


REPUBLIC OF KENYA



*Enhancing Accountability*



 THE NATIONAL ASSEMBLY PAPERS LAID <b>REPORT</b> DATE: 13 MAY 2021	
DAY: THURSDAY	
TABLED BY:	Lom HON. AMOS KIMUNYA
CLERK-AT THE-TABLE:	<b>OF</b> C. NDIRITU

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

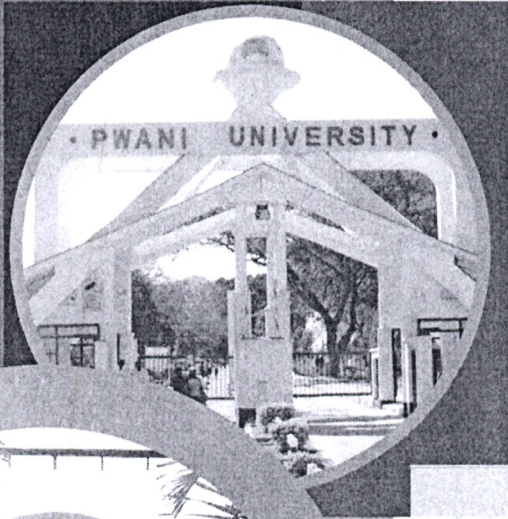
**PWANI UNIVERSITY**

**FOR THE YEAR  
ENDED 30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 95202, MOMBASA

20 JAN 2020

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COAST HUB



# Annual Report

2019

*Prepared in accordance with the accrual Basis of Accounting method under the International Public Sector Accounting Standards (IPS 15)*

For the Year  
Ended 30th June 2019





Annual  
Report  
& Financial Statements  
2018-2019

For the Year Ended 30th June 2019

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Pwani University Library



# UNIVERSITY STATEMENTS

## OUR VISION

A world-class University in socio-economic and technological advancements

## OUR MISSION

To generate, disseminate and apply knowledge while sustaining excellence in teaching, learning and research.

## OUR OBJECTIVES .....

In order to implement the Objectives as envisaged in this plan, the management, staff, students and stakeholders of Pwani University will institutionalize and inculcate values and cultures which will enable them to promote excellence and outstanding character in achieving the Mission and Vision of the University. Pwani University espouses the following values which are at the heart of all our activities and planning:

- i) Encouraging inclusiveness, respect for diversity of ideas, peoples and cultures.
- ii) Respecting intellectual freedom: the freedom to conduct research, teach, speak and publish, subject to the norms and standards of scholarly inquiry.
- iii) Building a cohesive university community that cherishes teamwork and partnership in the accomplishment of the University Mandate and personal development of staff and students.
- iv) Acting with honesty, integrity and mutual respect.
- v) Providing equal opportunities and access to all and encouraging continual improvement of self and the body corporate.
- vi) Supporting excellence in teaching, research and service to humanity.
- vii) Promoting civic responsibility, accountability and transparency, fidelity to the law and observing all statutory obligations in the conduct of business.
- viii) Respecting and encouraging creativity and innovativeness among its staff, students and management in order to inculcate competitiveness and improvement in service delivery
- ix) Affirming and protecting fundamental human rights and freedoms as well as respecting college property and infrastructure.

## OUR MOTTO ...

Shajiisho la Maendeleo Endelevu

(Empowerment for sustainable development)

# BACKGROUND INFORMATION

Pwani University began as Kilifi Institute of Agriculture, established in 1984, and admitted the first intake of 200 students into a two-year Certificate in Agriculture and Home Economics programme. On 23rd August 2007, the Institute was upgraded to become a constituent college of Kenyatta University, and renamed Pwani University College; consequently admitting the first batch of 200 Bachelor Degree students through the Joint Admissions Board (JAB) to join those pursuing the Certificate Programme. The University College was officially opened by H. E President Mwai Kibaki on 2nd November 2007. The College was upgraded to University status on 31st January 2013. Pwani University was established through a grant of Charter.

Pwani University is located at Kibaoni in Kilifi Town, along the Mombasa-Malindi Highway; about 60 Kilometers from Mombasa City. Its location in the heart of the Coast Province, gives it a strategic position of being one of the Public Universities in Kenya to serve the entire Coast Region hinterland from Vanga in the South to Lamu in the North, and to Voi in the West.

Currently, the University has seven (7) Schools, which together offer Postgraduate and Bachelor degree programs in Agricultural and Applied Sciences, Humanities & Arts, Business Studies, Education, Environmental Sciences, Health and Human Sciences, Language and Literature and Pure Sciences.

The University has the requisite physical and human resource to train students in this fields and is set to grow both in infrastructure, student population and staff profiles by the year 2020.

## COMPANY SECRETARY

### REGISTERED OFFICE

Pwani University  
Along Mombasa-Malindi Road  
P.O. Box 195-80108  
KILIFI, KENYA

### INDEPENDENT AUDITORS

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100, NAIROBI, KENYA

### PRINCIPAL LEGAL ADVISOR

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

## BANKERS

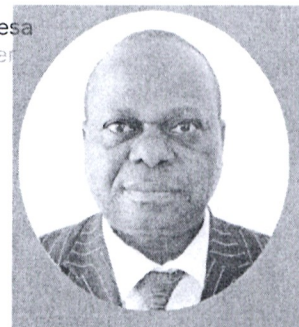
1. Equity Bank of Kenya  
P.O. Box 381 - 80108  
KILIFI, KENYA
2. Kenya Commercial Bank  
P.O. Box 528 - 80108  
KILIFI, KENYA
3. Barclays Bank of Kenya  
P.O. Box 423 - 80108  
KILIFI, KENYA
4. Cooperative Bank  
P.O. Box 96 - 80108  
KILIFI, KENYA
5. Housing Finance Kenya  
P.O. Box 84839 - 80100  
MOMBASA, KENYA

# UNIVERSITY COUNCIL briefly



**Dr. Musangi J. Mutua, PhD,**  
Chair of Council

Dr. Musangi J. Mutua was appointed as the Chair of Pwani University Governing Council on 10th March 2017. Prior to this appointment, she served as the inaugural Chair of the Human Resource Committee of the University of Eldoret Council. She has a wide experience in Public Sector Management specifically she has hands on experience in Human Resource Management, having served at the Directorate of Personnel Management - DPM, Post Office Savings Bank - Post Bank and the East African Portland Cement Company - EAPCC heading the Human Resource Docket. Dr. Musangi is also well versed with corporate governance having been a member of Central Agricultural Board and Kitui County Assembly Service Board among others. She has exceptional skills in operational and people management and team leadership. Dr. Musangi holds a PhD in Business Administration, specializing in Strategic Management, Masters in Public Administration, Higher Diploma in Human Resource Management and BA Government. She has published in the field of Business Process Outsourcing Strategy and performance of Kenya State Corporations among other publications in peer reviewed journals.



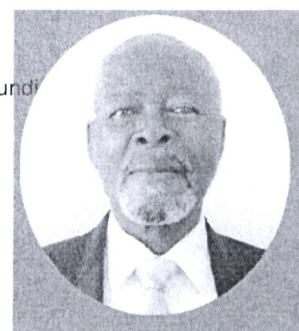
**Prof. Dr. Dr. Moni Wekesa**  
Council Member

Prof. Dr. Dr. Moni Wekesa was appointed to the Pwani University Council on 10th March 2017. He is a member of the Anti-doping Agency of Kenya, Chairman Disciplinary Committee of FKF, Senior Scholar at Lusaka Law School, and visiting Professor at Université Libre de Kigali. He has over 30 years of Law Practice and University Teaching. Previously he worked as a lecturer at Mount Kenya University and Catholic University of Eastern Africa. He is currently the Dean School of Law Daystar University. He holds PhD Sports Medicine, M.Sc., B. Ed Sc., PhD Law, LL.M, LL. B Hons, Dip (KSL), (MLSK). Prof. Dr. Dr. Wekesa is an advocate of the High Court of Kenya since 2004.



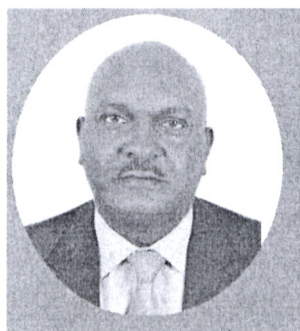
**Dr. Gift Kimonge Dzombo**  
Council Member

Dr. Gift K. Dzombo CPA, was appointed to the Pwani University Council on 10th March 2017. He is a Risk and Governance professional, with over 15 years of experience, in the private, academic and NGO sectors. He is an expert in financial reporting, managing financial & credit risk, directing investment activities, business intelligence and performance management. He is currently a Senior Manager, Process & Governance at Standard Chartered Bank. Dr. Dzombo holds a PhD in Accounting and Finance and an MBA degree in Accounting and Finance and a member of ICPAK.



