-deficit of Kshs.43,902,999) thus reducing accumulated surplus from kshs.8,631,815,399 in June 2017 to kshs.6,522,406,889 as at 30 June 2018. Further, the current liabilities of Kshs.4,339,760,367 as at 30 June 2018 exceed the current assets of Kshs.847,650,317 resulting to a negative working capital of Kshs.3,492,110,050 which indicates that the University was unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and taxes amounting to Kshs.1,826,407,015, audit fees Kshs.3,400,000 and other deductions of Kshs.204,381,264 to the respective beneficiaries thereby risking fines and penalties.

The University is therefore operating under financial difficulties and currently it has resulted to financing its operations using costly short term borrowings which may further worsen the

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

liquidity position. Therefore, the University is technically insolvent and if no urgent positive steps are taken to improve the financial position, it may not be able to meet its mandate in future.

The financial statements have therefore been prepared on a going-concern basis on assumption that it will continue to receive financial support from Government, creditors and donors.

2.0 Property Plant and Equipment

2.1 Encroached Land

As similarly reported in the previous years, the property, plant and equipment balance of Kshs18,169,653,855 reflected in the statement of financial position as at 30 June 2018 includes land registration No. 11026/2 measuring 445.17 hectares on which the main campus of the University stands. Included in the 445.17 hectares is a portion of land measuring 12.472 hectares valued at Kshs.123,281,555 that has been illegally encroached upon by squatters. Although the University has filed a case in a Court of law against the illegal encroachment, the matter has not been determined and the squatters continue to erect buildings on the land as at the date of this report.

2.2 Land without Ownership Documents

The property, plant and equipment balance of Kshs.18,169,653,855 further includes land measuring thirty two hectares whose registration fees of Kshs.880,000 was paid and allocated from Lagdera Constituency Development Fund in Garissa County. However ownership documents for the land were not availed for audit verification and as a result, it has not been possible to confirm that the land is owned by the university.

In the circumstances, it has not been possible to ascertain the ownership status of the said land in dispute and that the Property, Plant and Equipment balance of Kshs.18,169,653,855 is fairly stated as at 30 June 2018.

3.0 Receivables from Non-exchange Transactions

3.1 Car Loans

As similarly reported in the previous year, the receivables from non-exchange transactions balance of Kshs.232,126,977 reflected in the statement of financial position as at 30 June 2018 includes an amount of Kshs.6,437,627 in respect of staff debts out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the University which have been outstanding for long period of time. The loans were issued by National bank of Kenya and guaranteed by the University but the staff defaulted in repayment after they left the University. The bank however recovered the amounts owed together with accrued interest from the fixed deposit account of the University. It is not clear how the vehicle

logbooks were released to ex-staff and how the ex-employees were cleared by the management before the University had fully recovered the outstanding loans from them.

3.2 Outstanding Imprest

Note 19 to the financial statements reflects outstanding imprests totaling Kshs.15,397,702 out of which imprest amounting to Kshs.15,003,769.65 has been outstanding for over a year. This is contrary to Public Finance Management Act, Section 93(4B) 6 which requires that before issuing temporary imprests the accounting officer shall ensure that the applicant has not outstanding imprests and failure to account for or surrender of the imprest the full recovery to be made on the salary of the defaulting officer.

In the circumstance it has not been possible to confirm the full recoverability of the receivables from no-exchange transactions totaling Kshs.232,126,977.

4.0 Nugatory Expenditure - Closure of Kigali and Arusha Campus

Kenyatta University had incurred Kshs.518,174,359 to set up both Kigali campus in Rwanda (Kshs.420,749,207) and Arusha campus in Tanzania (Kshs.97,425,152). It was however established that the University closed down the two campuses due to operational challenges apparently imposed by change in legislation by both the Rwandan and Tanzanian governments after the University had just met all the requirements and ready to roll out their programmes.

Although the university has explained that all the due diligence was done before the decision to open up the two campuses, the management has not made any recovery on the amount so far incurred totaling Kshs.518,174,359 as at 30 June 2018 and the investment of Kshs.518,174,359 may turn out to be a sunk cost.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenyatta 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Control & Performance

1.1 Revenue

According to the statement of comparison of budget and actual amounts, the University had an approved Revenue budget of Kshs.9,979,017,618 for the financial year 2017/2018 against actual receipts of Kshs.9,053,537,878 resulting to a deficit of Kshs.925,479,740. This was attributed majorly to the fact the University did not receive the anticipated tuition fees revenue due to the staff strike that disrupted learning, reduction in number of students and non-facilitation of the programmed third semester. However there is a need by the University to refocus on the budgeting on its own locally generated funds to avoid over budgeting and its own challenges.

Revenue Analysis

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Over/(Under)	Percentage Difference
Revenue	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Government Grant	4,090,781,105	82,457,108	4,008,323,997	4,148,305,985	139,981,988	3.49
Tuition & Other Fees	5,991,174,751	599,117,475	5,392,057,276	4,347,821,552	(1,044,235,724)	(19.37)
Other Income (IGAs)	595,304,882	16,668,537	578,638,345	557,410,341	(21,226,004)	(3.67)
Total Income	10,677,260,738	698,243,120	9,979,017,618	9,053,537,878	(925,479,740)	

1.2 Expenditure

The University had an approved expenditure budget of Kshs.9,561,794,820 for the financial year 2017/2018 against actual spending of Kshs.11,162,946,388. This occasioned an excess expenditure of Kshs.1,051,263,010 translating to 10.99%. This occurred mainly due to Increase in staff cost as a result of the implementation of the 2013-2017 Collective Bargaining Agreement (CBA). However the University management had not sought approval from the line Ministry and the National Treasury for exceeding budget by 11% as per requirement of Section 4.1 of Treasury circular No.14/2016 dated 13 July 2016.

Expenditure Analysis

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	(Over)/Under	Percentage Difference
Expenses	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Telephone, Electricity and Water	262,452,311		262,452,311	249,050,363	13,401,948	5.11
Personal Emoluments			6,399,824,889	7,726,090,829	(1,326,265,940)	(20.72)

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	(Over)/Under	Percentage Difference
Council Allowances	11,705,496		11,705,496	9,777,840	1,927,656	16.47
Depreciation				549,888,557		
Repairs and Maintenance	655,314,313		655,314,313	616,729,470	38,584,843	5.89
Contracted Professional Services	37,000,000		37,000,000	36,918,502	81,498	0.22
Operation Expenses	2,344,860,000	(262,762,188)	2,082,097,812	1,861,096,802	221,001,010	10.61
Finance Cost	113,400,000		113,400,000	113,394,025	5,975	0.01
Total Expenditure	3,424,732,120	(262,762,188)	9,561,794,820	11,162,946,388	(1,051,263,010)	10.99

2.0 Property Plant and Equipment

The Statement of Financial Position balance of Kshs.18,169,653,855 as at 30 June 2018 excludes the value of Kenyatta University Teaching, Research and Referral Hospital that stands on the Universities 7.97 hectares of land. The Hospital was built after the Kenya Government entered into a concessional loan agreement with Export-Import Bank of China for a concessional loan of Kshs.8,756,625,600.