**Dr. Jak Sijenyi Nyabundi**  
Council Member

Dr. Nyabundi was appointed to the Pwani University Council on 10th March 2017. He is a consultant Physician. Dr. Nyabundi has extensive work experience as a Medical Practitioner and an academician having worked with Kenya Defense Forces (KDF), University of Nairobi, Maseno University, Moi Teaching and Referral Hospital among others. He has research interest in common complications of Diabetes and has published on effect of chronic heavy alcohol intake on the heart. He holds an MMed, Internal Medicine and MBChB.



**Mr. Samuel Nyachae**  
Council Member

Mr. Samuel M. Nyachae was appointed to the Pwani University Council on 10th March 2017. Prior to his appointment to the University Council he worked at the National Bank of Kenya as a Senior Manager. Mr. Nyachae has a wide experience spanning over 10 years in Banking and Finance. He holds an MBA and BS, in Business Administration.

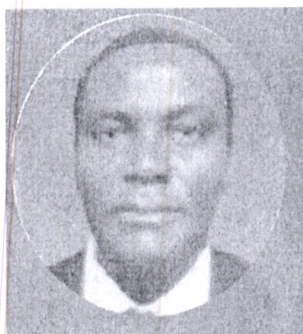


**Dr. Stephen Ikikii, PhD**  
Representative of CS National Treasury .....

Dr. Stephen Ikikii was appointed to the Pwani University Council as an alternate to the CS, The National Treasury on March 2018. He holds a PhD in Economics, MSc in Financial Economics and BSc in Mathematics and Statistics. He is a full member of the Institute of Certified Investment and Financial Analysts (ICIFA). He is an economist with over 13 years' experience in the National Treasury and has represented the Cabinet Secretary to the National Treasury in over 10 different Boards of State Corporations.

**Mr. Joel Kipkemboi Yego**  
Council Member

Mr. Joel Kipkemboi Yego was appointed to the Pwani University Council on 10th March 2017. He is a Licensed Land Surveyor practising in Kenya with 25 years of active professional experience. He has served in several Boards including Kenya Roads Board as Commissioner to the Commission of Inquiry into the Land Law System of Kenya, Chairman of the Committee of ISK Reforms of the Institute of Surveyors of Kenya, Deputy Chairman, Land Surveyors Board and Member of Council of the Institute of Surveyors of Kenya among others. He holds an M.A. (Geography); B.Sc. (Hons.) in Survey and Photogrammetry; L.S.(K); C.L.S. (E.A.), M.I.S.K.

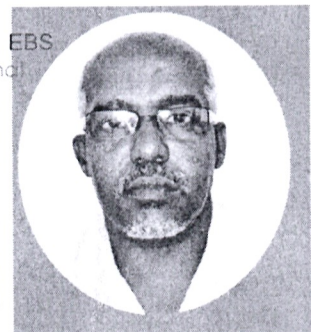


**Mr. Paul Peter Mungai**  
Representative of PS Ministry of Education .....

Mr. Paul Peter Mungai was appointed to the Pwani University Council as alternate to the Principal Secretary, Ministry of Education, State Department for University Education on 30th August 2018. He holds MEd in Administration and BEd Arts. Mr. Mungai is an Educationist and has served in several boards. He possesses a wealth of experience in Education Administration.

**Prof. Mohamed Said Rajab, PhD, EBS**  
Ex- Officio and Secretary to the Council

Prof. Mohamed S. Rajab was appointed as the Vice Chancellor of Pwani University and an ex-officio member of council for the first and second terms on 20th June 2013 and 21st June 2018 respectively. He has an extensive professional and academic track record spanning over 30 years, from the rank of a research officer, at ICIPE in 1983 to the present position of Vice Chancellor at Pwani University. He has done extensive research work and has published widely. Other institution where he has served in various capacities includes the University of Maine (U.S.A), South Western Medical Centre, Dallas (USA), Louisiana State University (USA), Moi and Kenyatta University, a board member of several institutions including the Jomo Kenyatta Foundation, the National Museums of Kenya, Sheikh Zayed Children Welfare Center and Kenya Agricultural Research Institute among others. He holds a PhD in Organic Chemistry.



## Committees of Council

Pwani University Council has the following sub committees which assist in the University management

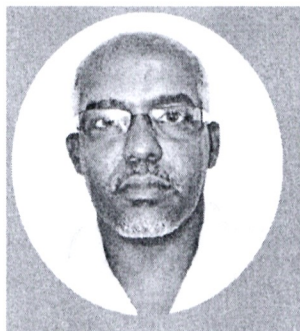
1. Audit and Risk Committee
2. Human Resource Committee
3. Academic, Research and Extension Committee
4. Finance and Planning Committee





Dr Musangi J. Mutua, Chair of Council, Pwani University (centre) during the 6th Graduation Ceremony held at PU in 2018.

# UNIVERSITY MANAGEMENT BOARD *briefly...*



**Prof. Mohamed S. Rajab**  
Vice-Chancellor and Chair of Management Board

Prof. Mohamed S. Rajab was appointed as the Vice Chancellor of Pwani University and an ex-officio member of council for the first and second terms on 20th June 2013 and 21st June 2018 respectively. He has an extensive professional and academic track record spanning over 30 years, from the rank of a research officer, at ICIPE in 1983 to the present position of Vice Chancellor at Pwani University. He has done extensive research work and has published widely. Other institution where he has served in various capacities includes the University of Maine (U.S.A), South Western Medical Centre, Dallas (USA), Louisiana State University (USA), Moi and Kenyatta University, a board member of several institutions including the Jomo Kenyatta Foundation, the National Museums of Kenya, Sheikh Zayed Children Welfare Center and Kenya Agricultural Research Institute among others. He holds a PhD in Organic Chemistry



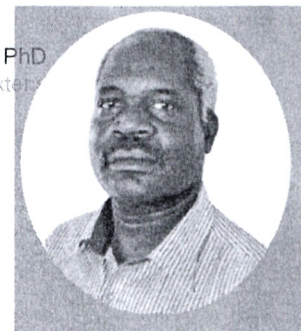
**Prof. Helen O. Mondoh**  
Deputy Vice Chancellor (Administration, Finance and Planning)

Prof. Helen Mondoh was appointed as the Deputy Vice-Chancellor (Administration, Finance and Planning) on 12th July 2018. She is Professor of Education in the School of Education, Pwani University Area of Specialization Curriculum & Instruction (Mathematics Education and Curriculum Development). Prof. Mondoh has vast experience in the Education sector, quality assurance and administration. She has attended and presented various scientific papers at learned conferences and workshops, and published more than 20 papers in refereed journals.



**Prof. James H.P. Kahindi, PhD**  
Deputy Vice-Chancellor (Academic and Students Affairs)

Prof. James H.P. Kahindi was appointed as the Deputy Vice Chancellor (Academic and Student Affairs) of Pwani University for the 1st and 2nd term on the 28th of October 2013 and 26th of June 2018 respectively. He is a Professor of Microbiology with extensive Managerial and Research experience in Microbial Biotechnology; in particular Biological Nitrogen Fixation; and Microbial Control of Pests & Vector Insects. In addition, he has wide experience in Environmental Impact Assessment and Environmental Audit



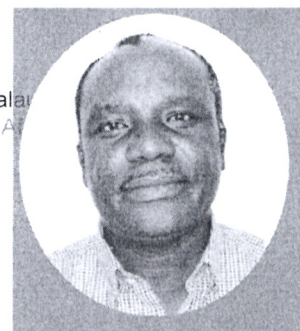
**Prof. Muniru K. Tsanuo, PhD**  
Deputy Vice-Chancellor (Research and Extension)

Prof. Muniru K. Tsanuo was appointed as the Deputy Vice Chancellor (Research and Extension) of Pwani University for the 1st and 2nd term on the 28th of October 2013 and 12th July 2018 respectively. He is an Associate Professor of Chemistry. He has a PhD and MSc Chemistry and B.Ed. (Sc.). He has over 20 years in the education sector and has held various administrative positions His research interests include isolation and characterization of bioactive natural products, phytoremediation and plant-plant chemical interaction.