The supporting documentation of the construction of this Hospital were not availed for audit verification.

Also the Government of Kenya through Legal Notice No.4 of 25 January 2019, Kenya University Teaching, Research and Referral Hospital was turned into a state corporation. In view of the foregoing, it has not been possible to confirm that Universities Property, Plant and Equipment balance of Kshs.18,169,653,855 as at 30 June 2018 is fairly stated.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on 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 has come to my attention to cause me to believe that public Resources has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Ethnic Diversity

A review of the university staff data as of 30 June 2018 revealed that one ethnic community accounted for 40% of council members, 45.4% of senior management and 39.6% of permanent staff. This is contrary to paragraph 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff

from same ethnic community. The University has failed to improve the ethnic balance as similar percentages remain relatively un-changed compared to last years.

The University management is therefore in breach of the law.

2.0 Human Resource Management

Noncompliance to a Third Rule on Salary Deductions.

Analysis of the payroll data for the year ended 30 June 2018 revealed that there were six thousand eight hundred and eighty four (6,884) University employees who were being paid net salary that is less than a third (1/3) of their basic pay. This contravenes Employment Act, 2007 CAP.226 Section 19(3) which states that 'Without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry'. In the circumstances, the University 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.

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 effective 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, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the entity or 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.

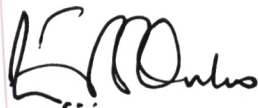
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the 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 to continue as a going concern or 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 as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

13 March 2019

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

	<u>NOTES</u>	2018 Kshs.	2017 Kshs.
Revenue From Non-Exchange Transactions			
Government Grant	6	4,148,305,985	3,660,925,439
		4,148,305,985	3,660,925,439
Revenue From Exchange Transactions			
Tuition & Other Fees	7	4,347,821,552	5,859,663,442
Income Generating Activities	8	91,968,859	57,769,793
		4,439,790,411	5,917,433,235
Other Incomes	9	465,441,482	1,133,339,646
Total Revenue		9,053,537,878	10,711,698,320
Expenses			
Telephone, Electricity and Water	10	249,050,363	305,520,476
Personal Emoluments	11	7,726,090,829	6,631,832,567
Council Expenses	12	9,777,840	11,926,881
Depreciation	13	549,888,557	562,857,802
Repairs and Maintenance	14	616,729,470	905,253,698
Contracted Professional Services	15	36,918,502	42,880,422
Operation Expenses	16	1,861,096,802	2,143,234,201
Finance Cost	17	113,394,025	152,095,271
Total Expenses		11,162,946,388	10,755,601,318
DEFICIT FOR THE PERIOD		(2,109,408,510)	(43,902,999)

KENYATTA UNIVERSITY

Annual Report and Financial Statements

2018

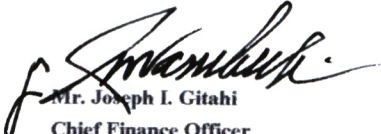
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	<u>NOTES</u>	2018 Kshs.	2017 Kshs.
ASSETS			
CURRENT ASSETS			
Cash and Bank Balances	18	348,490,938	265,850,773
Receivables from exchange transactions	19a	179,868,949	130,617,506
Receivables from non-exchange transactions	19b	232,126,977	715,302,918
Inventories	20	58,593,509	88,846,847
Investments	21	28,569,944	492,517,404
		847,650,317	1,693,135,447
NON - CURRENT ASSETS			
Property, Plant and Equipments	22	18,169,653,855	18,584,848,221
		18,169,653,855	18,584,848,221
TOTAL ASSETS		19,017,304,172	20,277,983,668
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	23a	3,034,190,354	1,971,427,284
Refundable deposits from customers	23b	89,972,000	82,086,000
Payment received in advance	23c	274,392,037	98,752,015
Current portion of borrowings	23d	941,205,975	1,126,397,646
		4,339,760,367	3,278,662,944
NON-CURRENT LIABILITIES			
Borrowings	24a	714,659,176	926,527,584
Deferred Income	24b	22,500,000	23,000,000
		737,159,176	949,527,584
Total Liabilities		5,076,919,542	4,228,190,528
NET ASSETS			
Accumulated Surplus	25	6,522,406,889	8,631,815,399
Revaluation Reserve	25	4,394,045,564	4,394,045,564
Capital Fund	25	3,023,932,178	3,023,932,178
TOTAL NET ASSETS AND LIABILITIES		13,940,384,630	16,049,793,141

The Financial Statements set out on pages 51 to 90 were signed on behalf of the University council members by:


Prof. Paul K. Wainaina, Ph.D.
Vice Chancellor

Date: 26-9-018


Mr. Joseph I. Gitahi
Chief Finance Officer

ICPAK Member No.: 7490

Date: 26-9-018


Prof. Shem E. Migot-Adholla Ph.D.
Chairman of Council

Date: 26-9-018

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2018**

	<u>NOTES</u>	2018 Kshs.	2017 Kshs.
Cash flow from operating expenses			
Deficit for the period		(2,109,408,510)	(43,902,999)
Non-Cash Movement			
Depreciation	13	549,888,557	562,857,802
Bad & Doubtful Debts	16	24,176,653	(8,840,502)
Loss through Fire	16	47,744,524	
Bank Loan Interest	17	113,394,025	152,095,271
Interest Received	9	(10,286,269)	(3,327,745)
Amortisation of Deferred Income	9	(500,000)	(500,000)
		(1,384,991,021)	658,381,827
Decrease in Inventories	20	30,253,338	516,245
Decrease in Debtors & Receivables	19	409,747,845	(563,109,353)
Increase in Trade & Other Payables	23	1,246,289,092	1,008,207,859
CashFlow From Operating Activities		1,686,290,274	445,614,751
Net Cash from Operating Activities		301,299,254	1,103,996,580
Cash Flows From Investing Activities			
Property, Plant and Equipment	22	(182,438,714)	(655,805,057)
Interest Income Received	9	10,286,269	3,327,745
Net Cash Flow From Investing Activities		(172,152,445)	(652,477,313)
Cash Flow From Financing Activities			
Bank Loan Repaid	24a	(211,868,408)	(185,970,026)
Bank Loan Interest Paid	17	(113,394,025)	(152,095,271)
Capital Grants (GOK)	25	-	73,221,052
Net Cash Flow used in Financing Activities		(325,262,433)	(264,844,246)
Net Increase in Cash & Cash Equivalents		(196,115,624)	186,675,022
Net Cash & Cash Equivalents - Brought Forward		(368,029,468)	(554,704,487)
Cash and Cash Equivalent as at 30th June 2018		(564,145,093)	(368,029,468)
Analysis of Cash & Cash Equivalents			
Cash and Bank Balances	18	348,490,938	265,850,773
Short Term Deposits	21	28,569,944	492,517,404
Current portion of borrowings	23d	(941,205,975)	(1,126,397,646)
		(564,145,093)	(368,029,468)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2018

	Revaluation Reserve	Accumulated Surplus	Capital Fund	Total
Balance as at 30th June 2016	4,394,045,564	8,675,718,398	2,950,711,126	16,020,475,088
Government Grants			73,221,052	73,221,052
Surplus for the period		(43,902,999)		(43,902,999)
Restated Balance as at 30th June 2017	4,394,045,564	8,631,815,399	3,023,932,178	16,049,793,141
Government Grants			-	-
(Deficit)/Surplus for the period		(2,109,408,510)		(2,109,408,510)
Balance as at 30th June 2018	4,394,045,564	6,522,406,889	3,023,932,178	13,940,384,631

Note: Capital Funds are grants received from the government for development projects.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
Revenue	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Government Grant	4,090,781,105	82,457,108	4,008,323,997	4,148,305,985	139,981,988	3.49	
Tuition & Other Fees	5,991,174,751	599,117,475	5,392,057,276	4,347,821,552	(1,044,235,724)	(19.37)	The University did not receive the anticipated tuition fees revenue due to the staff strike that disrupted learning, reduction in number of students and non facilitation of the programmed third semester.
Other Income (IGAs)	595,304,882	16,668,537	578,636,345	557,410,341	(21,226,004)	(3.67)	
Total Income	10,677,260,738	698,243,120	9,979,017,618	9,053,537,878	(925,479,740)		
Expenses							
Telephone, Electricity and Water	262,452,311		262,452,311	249,050,363	13,401,948	5.11	
Personal Emoluments	6,399,824,889		6,399,824,889	7,726,090,829	(1,326,265,940)	(20.72)	Increase in staff cost due to the implementation of the 2013-2017 CBA.
Council Allowances	11,705,496		11,705,496	9,777,840	1,927,656	16.47	
Depreciation				549,888,557			

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Repairs and Maintenance	655,314,313		655,314,313	616,729,470	38,584,843	5.89	
Contracted Professional Services	37,000,000		37,000,000	36,918,502	81,498	0.22	
Operation Expenses	2,344,860,000	(262,762,188)	2,082,097,812	1,861,096,802	221,001,010	10.61	Reduction in operation expenses due to cost cutting measures implemented by the University.
Finance Cost	113,400,000		113,400,000	113,394,025	5,975	0.01	
Total Expenditure	9,824,557,009	(262,762,188)	9,561,794,820	11,162,946,388	(1,051,263,010)		
(Deficit)/Surplus for the period				(2,109,408,510)			

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: General Information

The University is established by and derives its authority and accountability from the University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality education and training.

NOTE 2: Statement of compliance and basis of preparation

The University's financial statements have been prepared in accordance with and comply with the Accrual Basis of Accounting method under the International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

NOTE 3: Adoption of New and Revised Standards

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>Not applicable to the University since the University operates a defined contribution benefit scheme.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2018.

NOTE 4: Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from non-exchange transaction

These are revenues received by the University from the Government for recurrent expenditures. The University recognizes revenue from non-exchange transaction on accrual basis.

ii) Revenue from exchange transaction

The University recognizes revenue from exchange transaction on accrual basis. This is done when the students register and the amount of revenue can be reliably measured and it's probable that the economic benefit associated with the transaction will flow to the University.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University.

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. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Furniture and Equipments	-	10%
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor Vehicles	-	25%
Academic Gown	-	5%
Buildings	-	2%
Computers Hardware	-	30%
Computer Software	-	30%
Patent & Rights	-	20%

d) Intangible assets

Intangible assets such as patent rights 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. 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.

e) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset such as buildings, the asset is carried at cost less any accumulated amortization. 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.

f) Financial Instruments

Investments

Investments (Fixed Deposits) are recognized at their initial cost add interest earned. The University 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 a entity of financial assets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

is deemed to be impaired 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.

Receivables

Receivables from exchange transactions (Fees) are recognized when students register with the University. Receivables from non-exchange (other debtors) transactions are recognized when an invoice is raised or at a time when the debt is determinable.

g) Financial Liabilities

Loans and Borrowing

Loans are recognized at initial cost plus directly attributable transaction costs. 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.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the University.

The cost of library books is expensed in statement of Financial Performance in the year that such cost arises.

As at 30th June 2018, the University did a stock take and the stock taking figures were reconciled to the ledger balances for preparation of the Financial Statement.

h) Employee Benefits

The University operates a defined contribution benefit scheme, Kenyatta University Pensions Fund for its employees who are on permanent employment. Defined contribution plans are post employment benefit plans under which an University 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

The University contributed Kshs 461,842,842.00 in the year 2018, Kshs 309,745,056.00 in the year 2017, and Kshs 360,384,331.00 in the year 2016, towards the pension scheme.

i) 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.

j) 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 borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

The University had an outstanding balance on long term borrowings of Kshs 714,659,176.00 (being loan borrowed from Co-operative Bank in the year 2015) as at 30th June 2018. The total interest for the year was KShs 113,394,025.00 recognized as an expense in the statement of financial performance.

k) 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 various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

In the year 2016-2017, the University had KShs (368,029,468) in cash and cash equivalent compared to KShs (564,145,093) in the year 2017-2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Provision on bad and doubtful debts

The University provides for bad and doubtful debts at the rate of 10% of the value of debtors at the end of the financial year. The amount recognized as an expense in the statement of performance is the difference between last year's provision (2017) and this year's provision (2018).

	2017	2018
Bad and doubtful debts	216,006,726	457,773,251
Provision for Bad debts @ 10%	21,600,673	45,777,325

Amount recognized in the Statement of performance 2018 is the difference between 2017 and 2018 provision which is Kshs 24,176,653.

Contingent assets

Fire accident occurred at Kenyatta University School of Applied Sciences on 16 February 2018 and destroyed property worth Kshs 132,054,146, which was reported to M/s Accentria Insurance Brokers. Kshs 42,200,000 on building which has been recognized in the financial statements and Kshs 89,854,146 on consumables which had already been expensed and will be an income to the University if compensated by the insurance.

m) 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, 2018.

o) Related Parties

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

As at 30th June 2018, the National government had remitted full amount of recurrent grants for the year 2018. The Council expenses in terms of honoraria, sitting allowances and other expenses are indicated in note 12 of the financial statement.

Kenyatta University Teaching Hospital

Erected on the University land is the Kenyatta University Teaching Hospital project. The project is through a bilateral agreement between the People Republic of China and the Kenya Government through a loan of Kshs 8,756,025,600 processed by the Exim bank of China.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The project had a grace period of 7 years with unavailability period of 5 years extended by 1 year. Funds are released to the contractor by the Exim Bank after approval by the National Treasury.

The project is on its final phase of completion i.e personnel and capacity building and once completed and handed over, the University will incorporate it in its Financial Statements.

p) University Performance

In the year 2017-2018, the University reported a deficit of Kshs 2,109,408,510 compared to 2016-2017 deficit of Kshs 43,902,999.

This can be attributed to reduction in student revenues because of reduction in student numbers, the programmed third trimester that did not attain the anticipated number of students and staff strike that lead to non facilitation of the ICE programme and loss of revenue from the regular programmes among others.

The deficit was financed with a bank overdraft approved by the University Council and Treasury which was sourced from Equity bank.

NOTE 5: Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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.