**Mr. Opiayo P. Mabubi**  
Registrar (Administration, Finance & Planning)

Mr. Opiayo P. Mabubi was appointed at Pwani University as the Registrar (Administration, Finance and Planning) on 1st February 2017. He holds a Post Graduate Diploma in Human Resource Management, M.Ed. (Economics) and B.Ed. (Arts). He has extensive administrative experience having served at Moi University, KASNEB (Kigali Rwanda) and the Ministry of Education as a senior administrator.

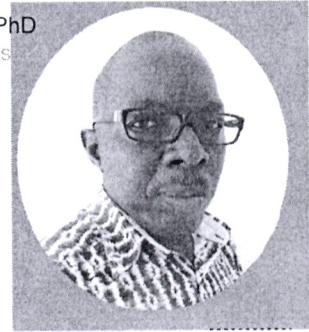


**Mr. Nicholas C. Malau**  
Registrar (Academic & Student Affairs)

Mr. Nicholas Malau was appointed at Pwani University as the Registrar Academic and Student Affairs on 4th July 2013. He holds a M.Ed. in Administration and B.Ed. (Sc) He has extensive experience in administration. He serves as a Lecturer in Administration since 1989 to date.

**Dr. Hemedi Mkuzi Saha, PhD**  
Registrar (Research & Extension)

Dr. Hemedi Mkuzi Saha was appointed at Pwani University as the Registrar Research & Extension on 17th December 2013. He holds a PhD in Horticulture; MSc (Soil Science) and BSc Agriculture. He is a Senior Lecturer in the Department of Crop Sciences, where he also served as the Chair of the Department from September 2012 to December 2013. He has vast experience in agricultural research and in postgraduate research supervision.



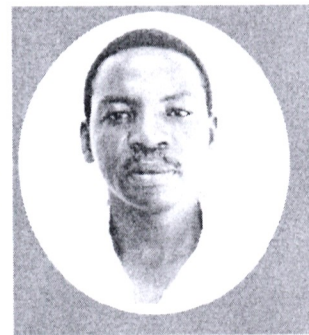
**Dr. Francis G. Wokabi, PhD**  
Director, Quality Assurance

Dr. Francis G. Wokabi was appointed at Pwani University on 3rd January 2019 as the Director Quality Assurance. He is a Senior Lecturer in Philosophy and Religious Studies Department where he also served as the Chair of the Department. Dr. Wokabi is specialized in Critical Thinking, Ethics, and Philosophy of Education. He also coordinates the Technologies of Imaging in Communication Art and Social Sciences (TICASS) project between Pwani University and some European Universities.



**Mr. Ronald G. Juma** Dean of Students

Mr. Ronald G. Juma was appointed at Pwani University as the Dean of Students on 23rd June 2014. He holds a MSc. (Agriculture Development) and BSc (Animal Science). He has been a lecturer in Animal Production since 2007. He has extensive administrative experience.



**Mr. Robert K. Abungu**  
Deputy Registrar (Academic & Student Affairs)

Mr. Robert K. Abungu was appointed at Pwani University as the Deputy Registrar (Academic and Student Affairs) and in-charge of Examination Department on 23rd January 2013. He holds a Dip. Hort (Egerton), M. Sc (SAUM). He has extensive experience in administration and academics.



**Mr. Mwinyi M. Ali**  
Finance Officer (ICPAK No. 9996)

Mr. Mwinyi M. Ali was appointed at Pwani University as the Finance Officer on 1st August 2014. He holds an MBA in Finance and Accounting and is a member of the Institute of Certified Public Accountants of Kenya. Before joining the University, he worked in several financial institutions where he accumulated a wealth of experience in finance and management.



**Mr. Chris W. Khaemba**  
Legal Officer

Mr. Chris W. Khaemba was appointed at Pwani University on 12th April 2010 as the Legal Officer and secretary to the University Council. He has over 13 years of legal experience in the fields of law, Public Administration and Management. He holds an LLB Law and Diploma (KSL). He is a member of the LSK and Institute of Certified Public Secretaries of Kenya.

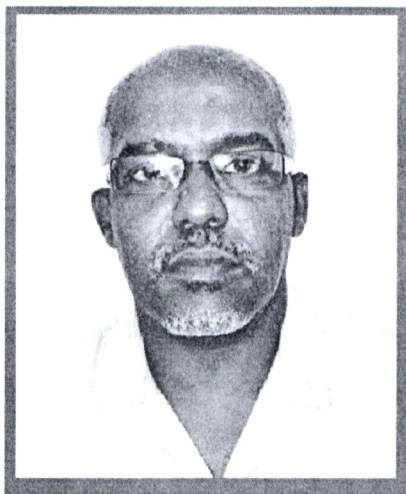


**Mr. Moses R. S. Isutsa**  
Librarian

Mr. Moses R. S. Isutsa was appointed as the Librarian at Pwani University on 23rd February 2017. He is an Information Science Practitioner and has 25 years working experience in the Library information Sector. He holds a Master of Library & Information Science; BTech. Degree in Library & Information Science; Diploma in Library and Information Studies. He is a qualified ISO 9001:2008 Internal QMS Auditor, a Job Analyst.



# FIDUCIARY MANAGEMENT



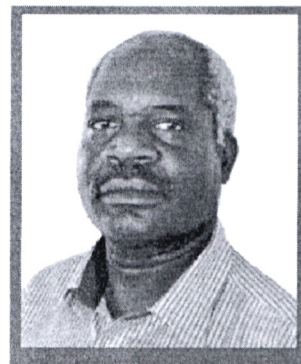
**Prof. Mohammed S. Rajab, PhD**  
Vice-Chancellor and Chair of Management Board



**Prof. Helen O. Mondoh, PhD**  
Deputy Vice-Chancellor  
(Administration, Finance and Planning)



**Prof. James H.P. Kahindi, PhD**  
Deputy Vice-Chancellor  
(Academic and Students Affairs)



**Prof. Muniru K. Tsanuo, PhD**  
Deputy Vice-Chancellor  
(Research and Extension)



**Mr. Ali M. Mwinyi**  
Finance Officer



**Mr. Ludovicas Mwacharo**  
Ag. Procurement Officer

Participants at work during the AfriPlantSci2019 workshop held at Pwani University



# CHAIR OF COUNCIL'S REPORT



Dr. Musangi J. Mutua, PhD,  
CHAIR OF COUNCIL

*Pwani University continually assesses risks and opportunities by formulating and implementing quality objectives that ensure continual improvement of the quality of teaching, research, community outreach and opportunities for sustainable development in line with the Ministry of Education Policies and incorporating emerging issues like the Big 4 Agenda and the Competency Based Curriculum*

## Dear Stakeholders,

On behalf of the University Council, I am privileged to present to you the Pwani University *Annual Report and Financial Statements* for the year ended 30<sup>th</sup> June 2019. During the period, the University completed 90% construction of the School of Environmental and Earth Sciences. The University also graduated 956 students in courses aligned to the Government's Big 4 Agenda. We reviewed our academic programmes, ready for implementation in 2019/2020 Academic Year with the aim of ensuring our graduates are equipped with the knowledge, skills, values and purpose to serve society at every level. The University was awarded a Research Grant worth KShs. 45m from the National Research Fund to finance acquisition of equipment for the Pwani University Biomedical Research Laboratory (PUBReC). Cumulatively, the University attracted KShs. 431m from various research partners to support research. Our performance in webometric rankings remained strong.

In the fiscal year 2019/20, the University will focus on improvement of infrastructure and human resource to support teaching, learning and research.

I would like to thank our staff, students, alumni, partners and other stakeholders for their commitment to the University and for their support as we implement the University's Strategic Plan 2014-2024.

Finally, I wish to acknowledge with gratitude the Government of Kenya for its goodwill and invaluable support to the University as it continues to implement its goals and objectives.

A handwritten signature in black ink, appearing to be 'J. Mutua', written over a dark, irregular shape that serves as a background for the signature.

CHAIR OF COUNCIL

## THE VICE CHANCELLOR'S REPORT



Prof. Mohamed S. Rajab, PhD. EBS  
VICE-CHANCELLOR

*Pwani University is a leading, comprehensive teaching, learning and research institution. We are committed to our vision to be a world class University grounded on the values of respect for diversity, intellectual freedom, team work and partnerships.*

### **Dear Stakeholders,**

Pwani University has firmly positioned itself as a leading Public University in the Coastal region, complementing its already entrenched leadership in the areas of Education, Agriculture and Health Sciences.