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

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management by providing for bad and doubtful debts at the rate of 10%.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

University	performing Sh	Past due Sh	Impaired Sh	Total Sh
At 30 June 2018				
Receivable from Exchange Transaction	161,882,054	17,986,895	-	179,868,949
Receivable from Non-Exchange Transaction	-	232,126,977	-	232,126,977
Investment with Financial Institutions	28,569,944			28,569,944
Bank balances	348,490,938	-	-	348,490,938
	<u>539,061,331</u>	<u>240,097,966</u>	<u>-</u>	<u>779,159,297</u>
At 30 June 2017				
Receivable from Exchange Transaction	130,617,506	-	-	130,617,506
Receivable from Non-Exchange Transaction	132,101,690	467,529,376	115,671,851	715,302,917
Investment with Financial Institutions	492,517,404			492,517,404
Bank balances	265,850,773	-	-	265,850,773
	<u>1,021,127,373</u>	<u>467,529,376</u>	<u>115,671,851</u>	<u>1,604,328,000</u>

The University's policy is payment on registration and thus students' receivables are categorised as either past due or impaired.

Past due amounts are those beyond the maximum established credit period of 30 days and represent slow but paying students. These receivables continue to be serviced even though this is not done on the contractual dates. The Students Finance Section is actively following these debts.

The overdue and impaired debt arises mainly from the students who have taken academic leave and the ones who have dropped out of school. These students have not completed their courses and the debt is payable whenever the student comes back to continue with studies. This debt has been fully provided for.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Concentration risk

Concentration risk is the risk posed to the University by any single or group of exposures which have the potential to produce losses large enough to threaten the ability of the University to continue operating as a going concern

The student receivables wholly relate to balances due from students, that are unrelated, and do not have the potential to produce large losses thus there is no concentration risk.

(ii) Liquidity risk management

Liquidity risk is the risk that the University may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

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's obligations. Senior management reviews the cash forecasts monthly and determines the University's 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. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

University	Less than 1 month Sh	Between 1-3 months Sh	Over 5 months Sh	Total Sh
At 30 June 2018				
Current Portion of Borrowing	941,205,975	-	-	941,205,975
Payment Received in advance	-	274,392,037	-	274,392,037
Borrowings	4,581,149	13,743,446	696,334,581	714,659,176
Trade and other payables	98,207,367	945,513,614	2,022,022,680	3,034,190,354
Refundable Deposits	-	-	89,892,000	89,892,000
	<u>1,012,316,390</u>	<u>1,233,649,097</u>	<u>2,808,249,261</u>	<u>5,054,214,748</u>
At 30 June 2017				
Current Portion of Borrowing	1,126,397,646	-	-	1,126,397,646
Payment Received in advance	-	98,752,015	-	98,752,015
Borrowings	9,802,084	29,406,252	887,319,248	926,527,584
Trade and other payables	1,971,427,284	-	-	1,971,427,248
Refundable Deposits	-	-	82,086,000	82,086,000
	<u>3,107,627,014</u>	<u>128,158,267</u>	<u>969,405,248</u>	<u>4,205,190,529</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Market risk

Market risk is the possibility for the University to experience losses due to factors that affect the overall performance of the financial markets in which she is involved. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against.

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

Foreign exchange risk

The University is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognised in the books of accounts. The University also has various bank accounts denominated in other currencies other than the Kenya Shillings that is the Dollar, Euro and Pound.

Foreign currency denominated financial instruments solely consists of bank balances.

The carrying amounts of the University's foreign currency denominated bank balances at the balance sheet date are as follows:

At 30 June 2018

	KSH Sh	USD Sh	EURO Sh	GBP Sh	Total Sh
Bank balances	-784,254,858	175,192,865	6,043,858	10,303,118	-592,715,037

At 30 June 2017

Bank balances	-906,686,079	23,627,130	14,124,169	8,387,907	-860,546,873
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The University manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by projecting for expected cash proceeds and matching the same with expected payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cash flow and fair value interest rate risk

The University holds interest bearing assets in form of fixed and call deposits. The University also has borrowings in the form of loans.

Management closely monitors the interest rate trends to minimise the adverse potential impact of interest rate changes. This risk is well managed given that management is in regular contact with the lenders in a bid to obtain the best available rates. The management do not foresee huge fluctuations in interest rates in the foreseeable future.

Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the University takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Fair value of financial assets and liabilities

Level 1 input are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

This note provides information about how the University determines fair values of various financial assets and liabilities.

Fair value of the University's financial assets and liabilities that are measured at fair value on a recurrent basis

Some of the University's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique (s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/06/18 Sh	30/06/17 Sh				
Property and equipment	18,169,653,855	18,584,848,221	Level 3	Observable Inputs	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2018). There were no financial assets or financial liabilities measured at fair value on level 1 and 2 fair value measurement.

The University Council consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Capital Risk Management Policies

The University manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the University consists of a bank loan disclosed under note 24, capital fund, Reserves and Revaluation Reserves.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The University's overall strategy remains unchanged from 2017.

Gearing ratio

	2018 Sh	2017 Sh
Capital and reserves		
Accumulated Surplus	6,522,406,889	8,631,815,399
Revaluation reserve	4,394,045,564	4,394,045,564
Capital Fund	3,023,932,178	3,023,932,178
	-----	-----
Capital and reserves	13,940,384,630	16,049,793,141
	=====	=====
Total borrowings	714,659,176	926,527,584
Cash and cash equivalents	-564,145,093	-368,029,468
	-----	-----
Net borrowings	1,278,804,269	1,294,557,052
	=====	=====
Net debt to equity ratio	9.2%	8.1%
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: Government Grants

	2018	2017
	Kshs.	Kshs.
Recurrent Grants: Kenyatta University	4,002,740,983	3,660,925,439
Mama Ngina (Gatundu) University College	145,565,002	
	4,148,305,985	3,660,925,439

NOTE 7: Tuition & Other Fees

	2018	2017
	Kshs.	Kshs.
Tuition Fees JAB	608,443,552	538,416,200
Tuition Fees SSP	2,263,749,309	3,437,070,459
Tuition Fees ICE	155,629,000	571,695,300
Tuition Fees Open Learning	473,815,800	452,144,800
Activity Fees	53,615,247	52,575,000
Examination Fees	226,387,359	223,569,000
Library Fees	57,953,668	52,734,250
Registration Fees	59,578,500	59,209,500
Identity Card	10,895,200	22,947,106
Medical Fees	96,013,500	88,404,000
Material Development Fee	108,142,100	108,642,600
Accommodation Fees JAB	45,502,700	51,661,128
Accommodation Fees SSP	6,604,000	13,356,000
Accommodation Fees I.C.E.		10,852,500
Tuition Fee - Chinese Language	8,719,370	5,391,599
Computer Fees	172,772,247	170,994,000
	4,347,821,552	5,859,663,442

KENYATTA UNIVERSITY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: IGA

	2018	2017
	Kshs.	Kshs.
IGA Income		
Regional Centre for Capacity Development	72,766,782	8,768,706
KU Service Station	90,449,343	233,365,781
Catering	102,985,052	156,200,328
Cyber Café	28,866,166	31,505,778
KU Conference Centre	41,310,026	53,664,465
KU Funeral Home	85,016,120	80,161,838
North Coast Beach Hotel	69,164,038	117,707,038
Other IGAs	52,917,424	32,725,746
	543,474,951	714,099,680
IGA Expenditure		
Regional Centre for Capacity Development	380,068	589,717
KU Service Station	85,689,680	218,229,522
Catering	201,796,248	254,703,253
Cyber Café	20,701,711	17,565,072
KU Conference Centre	11,206,011	20,314,530
KU Funeral Home	9,335,457	21,822,386
North Coast Beach Hotel	109,930,451	122,107,099
Other IGAs	12,466,466	998,308
	451,506,092	656,329,887
Surplus	91,968,859	57,769,793

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9 : Other Income	2018	2017
	Kshs.	Kshs.
Consultancy & other Prof. Services	15,332,186	360,000
East Africa Games Fees	8,971	
KU Shuttle Transport Income	24,271,463	
KU Radio Service Income	2,000,000	
Affiliation Fees	110,724	462,990
KU Referral Hospital		45,575,263
Chandaria BIIC Income		280,000
Conferences & Seminars fees	129,819	38,503,195
Hire of Hall & Conference Facilities	149,450	30,745
Convocation Fees	38,661,000	40,962,000
Hire of Gowns	121,900	897,650
Surcharge & Fines	477,524	21,580
Donations		560,250
Commission	7,318,575	7,888,960
Forex Gain	22,639,107	3,651,915
Interest Income	10,286,269	3,327,745
Sale Of Application Forms	26,885,476	43,601,484
Miscellaneous Income	108,022,859	59,347,379
Rent/Lease income	40,470,334	57,390,385
Health Unit	69,609	117,292
Sale Of Obsolete Items	2,206,995	225,823
Security Staff Charge	957,200	963,200
Dustbin Staff Charge	2,475	2,592
Sale of Tender Documents	79,000	357,000
University Bookshop	3,917,828	5,380,449
Culture week Income		377,740
Administrative Research Fees	7,132,054	6,139,131
Community Outreach Income	160,000	109,762
Disability Day	500,000	
IAAF World Junior Athletics		689,551,837
Un Women Leadership Centre	16,820,101	21,221,534
Income Ethics Review Board	598,000	675,880
Academic Motivation Awards		2,963
Library Fines	4,787,061	1,953,931
Amortisation of Deferred Income	500,000	500,000
YALI Income	128,831,412	100,050,887
KU Foundation Income		2,848,086
KU Health Service Reimbursement	1,994,090	
	465,441,482	1,133,339,646

KENYATTA UNIVERSITY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: Telephone, Electricity and Water Expenses

	2018 Kshs.	2017 Kshs.
Telephone And Postage	8,925,497	11,369,038
Electricity Expenses	186,180,870	193,136,270
Water Reticulation & Sewerage	53,943,996	101,015,168
	249,050,363	305,520,476

NOTE 11: Personal Emoluments

	2018 Kshs.	2017 Kshs.
Basic Pay	3,517,852,162	2,339,108,793
House Allowance	1,395,624,725	1,267,641,976
Entertainment Allowance	15,458,587	13,854,720
Headship/Directorship Allowance	121,756,953	128,760,812
Responsibility	106,883,020	89,795,674
Car Allowance	7,804,640	7,821,240
Domestic Servant Allowance Office	3,746,376	3,574,415
Commuting & Bus fare	530,956,078	676,340,708
Leave Travelling Allowance	59,864,200	31,561,584
Gratuity	241,845,132	177,099,810
Wages	529,587,650	552,986,979
Part Time Teaching	518,223,503	757,137,709
Bonus		35,834,016
Passage & Baggage	1,830,300	2,573,250
NSSF Employer Contributions	3,177,000	3,068,000
Telephone Allowance	21,818,831	22,677,474
Book & Computer Allowance	62,935	21,721,500
Exam Coordination Allowance	30,095,855	33,522,167
Acting Allowance	3,555,749	5,122,851
Electricity & water Allowance		1,400
Overtime	38,861,425	53,224,948
Pensions Employer Contribution	461,842,842	309,745,056
Health Risk Allowance	12,555,728	10,904,757
Special Readers Allowance Special Education	675,000	540,000
Terminal Benefits	21,784,652	21,227,175
Emergency Call Allowance	16,320,919	11,665,161
Extraneous Allowance	63,906,568	54,320,393
	7,726,090,829	6,631,832,567

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12: Council Expenses

	2018	2017
	Kshs.	Kshs.
Sitting Allowance	4,280,000	4,380,000
Honoraria	2,160,000	2,291,385
Other Expenses	3,337,840	5,255,496
	9,777,840	11,926,881

NOTE 13: Depreciation

	2018	2017
	Kshs.	Kshs.
Depreciation Of Buildings	254,761,891	251,562,118
Depreciation Of Motor Vehicles	29,021,835	37,052,986
Depreciation Of Computer Hardware	53,438,703	64,065,668
Depreciation Of Computer Software	13,933,135	21,995,545
Depreciation Of Furniture & Fittings	198,172,654	187,621,145
Depreciation Of Academic Gowns	560,339	560,339
	549,888,557	562,857,802

NOTE 14: Repairs and Maintenance

	2018	2017
	Kshs.	Kshs.
Maintenance of Sports Ground	180,000	
Maintenance of Furniture & Equipment	32,955,625	48,508,277
Maintenance of Swimming Pool	404,410	803,596
Maintenance of Motor Vehicle	4,508,669	5,747,961
Minor Works & Alterations	500,888,749	762,478,212
Maintenance Of Hostels	2,502,752	5,444,629
Maintenance Of Residential Quarters	559,879	2,950,220
Maintenance Of Grounds & Roads Main Campus	6,252,220	16,923,473
Maintenance Of Building & Stations Main Campus	67,400,806	59,931,423
Repainting of University Building	1,076,360	2,235,907
Maintenance of Parklands Campus		230,000
	616,729,470	905,253,698

NOTE 15: Contracted Professional Services

	2018	2017
	Kshs.	Kshs.
Audit Fees	1,740,000	1,700,000
Professional Contracted Services	35,178,502	41,180,422
	36,918,502	42,880,422