In the Financial Year ending 30<sup>th</sup> June 2019, the University made good progress on its strategic growth aspirations despite the challenging operating environment.

The University operations are anchored on Vision 2030, the University Act 2012, relevant legislations, the Big 4 Agenda, ISO 9001:2015 Standards among others, and guided by Pwani University's 10-year Strategic Plan 2014 - 2024' which aims at transforming Pwani University into a World Class University.

The University's core values of inclusiveness and respect for diversity of ideas, intellectual freedom, cohesiveness, honesty, integrity and mutual respect, equal opportunities, continual improvement, excel-

lence in teaching, research and service to humanity, civic responsibility, accountability, transparency and fidelity to the law, creativity and innovativeness, have played a big role in realization of the University's dreams of being a world class University.

### **Operational and Financial Performance**

The University continues to deliver on its key mandate of provision of quality education, training, and research. During the period under review the university absorbed all its allocated funds.

### **Compliance with Statutory Requirements**

During the period under review, the University complied with all its statutory obligations including compliance with Public Procurement Regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The University does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

## Key Projects and Investment Decisions

Pwani University has a Master Plan and a Strategic Plan in place to guide implementation of its key projects and investment decisions. In implementing its plans, the University established modern infrastructure and state of the art facilities including Hostels, Computer and Micro Teaching laboratories, restaurant and kitchen, underground water tank, office block, Phase I of the Library and Learning Centre, Health Sciences Laboratories, additional lecture rooms and rehabilitation and re-configuration of various buildings.

During the period under review, the University implemented various phases of the projects indicated in Table 1.

**Table 1: Projects in the 2018/2019 FY**

Project Description	Cost in Millions	Funded by	Status
Lecture Theatre & Laboratories	143	GOK	On going
School of Humanities and Social Sciences	232	GOK	On going
School of Agricultural Sciences and Agribusiness	167	GOK	On going

## Strategic Focus

Pwani University is determined to be a centre of excellence for teaching, learning and research in the areas of Marine Sciences and Oceanography (harnessing the Blue Economy), Coastal and Dry Land Agriculture, Education, Coastal Culture, Art and Languages and Tropical Medicine.

Collaboration with the industry and all stakeholders will be given a priority so that students and staff can have an opportunity to contribute to solutions that will result in accelerated development of the human and natural resources of the Coast Region, Kenya and the world. Further this collaboration is expected to enhance and sharpen our student's skills to make them more relevant to the job market and improve their employability.

**Table 2: Identified high risks and the mitigation measures**

S/NO	Identified High Risk	Mitigation Measures
1.	Delays in curriculum programme reviews	Development of a curriculum programmes review calendar
2.	Inadequate teaching and learning facilities	Construction of Lecture Theatre and Laboratories
3.	Terrorism	University has acquired full body scanners, continued the construction of perimeter wall, ensured regular police patrols, plans to put up a police base within campus, and installed CCTV cameras. Regular trainings on counter-terrorism awareness

Pwani University has embraced Information and Communication Technologies (ICTs) which has opened up new opportunities in teaching, learning and research, especially Open Distance and e-Learning (ODEL), blended learning and bioinformatics. In addition, the University utilizes an ERP platform for the provision of e-services. Pwani University intends to make use of emerging technologies to enhance access and equity and improve quality in university education.

The University places great emphasis on an energized and motivated workforce. In light of this, the University has embraced various incentives in line with its policy on Staff Training and Development.

## Business Continuity Management

The University has a Business Continuity Plan, which helps to achieve:

- i) Protection of life, health, and safety of all University community members and visitors;
- ii) Preservation of the viability of the institution;
- iii) Protection of the University's reputation and public confidence; and
- iv) Restoration of general campus operations

## Integrated Risk Management Report FY 2018/2019

The University has embraced the integrated risk management approach through the adoption of the Enterprise Risk Management (ERM) framework. This complies with the Treasury Circular No. 3/2009 on the Development and Implementation of Institutional Risk Management Policy Framework and in adherence with best practices.

## Major Risks facing the University

The University maintains a Risk Register highlighting the various levels of risks. During the period under review, the University identified three (3) major potential risks as shown in Table 2.

### Key Strengths and Opportunities

- a) The University is ISO 9001:2015 Certified.
- b) The University has a Strategic Plan (2014-2024) and Master Plan to guide further developments.
- c) The University has a receptive and supportive local community.
- d) The University is located close to the Indian Ocean within the proximity to a creek, coral deposits and marine resources, which are appropriate for learning and research.
- e) The University owns 239 hectares of rich agricultural land for teaching, research and development.
- f) The University is easily accessible due to its strategic location along the Mombasa–Malindi highway.
- g) The University has a student population of approximately 7,000 which is steadily growing.
- h) The University has a staff profile of 432 (Academic and Non-teaching staff)

### Conclusion

During the period under review, the University has in-

roduced several new initiatives and measures to make its services more efficient and accessible. I take this opportunity to thank our stakeholders for their continued support and partnership in the realization of Pwani University's mandate, which is to provide quality Teaching, Research and Community Outreach and opportunities for innovation for sustainable development.

I commend the Council, Management and staff for their tireless efforts and commitment to the attainment of the University's set targets and goals. Despite the challenging environment you work in, coupled with a continuously expanding industry, your dedication and commitment to playing your individual roles has not only enabled the institution remain competitive, but also ensured that the region has a Chartered University to provide quality teaching, research, and community outreach. I am truly honoured to serve alongside you as we endeavor to redefine the role played by Pwani University and drive the University towards the realization of its strategic goals and objectives.

On behalf of Senate, Management, Staff and Students, I would like to appreciate the support accorded to Pwani University by the GOK through The National Treasury & the Ministry of Education. We look forward to your continued support.



VICE-CHANCELLOR

## CORPORATE GOVERNANCE STATEMENT

Pwani University has engrained the principles of Corporate Governance in its institutional framework and is committed to promote consistently the highest standards of governance, which take into account the interest of all stakeholders, strengthens Council and Management accountability and helps build public trust in the University. The Council of Pwani University has overall responsibility for overseeing the effective management and control of the University on behalf of Pwani University's stakeholders and supervising executive management's conduct of the University's affairs within a laid down framework, which is designed to enable effective risk assessment and monitoring.

In implementing the Corporate Governance tenets, the Council seeks to add value through constructive dialogue and engagement with stakeholders as well as management with a strong focus on the University's strategic agenda. The Council embraces and recognizes the benefits of diversity in skills and experience in its compositions and this engenders the effective discharge of the Council strategic oversight function.

Pwani University Council has established four Committees with specific Terms of Reference. The Committees together with their membership are as outlined in Table 3.

**Table 3: Committees of Council**

Name of the Committee	Members
1. Audit and Risk Committee	<ol style="list-style-type: none"> <li>1. Dr. Gift Kimonge Dzombo</li> <li>2. Prof. Dr. Dr. Moni Wekesa</li> <li>3. Dr. Jak Sijenyi Nyabundi</li> <li>4. Dr. Stephen Ikikii</li> </ol>
2. Human Resource Committee	<ol style="list-style-type: none"> <li>1. Dr. Jak Sijenyi Nyabundi</li> <li>2. Mr. Samuel M. Nyachae</li> <li>3. Mr. Joel K Yego</li> <li>4. Mr. Paul Peter Mungai</li> </ol>
3. Academic, Research and Extension Committee	<ol style="list-style-type: none"> <li>1. Prof. Dr. Dr. Moni Wekesa</li> <li>2. Dr. Stephen Ikikii</li> <li>3. Dr. Gift Kimonge Dzombo</li> <li>4. Mr. Paul Peter Mungai</li> </ol>
4. Finance and Planning Committee	<ol style="list-style-type: none"> <li>1. Mr. Samuel M. Nyachae</li> <li>2. Mr. Paul Peter Mungai</li> <li>3. Mr. Joel K. Yego</li> </ol>

The following meetings were held during the year ending 30<sup>th</sup> June 2019 as illustrated in Table 4.

**Table 4: Council meetings held in the 2018/2019 FY**

MEETING	NUMBER OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE %
Full Council	12	9	93%
Audit and Risk Committee	8	4	93%
Human Resource Committee	4	4	93%
Academic, Research and Extension Committee	4	4	93%
Finance and Planning Committee	6	3	100%

# Strategic Plan 2014-2024

The journey continues...

“fitness for purpose”



# MANAGEMENT DISCUSSION AND ANALYSIS

## Core Business

Pwani University has the mandate of teaching, research and community outreach. Teaching, learning and research take place in academic departments which make up the seven Schools of the University namely the School of:

- i. Agricultural Sciences and Agribusiness
- ii. Business and Economics
- iii. Education
- iv. Environment and Earth Sciences
- v. Health and Human Sciences
- vi. Humanities and Social Sciences
- vii. Pure and Applied Sciences

## Academic Programs

During the 2018/2019 Financial Year, the University offered three programs at Certificate level, ten programs at Diploma, fifty-one Bachelors programs, two Post Graduate Diploma programs, thirty Masters and twenty-four at the Doctoral level as shown in Table 5.

Table 5: Academic Programs 2018/2019FY

LEVEL	No. OF PROGRAMS	MODE OF STUDY
Skill Enhancement Programs (Short Course)	2	Full Time (Max. Duration: 3 Months)
Certificate	3	Full Time
Diploma	14	Full Time and Part- Time
Post Graduate Diploma	2	Full Time, and Part- Time
Bachelors	51	Full Time, Institutional Based and Part Time
Masters	30	Full Time and Part Time
Doctoral	24	Full Time and Part Time.

## Student Enrolment

During the 2018/2019 Financial Year, the University had a total of 5273 continuing students and enrolled 1726 new Government Sponsored students and 329 Self Sponsored Students. Grand total enrollment is as shown in Table 6.

Table 6: Student Enrolment

Total number of Continuing students	No. of New students		Grand Total
	SSP	KUCCPS	
5273	329	1726	7328

The growth pattern in student enrolment over the past eight cycles is as presented in Table 7 and Figure 1 below:

Table 7: Growth pattern in student enrolment

ACADEMIC YEAR	STUDENT ENROLLMENT
2008/2009	755
2009/2010	1575
2010/2011	1784
2011/2012	3073
2012/2013	3839
2013/2014	4742
2014/2015	5505
2015/2016	6746
2016/2017	6978
2017/2018	6535
2018/2019	7328

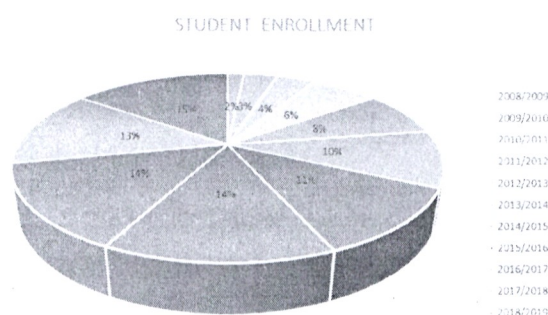


Figure 1: Student Enrollment

The University graduated 789 Undergraduates, 19 Certificates, 91 Diplomas, 20 Post Graduate Diploma, 34 Masters, 789 Undergraduates, 3 PhDs totaling to 956 graduands during its 6<sup>th</sup> Graduation Ceremony held on 20<sup>th</sup> December, 2018. Cumulatively, the University has graduated a total of 5,098 graduands since award of Charter.

## Student Affairs

Students come to Pwani University from diverse

backgrounds and with varied expectations and mind sets. The majority of these students are young adults who are still grappling with the realities of life and self-discovery. These students face challenges of peer pressure, Alcohol and Drug abuse, HIV/AIDS among others. Pwani University has an obligation to provide an environment that will mentor these young adults to become responsible citizens. The University has therefore set up an active counseling and mentoring program.

### Research and Extension

The Research and Extension Division is mandated to oversee all research activities in the University and create the necessary environment to encourage research initiatives to start and thrive. In addition, the Division

seeks partnerships with both industry and academia so as to enhance adaptation and utilization of knowledge generated by the University. The Division also manages extension services, both for the purpose of dissemination of technologies and information and also as part of the University's Corporate Social Responsibility (CSR).

### Research Fund

The University initiated an internal research fund and disbursed the fund for the last two (2) Financial Years as shown in Table 8. The University plans to enhance its internally funded research projects from the current maximum of three million to ten million in the 2019/2020 Financial Year.

**Table 8: Research Fund**

Financial Year	Funded Internally		Funded Externally	
	Amount (Ksh)	Number of Research Projects	Amount (Ksh)	Number of Research Projects
2017/2018	3,000,000	Six (6)	9,505,000	One (Multi-disciplinary Project)
			6,214,700	Seven (7) Postgraduate Projects
			45,165,418	One (1) Infrastructure Grant
2018/2019	-	-	4,380,360	One (1) Basic Research to Enhance Agricultural Research

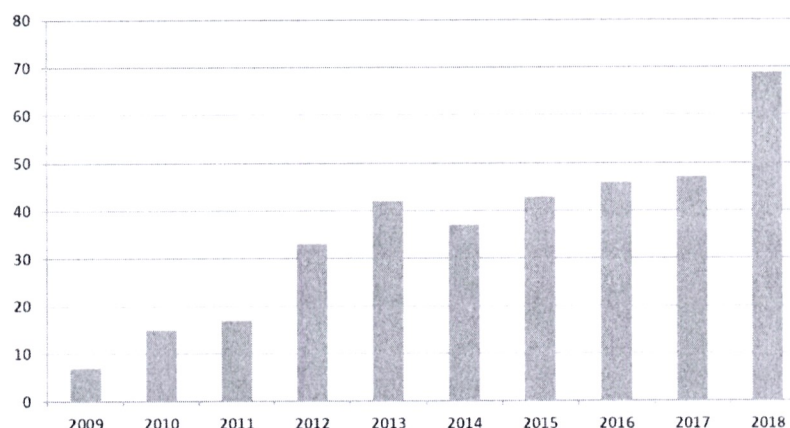
### Conferences

A number of conferences were held within the University, including; (i) Pwani University-Technical University of Munich on Physical Disability Mainstreaming, (ii) Horticulture Research Group, and (iii) Program Development.

The division held one International Conference in the second quarter of the 2018/2019. Three seminars were organized to provide avenues for the sharing of research findings among Pwani University (PU) scientists.

### Research Publications 2009-2018

Publications by Pwani University staff have been on upward trend, starting with nine (9) in 2009 to over sixty (60) in 2018.



**Figure 2: Pwani University Research Publication (2009-2018)**

The publications are within the areas of Pure and Applied Sciences, Education, Humanities and Social Sciences, Agriculture, Business, and Health Sciences.

**Extension Services**

The University is actively engaged in fostering partnership and Linkages with other institution of higher learning, research organization, industry and the private sector.

**Outreach Programs**

**Biogas Adaptability**

Pwani University scientists successfully completed adaptability studies on a Biogas Unit at the University farm. The University installed a biogas system (Phase One) for the Students Kitchen in the financial year 2016/2017 to supplement the LPG. By 31st April 2019, a total of 1,474,776 m<sup>3</sup> of biogas had been supplied to the kitchen (Nine months Period, July 2018-April 2019).

**Memorandums of Understanding with Various Stakeholders**

The University has signed and continually implemented memorandums of understanding with more than 60 institutions/organization, within and outside Kenya as shown in Table 9.

Table 9: MoUs

COUNTRY	Number of MoUs signed
Kenya	35
Germany	5
USA	5
China	2
Nigeria	1
Russia	1
Netherlands	2
Sweden	1
Japan	1
Italy	3
UK	2
South Africa	1
Iran	2
India	1
Poland	2
Ireland	1
Total	65

The above collaborations are mainly within the University's core business of teaching, research and extension services to the community and involves, among others,

joint research undertaking, students and staff exchange and conferences/seminars.

**Botanical Garden**

The University has a Botanical Garden that was established with support from the National Environment Management Authority (NEMA). The Botanical garden has been organized into the following thematic areas: (i) beauty and cosmetic plants, (ii) aloe and succulent plants, (iii) wild food plants, (iv) medicinal plants, (v) rare and endangered plants, (vi) grasses, and (vii) timber valued plants. The garden serves as teaching, research facility, and conservation site for endangered plant species, as well as for recreational.

**Community Social Responsibility**

Staff and students jointly held a number of outreach activities in line with the Universities targets for CSR. Some of these include:

**a) Farmers Field Schools**

The University is hosting a World Bank Funded Farmer Field School (FFS) Project that will establish two farmer field experimental plots and a number of outreach sites for FFS field days, demonstrations, and graduation activities. Fifteen (15) Pwani University staff, who have received training as facilitators, will be used as resource persons.