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2018	2017
	Kshs.	Kshs.
Stationery	49,398,042	66,318,215
Staff Uniforms	4,168,637	13,155,907
Photocopying & Printing	27,313,468	33,952,787
Cleaning Materials	7,447,315	12,431,652
Office Tea Expenses Office	5,603,891	5,506,482
Departmental Meetings	6,841,350	27,738,196
Other Office Consumables Office	21,271,523	34,582,125
General Office Equipment Office	26,903,283	103,733,261
Teaching Materials/Chemicals	17,452,343	22,201,943
Field Courses	25,800,171	28,097,981
Laboratory Glassware	988,701	2,958,885
Tools & Apparatus	1,768,386	7,027,942
Animal Feeds Sciences	669,698	744,406
Travelling & Accommodation	80,756,994	63,490,990
Fuel & Gases	3,684,434	3,393,869
Purchase of Bicycle	10,000	57,241
Regional Expenses Open Learning	114,211,580	117,693,757
Rent for Regional Centres Open Learning	37,707,958	20,048,235
Examination Stationery	18,971,756	13,044,515
Research and Travel Grants	12,764,013	17,713,728
Advertising and Publicity	58,457,962	88,188,802
Inaugural & Public Lectures	12,000	59,700
Newspapers Magazines & Publications	7,682,950	7,461,060
Journals and Periodicals		406,280
Culture Week Expenses	76,300	8,987,801
Drugs Health Unit	51,131,130	58,842,255
Drugs Nairobi Hospital	5,518,239	25,398,057
Medical Reimbursement	9,290,452	18,951,290
Medical Insurance Inpatient Grades A and above	224,085,275	126,255,532
Hospitalisation Grades I IV		16,000
Medical Referrals	15,989,479	29,993,014
Sanitary Services	6,028,926	9,524,160
Land Rent & Rates	2,472,602	2,709,905
Fumigation	531,140	1,112,810
Public Celebrations	5,315,095	11,216,224
Bursary	1,694,200	6,900,476
Graduation Expenses	18,088,232	21,426,885
External Examiners Expenses	3,066,036	5,763,940
Staff Development & Training	5,603,393	6,120,738
Funeral Expenses	1,988,350	1,936,520
Insurance Premiums	56,017,697	57,565,081
	936,783,001	1,082,728,646

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2018	2017
	Kshs.	Kshs.
Bank Charges	105,123,327	117,206,661
Provision for Bad & Doubtful Debts	24,176,653	(8,840,502)
Ex gratia Payments	4,363,350	4,807,753
Fees Commission Awards & Honoraria	39,114,527	12,666,823
Rental/Hire Of Premises Expenses	21,742,171	35,402,850
Medical Expenses Students	1,663,775	2,032,004
Contracted Cleaning Services	26,217,659	50,088,731
Curriculum Review Seminar	129,650	109,500
Medical Examination & Vaccination	278,000	
Community Outreach and Extension Work	338,285	
International Collaborations Expenses	310,540	
Computerisation & Networking	41,116,740	62,027,356
Motor Vehicle Fuel	42,138,889	38,340,384
Senate Affairs	156,411	610,654
IAAF Expenses	4,455,000	76,808,150
Games & Tournament Other Campuses	5,590,010	6,419,682
Games & Tournaments Main Campus	16,036,875	13,561,880
E. A. University Games		1,912,886
Vice Chancellor's Committees	6,421,271	16,497,209
Foreign Exchange Loss	10,578,388	3,186,651
ISO Certification	2,104,640	1,827,960
Management Board Expenses	173,890	1,460,428
Hire Of Security	102,549,224	102,854,729
Hire of Sport Facilities	1,790,500	222,000
Clearing & Forwarding	13,645,149	2,556,695
Performance Contract	2,094,280	1,263,242
Board Room Supplies	93,328	408,674
Internet Connectivity	73,019,278	95,043,668
Sports Uniform	8,395	
Career Week	2,552,449	3,157,838
Library Journals	226,680	3,195,675
Interuniversity Games	3,496,300	2,837,575
Odel Online Teaching		62,500
Academic Dress	215,080	6,557,116
Rented Accomodation for University Guests	121,200	
Professional Boards Registration	1,020,000	108,000
Mentoring Activities	43,700	209,050
Hire of Tents	369,148	1,333,120
KU US Foundation	44,000	1,571,632
PhD Fast Tracking Fund		259,870
	553,518,762	657,768,443

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2018	2017
	Kshs.	Kshs.
Invigilation Expenses	3,714,490	1,531,415
Conference Seminars & Workshops	8,510,178	11,364,642
External Travel & Accommodation	22,265,608	29,847,825
Local Passage & Baggage	1,608,585	2,768,826
Subscriptions	31,062,205	16,215,015
Placement Board Expenses	8,611,500	17,206,500
Postgraduate Stipend Expenses	11,069,534	38,972,231
Ve's Research Grants	11,310,157	22,415,520
Admission Expenses	7,248,697	14,148,004
Teaching Practice	33,934,840	44,467,411
Library Books & Journals	7,215,479	4,056,674
Library Bindery & Stationery	225,480	181,000
Student Amenities	2,325,269	3,753,556
Practicum	16,685,666	8,694,742
Facilitation of new campuses		22,000
Research Proposal & Development Main Campus	708,000	16,000
University Staff Student Education Support		323,732
Peer Counselling	469,350	1,715,750
Printing University Magazines	5,873,215	10,779,319
KUSA Expenses	7,230,602	1,146,752
Summer Programme	527,426	764,380
Confucius Institute Chinese Expenditure		4,630,785
Kenya Military Collaboration	19,564,457	18,321,870
Short term courses /training	560,000	3,777,034
VAT/Tax Payment	1,387,006	1,351,525
Wellness Centre Conferences and Seminars	43,400	223,500
Farm Expenses Kitui	200,000	345,357
Somesha Mwenzako		367,477
	202,351,144	259,408,843

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2018	2017
	Kshs.	Kshs.
KU Equity Bank Annual Conference	8,345,389	14,997,902
Incubation Centre Mentoring Activities	51,680	726,250
AIDS/HIV Awareness Activities	767,690	934,130
Un Women Leadership Centre	6,244,563	14,311,619
Students Work Study Program	1,303,200	1,903,525
Establishment of Dairy Farm		4,155,283
Operationalization Committee	3,275,317	21,275,816
Software Licences	31,666,926	68,185,362
KU Corporate Social Responsibility	385,101	2,074,210
KU Smart Cards	3,482,848	13,169,373
Consultancy Services Unit Training Expenses	9,673,160	
Medicare Cards Expenses		352,500
Externally Funded Training AJIRA	28,022,504	1,242,299
Mama Ngina (Gatundu) University Expenses	455,500	
Loss through Fire Accident	73,751,537	
Council Other expenses	1,018,480	
	168,443,895	143,328,269
	1,861,096,802	2,143,234,201

NOTE 17: Finance Cost

	2018	2017
	Kshs.	Kshs.
Bank Loan Interest	113,394,025	152,095,271
	113,394,025	152,095,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18: Cash and Bank Balances	2018	2017
	Kshs.	Kshs.
Equity Bank - TOWA Project	427	427
Equity - North Coast Beach Hotel	2,937,362	21,617,732
Equity Community Outreach	370,273	316,596
NBK Fees A/C No. 0359150801	30,472,746	1,078,541
Std Fees Collection A/C No. 2018814400	11,238,898	6,699,603
Std Dollar A/C No. 8702018780000	168,983,734	19,006,010
NBK Tuition A/C No. 0359150800	18,660,723	18,586,511
NBK Research A/C No. 2110781300	22,655,467	6,566,853
NBK Aicad A/C No. 2110781400	3,243,245	1,172,815
NBK Harambee A/C 0310891603 (Capitation)	1,299,360	42,817,531
KCB AVU	3,066,930	602,391
Co op Fees Collection A/C No. 0112962461400	22,038,211	39,858,098
Std Pound A/C No. 2802018780000	10,303,118	8,387,907
Cash In Hand	175,180	47,264
Equity Fees Collection A/C No. 0290518859	2,993,012	
KCB Fees Collection A/C No. 099 250 640 601	2,526,598	2,252,929
Standard Chartered Euro A/c 9302018780000	5,990,127	14,031,269
Equity - NCBH Dollar	127,280	86,238
Equity - NCBH Euro	53,731	92,900
KU Shuttle Bank A/c No. 1130296769655	236,433	29,216
Equity KU Meals Bank A/c No. 1130296626107	142,017	149,274
Equity KU Application Bank A/c No. 1130296626073	1,077,140	52,924
Equity KU Rental Income A/c No. 113029701357	38,622	751,791
Equity Bank Referral Hosp. A/c 1130298198	191,544	96,290
Equity Bank A/c 1130199002464	121,540	
Equity Bank City Enterprises A/C 1130299385909	20,628	20,628
Equity Bank Rec Centre A/C 1130299618873	12,840	12,840
Family Bank Collection A/C 04500023316	33,273,096	69,746,555
MPESA Virtual Account	158,805	7,234,755
NBK USD 02020059150800	6,081,851	4,534,882
	348,490,938	265,850,773