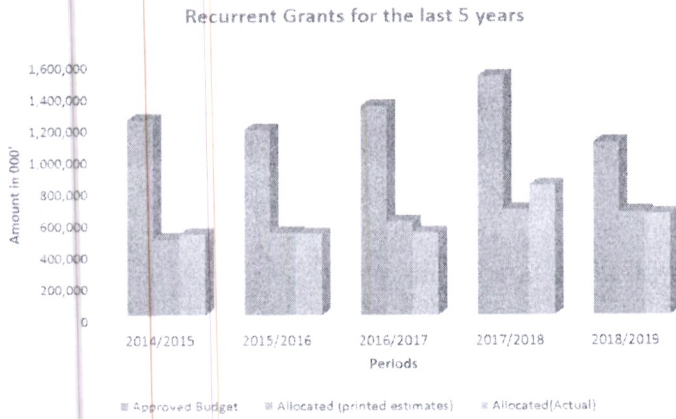
**b) Kwetu Field Day**

The University participated in the Environment Day, held at Kwetu Training Centre on 6<sup>th</sup> June 2019, to create awareness on environmental protection, mangrove and other marine resource conservation, possible research and training opportunities present at the University.

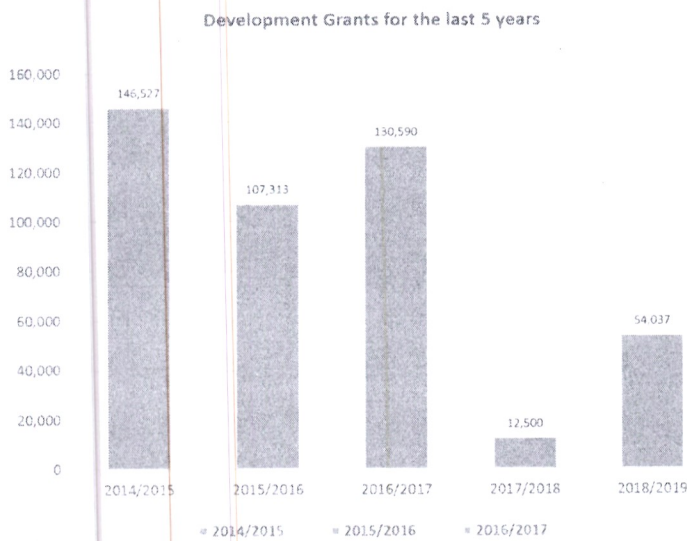
**Financial Performance**

During the period under review, the University Council approved a budget of KShs.1,411,103,000 which was based on the implementation of its Master Plan and Strategic Plan. The Government supported the University by allocating KShs.771,327,000 and KShs.468,639,000 in Appropriation in Aid. This resulted in a shortfall of KShs.171,137,000 This has slowed the implementation of the Master Plan and Strategic Plan for the year under review. However, the University has fully absorbed all allocated funds and is reporting an operational deficit of KShs.41 million.

**Recurrent Grants trends for the last five years**

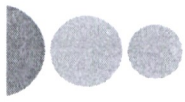


**Figure 3: Recurrent Grants for the last 5 years**



**Figure 4: Development Grants for the last five years**

Pwani University remains focused on achieving its strategic goals and managing the challenges of constrained accommodation and teaching facilities by pursuing modes of teaching and learning focusing on both traditional and new ICT based approaches. The University will continue to support innovative teaching, learning and research. The University is in the process of implementing its flagship projects as per the Strategic Plan 2014-2024. The University planned for and embarked on infrastructure development in order to facilitate increased access to University education. This included construction of additional lecture halls and improvement of other facilities to cater for increasing student enrolment and implementation of new programs.



**Table 12: Flagship Projects**

Project Description	Cost in Millions	Funded by	Remarks	Status
Library and Learning Centre (Phase 1)	350	GOK	On going	98% Complete
Lecture Theatre & Laboratories	143	GOK	On going	90% complete
School of Humanities and Social Sciences	232	GOK	On going	30% complete
School of Agricultural Sciences and Agribusiness	167	GOK	On going	5% complete

During the year under review the University complied with all its statutory obligations including compliance to public procurement regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The University does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

The University identified and recorded in the Risk and Opportunities Register several risks including the emerging risk of terrorism. Mitigation measures were put in place to address the high risks including development of programmes review calendar to reduce the risk of delay in programmes review; construction of lecture theatre and laboratories to address the risk of inadequate teaching and learning facilities, acquisition of full body scanners, continued construction of the perimeter wall, CCTV cameras and flood lights to address security related risks and construction of additional underground water tank to mitigate against unreliable water supply. Risk management and control processes have been in place throughout the period under review and risk re-

view is embedded within the management culture and applied to risks on the register.

The University Council has established an oversight mechanism to ensure that the University meets its financial obligations as they fall due.

Kilifi is an emerging urban area with few physical facilities making it a challenge for our increasing student population to access decent accommodation outside the campus and the University has not managed to secure development funding from GOK for putting up of additional hostel facilities. The current number of bed spaces is a mere 800 against a student population of approximately 7,000.

Pwani University is sited on 600 acres of land covering a perimeter of about 6km. So far 1.5km is secured with a perimeter wall the rest being exposed to both squatters and intruders posing a serious security risk. It is our hope that efforts to secure adequate development funding from the Ministry of Education shall bear fruits in the coming financial year.

VICE-CHANCELLOR

# CORPORATE SOCIAL RESPONSIBILITY

## FY 2018/2019

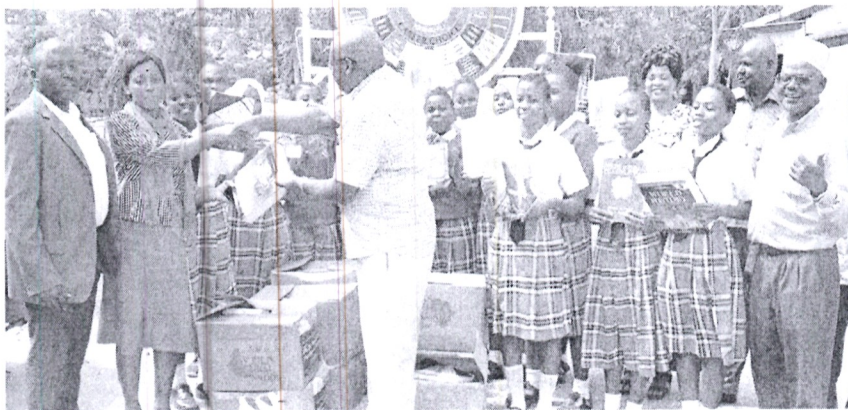
In line with Pwani University's core mandate and fulfillment of Corporate Social Responsibility, the University has:

**a) Co-sponsored an environmental sensitization project involving tree planting activities organized by KWETU.**



The University co-sponsored an environmental sensitization project involving tree planting activity organized by KWETU at Kwetu Training Centre on 6<sup>th</sup> June 2019 which aimed at planting 1,000,000 Moringa plants in Kilifi County. Other sponsors included Mayfair Bank and Insurance Company and Base Titanium Ltd. The activity attracted over 100 participants.

**b) Donation of text books to a number of institutions**



In partnership with Books for Africa, the University donated about 2,106 volumes of books to 20 primary schools, 20 secondary schools within the coastal region of Kenya.

The Dean, Graduate School, Prof. Mulewa Mwatete (left) hands over donated Girls' High School, Kilifi. The Librarian Mr. Moses Isutsa, far left, also participated in the event.

**c) Community clean-up and hygiene**



Members of the Tourism Club at Bofa beach for the beach clean-up activity during the International Coastal Clean-up Day.



# REPORT OF COUNCIL

The Council submits its report together with the audited financial statements for the year ended June 2019, which show the state of affairs for Pwani University.

## Principal activities

The principal activities of the University as provided for in the Pwani University Charter 2013 include:

- a) To provide directly or in collaboration with the other institutions higher learning, facilities for University education and research including technological, scientific and professional education.
- b) Conduct research and create knowledge
- c) To determine who may teach and what may be taught and how it may be taught in the University.
- d) Conduct examinations.
- e) Grant degrees, diplomas, certificates and other awards.
- f) Participate in commercial ventures and activities that promote the objectives of the University
- g) Provide opportunities for development and further training for staff of the institution and promote community service.
- h) Play an effective role in social development and expansion of opportunities in line with the University's aims and objectives.

## Results

The results of the University for the Year ended June 30th 2019 are set out on pages 30 to 34.

## Dividends

Pwani University being a wholly owned Government not for profit entity does not pay dividend to the Government of Kenya.

## Council

The members of the University Council who served during the year in accordance with the regulation of the Pwani University Statutes 2013 are shown on page 8 and 9

## Auditors

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

By Order of the Council



CHAIR OF COUNCIL, PWANI UNIVERSITY

Date...16/01/2020.....

# STATEMENT OF COUNCIL RESPONSIBILITIES

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

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

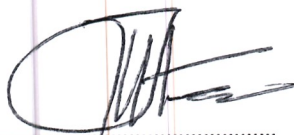
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the University;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the University Act. The Council members are 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, 2019, and of the University's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

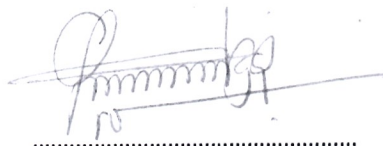
Nothing has come to the attention of the Council members to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

## Approval of the financial statements

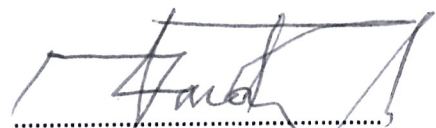
The University's financial statements were approved by the Council on 25th September, 2019 and signed on its behalf by



**Dr. Musangi J. Mutua, PhD**  
CHAIR OF COUNCIL



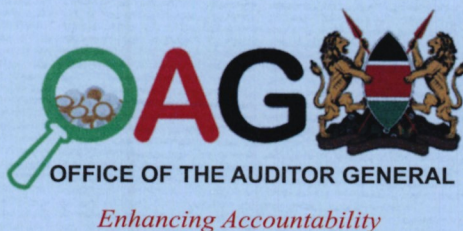
**Mr. Samuel M. Nyachae**  
CHAIR, FINANCE AND PLANNING



**Prof. Mohamed S. Rajab, PhD. EBS**  
VICE CHANCELLOR

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON PWANI UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Pwani University set out on pages 30 to 58, which comprise statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 believe, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Pwani University as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Going Concern

The statement of comprehensive income for the year ended 30 June, 2019 reflects a deficit of Kshs.41,024,000, resulting in accumulated surplus of Kshs.168,764,000 down from Kshs.209,788,000 reported in year 2017/2018. Further, the current liabilities balance of Kshs.420,608,000 exceeded the current assets balance of Kshs.345,218,000, resulting in a negative working capital of Kshs.75,390,000 as at 30 June, 2019. Under the circumstances, the financial statements have been prepared on a going concern basis.

If measures are not put in place to reverse the trend, the University is likely to face financial challenges in future.

## **2.0 Property, Plant and Equipment**

The statement of financial position and as disclosed under Note 25 to the financial statements reflects property, plant and equipment balance of Kshs.1,687,895,000. The following observations were made:

### **2.1 Land**

As reported previously, included in the property, plant and equipment figure of Kshs.1,687,895,000 is land valued at Kshs.116,045,000. This includes an un-surveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000. However, information availed for audit review indicated that the University is yet to obtain the title deed for the parcel of land.

Consequently, the ownership of land balance of Kshs.116,045,000 as at 30 June, 2019 could not be confirmed.

### **2.2 Fully Depreciated Assets**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,687,895,000. Included in the assets register are three thousand and fifty-nine (3,059) assets worth Kshs.252,043,000 whose net book value is Nil. The assets have not been revalued to reflect their fair carrying value in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) 17.

In the circumstance, the value of the property, plant and equipment may be understated.

## **3.0 Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.93,095,000. The following observations were made:

### **3.1 Students Debtors**

Reflected under Note 22 to the financial statements is student debtors amounting to Kshs.73,955,000 out of which debtors amounting to Kshs.18,248,439 related to institutional-based programme for the year 2018/2019. The programme is being phased out by the University and the recoverability of these debts is in doubt. The University Management had not made provisions for doubtful debts relating to the account.

In the circumstances, recoverability of student debtors balance of Kshs.73,955,000 is in doubt.

### **3.2 Other Debtors**

Reflected under Note 22 to the financial statements for the year ended 30 June, 2019 is other debtors balance of Kshs.4,308,000. This includes an amount of Kshs.134,358 relating to former staff. It is not clear and the Management has not explained why the dues were not recovered prior to clearance of the officers.

Consequently, the recoverability of Kshs.134,358 owed by former staff is in doubt.

#### 4.0 Revenue from Rendering Services

The statement of financial performance reflects Kshs.363,417,000 in respect of revenue from rendering services. Included in this balance is tuition fees revenue amount of Kshs.225,122,000 comprising Kshs.90,235,000 for Joint Admission Board and Kshs.134,887,000 for self-sponsored programme. However, audit examination of ledger revealed that tuition fees revenue was recognized based only on students who paid the tuition fees instead of registered students for the semesters. This is contrary to International Public Sector Accounting Standard (IPSAS) No. 9 which provides that revenue is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. The accounting treatment also violates the University's own policy on recognition of revenue from rendering services which states that, "student fees are recognized when the student register for semester".

Consequently, the accuracy and completeness of revenue from rendering services figure of Kshs.363,417,000 for the year ended 30 June, 2019 could not be confirmed.

#### 5.0 Trade and Other Payables from Exchange Transactions

The statement of financial position and as detailed under Note 28 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.403,294,000. The following anomalies were observed:

##### 5.1 Student Fees

Included in the trade and other payables balance of Kshs.403,294,000 is student fees amount of Kshs.49,030,000, which relates to fees paid in advance. The student fees include an amount of Kshs.7,020,522 owed to students who registered between the period 2008 and 2013 and who were supposed to have graduated. It is not clear why the fee was not refunded upon clearance or why it was not absorbed as part of the fees for courses taken.

As a result, the accuracy, completeness and obligation of student fees of Kshs.7,020,522 as at 30 June, 2019 could not be ascertained.

##### 5.2 Other Liabilities

The trade and other payables balance of Kshs.403,294,000 includes other liabilities amount of Kshs.157,653,000. The other liabilities balance includes unallocated receipts amount of Kshs.19,472,000 which Management has attributed to insufficient details of the beneficiaries. As a result, revenue from rendering services is understated while student debtors are overstated by Kshs.19,472,000 for the year ended 30 June, 2019.

Further, included in other liabilities balance of Kshs.157,653,000 are various conditional donor grants as detailed below:

Grant	Amount (Kshs.)
NRF Project Funds	45,165,000
African Research KEMRI	14,219,000
Research Fund - Niche Ken	1,028,000

<b>Grant</b>	<b>Amount (Kshs.)</b>
Research Fund-BMGF	5,650,000
NRF Grant	6,158,000
FAO Research Grants	2,240,000
<b>Total</b>	<b>74,460,000</b>

It was not clear why the conditional grants were recognized as liabilities whereas there was no evidence that either the grant condition had been violated or the amounts related to unspent balances from completed projects and which are supposed to be refunded to the donors/sponsors. The classification as liabilities does not comply with International Public Sector Accounting Standard (IPSAS) No.28 on the definition of financial liability.

Consequently, the accuracy, and completeness of other liabilities amount of Kshs.157,653,000 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Budgetary Controls and Performance**

During the year under review, the University had a budgeted expenditure amounting to Kshs.1,210,115,000 against actual expenditure of Kshs.1,250,972,000 resulting to an over expenditure of Kshs.40,857,000 or 3% of the final budget. However, supporting evidence for prior approval by the University Council, the Cabinet Secretary responsible for higher education and The National Treasury for the excess expenditure of Kshs.40,857,000 was not availed for audit verification. This is contrary to Section 12 of the State Corporations Act, 2012 Revised Edition which states that a state corporation shall not incur any expenditure for which provision has not been made in an annual estimate prepared and approved without the prior approval in writing of the Minister and the Treasury.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **Staff Honoraria**

During the year under audit, a total of Kshs.3,098,000 was paid to various staff as honoraria. However, the allowance was paid in cash outside the payroll system and was not among the allowances listed in Salaries and Remuneration Commission Circular Ref. No: SRC/ADM/CIR/1/13 Vol. III (126) of 10th December 2014. Further, the honoraria payment was not subjected to income tax. Non-compliance with tax rules exposes the University to penalties and fines by Kenya Revenue Authority.