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19: Receivables From Non-Exchange Transactions

	2018	2017
	Kshs.	Kshs.
Guarantee Deposits	20,839,962	20,839,962
Staff Debtors	6,437,627	6,920,155
Sundry Debtors	120,490,602	605,636,792
Imprest Control	15,397,702	21,211,684
Imprest Research	29,270,067	10,736,483
Staff Welfare Recoveries	305,693	461,780
Guarantee Deposit Letter of credit	40,861,934	
Debtors-NCBH	44,300,717	71,096,735
Total	277,904,303	736,903,590
NOTE 19a: Receivables from Exchange Transactions		
Student Fees Arrears	179,868,949	130,617,506
Total Receivables	457,773,251	867,521,096
Provision For Bad Debts	(45,777,325)	(21,600,673)
	411,995,926	845,920,423
Total Receivables From Non-Exchange Transactions	277,904,303	736,903,590
Provision For Bad Debts	45,777,325	21,600,673
NOTE 19b: Net Receivables from Non-Exchange Transactions	232,126,977	715,302,918

KENYATTA UNIVERSITY
PROPERTY PLANT AND EQUIPMENT
For The Year Ended 30th June 2018

Note 22

	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & EQUIPMENT	COMPUTER HARDWARE	COMPUTER SOFTWARE	PATENT & RIGHTS	ACADEMIC GOWNS	CAPITAL WORK IN PROGRESS	TOTAL
	KSHS		KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
DEPRECIATION RATES	0%	2%	25%	10%	30%	30%	20%	5%		
COST / VALUATION										
As at 1st July 2016	6,085,271,458	9,958,088,676	442,988,270	1,742,374,441	379,258,900	44,110,393	7,830,375	11,206,780	3,168,671,672	21,839,800,966
Additions			9,059,843	133,837,007	53,324,539	33,006,432			426,577,236	655,805,057
Capitalisation		2,620,017,246							(2,620,017,246)	-
As at 30th June 2017	6,085,271,458	12,578,105,922	452,048,114	1,876,211,447	432,583,440	77,116,824	7,830,375	11,206,780	975,231,662	22,495,606,023
Additions				105,515,095	23,921,719				53,001,900	182,438,714
Capitalisation		207,733,134							(207,733,134)	-
Loss through Fire		(47,744,524)								(47,744,524)
As at 30th June 2018	6,085,271,458	12,738,094,532	452,048,114	1,981,726,543	456,505,158	77,116,824	7,830,375	11,206,780	820,500,428	22,630,300,213
Depreciation and Impairment										
As at 1st July 2016	-	1,532,512,034	359,902,023	1,126,845,442	286,854,903	27,985,572	7,830,375	5,969,651		3,347,900,000
Charge for the Year	-	251,562,118	37,052,986	187,621,145	64,065,668	21,995,545	-	560,339		562,857,802
As at 30th June 2017	-	1,784,074,153	396,955,009	1,314,466,587	350,920,571	49,981,117	7,830,375	6,529,990		3,910,757,802
Charge for the Year	-	254,761,891	29,021,835	198,172,654	53,438,703	13,933,135	-	560,339		549,888,557
As at 30th June 2018	-	2,038,836,043	425,976,844	1,512,639,241	404,359,274	63,914,252	7,830,375	7,090,329		4,460,646,359
NET BOOK VALUES										
As at 30th June 2018	6,085,271,458	10,699,258,489	26,071,269	469,087,302	52,145,884	13,202,573	-	4,116,451	820,500,428	18,169,653,855
As at 30th June 2017	6,085,271,458	10,794,031,769	55,093,105	561,744,860	81,662,868	27,135,707	-	4,676,790	975,231,662	18,584,848,221

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
NOTE 23a: Trade and other Payables from Exchange Transactions		
Provision For Audit Fees	3,400,000	3,400,000
Tax Retention Electricity	14,554,858	4,930,984
Pay As You Earn	1,101,488,821	454,464,846
NHIF	5,446,970	5,389,440
NSSF	1,094,600	558,900
Pension	642,237,964	290,360,213
Vat	51,061,385	36,731,879
Court Attachments	170,612	106,604
Insurance Claim	2,461,766	2,431,766
Withholding Tax	17,063,986	15,931,625
Welfare Deductions	31,138,612	13,136,853
Insurance Deductions	15,479,844	6,701,922
Cooperative Deductions Cooperative	154,791,677	104,141,044
Students Clubs	204,316	116,008
Other Salary Deduction	7,503,872	11,473,573
Staff Loans Deductions	20,064,301	26,422,301
Orphans & Vulnerable Students Fund (OVS)	4,993,083	4,993,083
Rent Deposits Nakuru	89,400	89,400
Centre for Career Development & Placement	66,000	
Debtors Overpayment	948,940	2,031,759
Recreation Centre Fund	168,000	168,000
Christian Union Chapel	25,101	
KU Alumni	1,200,000	1,200,000
Mama Ngina (Gatundu) University College-Recurent		15,000,000
Mam Ngina (Gatundu) University College-Development	339,353,110	339,353,110
Research Fund	284,135,697	174,831,385
Hospitals	4,360,839	16,809,502
Drug Suppliers	12,815,292	9,882,074
Referral Doctors	3,886,597	6,420,462
General Creditors	313,984,710	424,350,550
Sub-Total	3,034,190,354	1,971,427,284
NOTE 23b: Refundable Deposits From Customers		
Students Caution Money	89,972,000	82,086,000
NOTE 23c: Payment Received in Advance		
Fees Paid In Advance	274,392,037	98,752,015
	3,398,554,391	2,152,265,299

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23d: Current portion of borrowings	2018	2017
	Kshs.	Kshs.
NBK Payments A/C No. 0359002400	4,243,073	23,908,316
Equity Bank Ruiru A/C No. 0291051982	936,962,902	1,099,668,901
Equity Bank A/c 1130199002464	-	2,820,429
	941,205,975	1,126,397,646

NOTE 24a: Long Term Liabilities	2018	2017
	Kshs.	Kshs.
Equity Bank (City Campus) Loan 2010	156,894,625	292,497,610
Repayment	156,894,625	135,602,985
	(0)	156,894,625
Co-operative Bank Loan 2015	769,632,959	820,000,000
Repayment	54,973,783	50,367,041
	714,659,176	769,632,959
Loan Balance	714,659,176	926,527,584

Equity Bank Loan: This is a long term (non-current) loan sourced from Equity Bank for the procurement of MFI building (KU city campus) in the year 2010, repayable for a period of ten years at a revised interest rate of 18% per annum calculated on reducing balance.

Co-operative Bank Loan: This is a long term (non-current) loan granted for part finance development of a mall "Unicity" and to finance purchase of properties for satellite campuses. In the year 2015, repayable over a period of 15 years (180 months) at an interest rate of 14.25% per annum computed on reducing balance basis.

NOTE 24b: Deferred Income	2018	2017
	Kshs.	Kshs.
Balance as at 1st July 2017	23,000,000	23,500,000
	23,000,000	23,500,000
Amortisation 2%	500,000	500,000
Balance as at 30th June 2018	22,500,000	23,000,000

Donation from Chandaria Foundation for the construction of Chandaria Business Innovation and Incubation Centre. Recognized as deferred income and amortized at the rate of 2% per annum of the original value of Kshs 25,000,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 25: Capital Fund	2018	2017
	Kshs.	Kshs.
Balance as at 1st July 2017	3,023,932,178	2,950,711,126
Government Capital Grants		73,221,052
Balance as at 30th June 2018	3,023,932,178	3,023,932,178

Revenue Reserve	2018	2017
	Kshs.	Kshs.
Balance as at 1st July 2017	8,631,815,399	8,631,815,399
Deficit for the Year	(2,109,408,510)	
Revenue Reserve 2018	6,522,406,889	8,631,815,399

Revaluation Reserve	2018	2017
	Kshs.	Kshs.
Balance as at 1st July 2017	4,394,045,564	4,394,045,564
Revaluation for the Year		
Revaluation Reserve 2018	4,394,045,564	4,394,045,564

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs.	Kshs.
Note 26: Capital Work in Progress		
Ruiru Campus (Boundary Wall)	-	26,592,370
Funeral Home Extension	-	119,298,747
Teaching & Referral Hospital	70,979,257	66,898,537
Graduation Square	-	48,331,143
Recreation Centre	55,882,460	47,756,473
Ruiru Principal House	-	13,510,874
Children Hospital	200,898,575	196,298,245
Applied Human Sciences	68,055,389	67,032,839
School of Business	80,510,338	58,249,084
Perimeter Wall Referral Hospital	64,361,320	57,222,723
School of Architecture	10,620,712	10,620,712
Stadium Complex	9,814,401	9,814,401
Central Stores	20,456,693	19,960,982
Kitui Campus Boundary Wall	5,076,468	5,076,468
Rwanda Campus	59,093,875	54,093,875
Earth Dam Kitui Campus	9,946,000	9,946,000
International Languages and Cultural Centres	500,000	500,000
Referral Road	81,903,832	81,653,832
Underground Tank Kitui Campus	9,805,154	9,778,404
Water Tanks KUTeaching and Referral Hospital	72,595,955	72,595,955
	820,500,428	975,231,663
Capitalized Projects		
Alumni Centre		225,569,983
International Programmes Centre		171,812,667
School of Education		464,769,004
Junior Staff Houses		135,562,959
Campus City Uicity		940,680,842
Health Unit Extension		134,520,850
Engineering Workshop		83,640,162
Construction of Main Road and Gate A		69,899,495
Students Hostels Mombasa		393,561,285
Ruiru Campus (Boundary Wall)	26,592,370	
Funeral Home Extension	119,298,747	
Graduation Square	48,331,143	
Ruiru Principal House	13,510,874	
Total	207,733,134	2,620,017,246

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management Comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Going Concern: The University is operating under financial difficulties and if no positive steps are taken to improve the financial performance, it may not be able to meet its mandate in future. The financial statement has therefore been prepared on a going concern assumption that it will receive financial support from Government, bankers, creditors and donors.	In addition to anticipation of financial support from the Government, bankers, creditors and donors, the University Management has come up with measures to cut down on University expenditures such as stalling all development projects, merging of directorates and closure of some campuses amongst others.	Management	Not Resolved	5 years
2.1	Encroached Land by Squatters (Kamae)	Land (Main campus) measuring 12.472 hectares valued at Ksh 123,281,555.00 which has been illegally encroached by the Kamae squatters. Among other measures taken, the university filled a case in a court of law against the illegal encroachment of the land and the matter is pending at the court of law. The full hearing of the case commenced on 2 nd October 2015 and the Vice-Chancellor and the Registrar Finance have testified. Further, the University has involved the National Land Commission and the outcomes, of all the effort taken are awaited.	Management	Not Resolved	
2.2	Land without ownership documents (Dadaab)	The Land was allocated to the University by Lagdera Constituency Development fund in Garissa County is valued at Ksh 880,000. The amount was in respect of registration and other related charges. It has taken the University such a long time to get the necessary ownership documents but the University is pursuing the matter.	Management	Not Resolved	
2.3	Land Originally Excised from Public Road Reserve (Nakuru). It has not been possible to confirm ownership status of the three	L.R No.NKU/Bock/9/108 measuring 0.0231 hect and valued at Ksh 2,018,237.00 was bought by the University after it	Management	Resolved	

	portions of land valued at Kshs 126,179,792 as at 30 th June 2017.	<p>had carried out due diligence including proper search before buying the land.</p> <p>When the University appeared before the Public Investment Committee in November the year 2015, the Committee noted from our response and explanation that the University had done due diligence required before buying the land. The Committee also observed that the University was cleared by the relevant Government agencies, including the Ministry of land and the then County Council of Nakuru before obtaining the ownership documents.</p> <p>In view of the above, the Committee cleared the University of any Wrong doing and recommended that the matter be put to rest.</p>			
3.0	Receivable from Non-exchange Transaction: It has not been possible to confirm full recoverability of the receivables from non-exchange transactions totalling to Kshs 715,302,918.	<p>The University has taken the following measures to ensure recoverability of the receivables.</p> <ul style="list-style-type: none"> • The University has written reminder letters to the debtors. • The debts have been handed over to the University lawyer to pursue them through legal channels • Sort intervention of the National Treasury for the case of State Corporations and Sagas. • The University has appointed debt collection firm to assist in collecting debts 	Legal Officer and Debtors Section	Not Resolved	
4.0	Nugatory Expenditure-Closure of Kigali and Arusha Campus	<p>The University incurred Kshs 518,174,359, in the establishment of Kigali and Arusha campuses. Unfortunately, due to various challenges, the campuses were unable to start off and the University Council approved that they be wound up.</p> <p>I would wish to report that Arusha campus has already been closed and the moveable property brought to the main campus and distributed to various campuses for use by staff and students.</p> <p>The University is in the process of disposing the Kigali campus</p>	Management	Not Resolved	2 Years

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		property and I am optimistic that the winding up will enable the University recover the cost incurred.			



Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR



Prof. Shem E. Migot-Adholla, Ph.D.
CHAIRMAN OF COUNCIL