Consequently, the University made an irregular payment of honoraria amounting to Kshs.3,098,000 and the Management is 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 SYSTEMS AND GOVERNANCE

### **Conclusion**

As required by Article 229 (6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the Council**

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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 applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information 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.

  
Nancy Gathungu  
AUDITOR-GENERAL

**Nairobi**

**26 April, 2021**

# STATEMENT OF FINANCIAL PERFORMANCE

For the Year ended 30 June 2019

	Note	2018-2019 Kshs. '000	2017-2018 Kshs. '000
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Transfers from other government - gifts and services in kind	3-A	717,290	819,694
<b>Sub Total</b>		<b>717,290</b>	<b>819,694</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	4	363,417	328,864
Rental revenue from facilities and equipment	5-A	9,782	11,969
Deferred Grant Income*	5-B	23,988	21,252
Other Income	6	95,471	96,499
<b>Sub Total</b>		<b>492,658</b>	<b>458,584</b>
<b>Total Revenue</b>		<b>1,209,948</b>	<b>1,278,278</b>
<b>EXPENSES</b>			
Employee costs	7	888,928	941,442
Depreciation and amortization expense	8	71,435	69,834
Repairs and maintenance	9	13,267	22,975
Research expenses	10	4,586	6,223
Operating expenses*	11	96,387	73,069
Administration expenses	12	5,923	6,117
Teaching expenses	13	29,589	33,495
Catering expenses	14	28,706	35,443
Library expenses	15	1,595	1,580
Health Centre expenses	16	1,240	4,795
Student expenses	17	18,648	19,956
Farm expenses	18	5,735	4,353
Council expenses	19	13,803	12,997
General expenses	20	71,130	40,373
<b>Total Expenses</b>		<b>1,250,972</b>	<b>1,272,652</b>
Deficit for the period		<b>(41,024)</b>	<b>5,626</b>

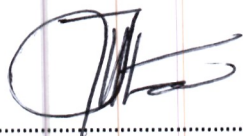
The notes set out on pages 35 to 58 form an integral part of the Financial Statements

# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2019

	Note	2018-2019 Kshs.'000	2017-2018 Kshs.'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalent	21	171,480	197,266
Receivable from exchange transactions	22	93,095	105,783
Receivable from non-exchange transactions	24	76,889	-
Inventories	23	3,754	4,679
<b>Sub Total</b>		<b>345,218</b>	<b>307,728</b>
<b>Non-current assets</b>			
Property, plant and equipment – Tangible	25	1,687,895	1,534,232
Property, plant and equipment – Intangible	26	13,301	17,674
Biological assets	27	7,625	9,328
<b>Sub Total</b>		<b>1,708,821</b>	<b>1,561,233</b>
<b>Total Assets</b>		<b>2,054,039</b>	<b>1,868,961</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	28	403,294	208,054
Refundable deposits from customers	29	16,502	16,096
Provisions	30	812	406
<b>Total Current Liabilities</b>		<b>420,608</b>	<b>224,556</b>
<b>Non-current Liabilities</b>			
Capital Grants	31	1,432,969	1,402,919
<b>Sub Total</b>		<b>1,432,969</b>	<b>1,402,919</b>
<b>Reserves</b>			
Accumulated surplus		168,764	209,788
Revaluation reserve		31,698	31,698
<b>Total Reserves</b>		<b>200,462</b>	<b>241,486</b>
<b>Total Reserves and Liabilities</b>		<b>2,054,039</b>	<b>1,868,961</b>


The Financial Statements set out on pages 30 to 34 were signed on behalf of the University Council by:



Dr. Musangi J. Mutua, PhD  
CHAIR OF COUNCIL



Mwinyi M. Ali  
FINANCE OFFICER  
ICPAK No. 9996



Prof. Mohamed S. Rajab, PhD. EBS  
VICE CHANCELLOR

## STATEMENT OF CHANGES IN NET ASSETS

### For the Year ended 30 June 2019

	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
<b>At July 1, 2017</b>	31,698	204,162	1,411,671	1,647,531
Total comprehensive income	-	(15,626)	-	(15,626)
Capital/Development grants received during the year	-	-	12,500	12,500
Transfer of depreciation/amortisation from capital fund to retained earnings	-	21,252	(21,252)	-
<b>At June 30, 2018</b>	31,698	209,788	1,402,919	1,644,405
	-	-	-	-
<b>At July 1, 2018</b>	31,698	209,788	1,402,919	1,644,405
Total comprehensive income	-	(65,012)	-	(65,012)
Capital/Development grants received during the year	-	0	54,038	54,038
Transfer of depreciation/amortisation from capital fund to retained earnings	-	23,988	(23,988)	-
<b>At June 30, 2019</b>	31,698	168,764	1,432,969	1,633,431



# STATEMENT OF CHANGES IN NET ASSETS

## For the Year ended 30 June 2019

	Revaluation reserve	Accumulated Surplus	Capital/ Development Grants/Fund	Total
<b>At July 1, 2017</b>	31,698	204,162	1,411,671	1,647,531
Total comprehensive income		(15,626)		(15,626)
Capital/Development grants re- ceived during the year	-	-	12,500	12,500
Transfer of depreciation/amortisa- tion from capital fund to retained earnings	-	21,252	(21,252)	-
<b>At June 30, 2018</b>	31,698	209,788	1,402,919	1,644,405
				-
<b>At July 1, 2018</b>	31,698	209,788	1,402,919	1,644,405
Total comprehensive income	-	(65,012)	-	(65,012)
Capital/Development grants re- ceived during the year	-	0	54,038	54,038
Transfer of depreciation/amortisa- tion from capital fund to retained earnings	-	23,988	(23,988)	-
<b>At June 30, 2019</b>	31,698	168,764	1,432,969	1,633,431

# STATEMENT OF CASH FLOW

## For the Year ended 30 June 2019

	NOTE	2018- 2019 Kshs	2017-2018 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	3A ,3B	771,328	832,194
Rendering of services	4	363,417	328,864
Other income, rentals and agency fees	5-A,6,32	239,732	178,020
<b>Total Receipts</b>		<b>1,374,477</b>	<b>1,339,078</b>
<b>Payments</b>			
Compensation of employees	7	888,928	941,442
Goods and services		290,609	261,376
<b>Total Payments</b>		<b>1,179,537</b>	<b>1,202,818</b>
<b>Net cash flows from operating activities</b>		<b>194,940</b>	<b>136,260</b>
Purchase of property, plant, equipment and intangible as- sets	25,26	(220,726)	(54,375)
<b>Net cash flows used in investing activities</b>		<b>(220,726)</b>	<b>(54,375)</b>
<b>Cash flows from financing activities</b>		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25,786)</b>	<b>81,885</b>
Cash and cash equivalents at 1 JULY	21	197,266	115,381
<b>Cash and cash equivalents at 30 JUNE</b>	21	<b>171,480</b>	<b>197,266</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original	Adjustments	Final	Actual on	Perfor-
	Budget		Budget	comparable	mance
				basis	Difference
	2019	2019	2019	2019	2019
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
<b>Revenue</b>					
Government grants and subsidies	640,401	76,889	717,290	717,290	0
Rendering of services	302,551	31,884	334,435	363,417	28,982
Finance income				0	0
Other incomes	132,624	(7,386)	125,238	129,241	4,003
<b>Total income</b>	<b>1,075,576</b>	<b>101,387</b>	<b>1,176,963</b>	<b>1,209,948</b>	<b>32,985</b>
<b>Expenses</b>					
Compensation of employees	888,344	(11,397)	876,947	888,928	(11,981)
Goods and services	264,121	69,047	333,168	362,044	(28,876)
<b>Total expenditure</b>	<b>1,152,465</b>	<b>57,650</b>	<b>1,210,115</b>	<b>1,250,972</b>	<b>(40,857)</b>
<b>Deficit for the period</b>				<b>(41,024)</b>	

### Government Grants

No variance

### Rendering of Service

Variance due to strict policy of fee collection by implementing online registration of student

### Other Incomes

Higher by 4 Million than budget due to improve collection of project levies

### Compensation of Employees

Higher by 11.9 Million than budget due to settlement of part time lecturers' salaries for 2017/2018

### Goods and services

Higher than budgeted by Kshs. 28.8 million due to reclassification of Cleaning services from employee costs and payment of KRA tax assessment

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Pwani 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 University's principal activity is to provide quality education, training, research, outreach and opportunities for innovation for the advancement of the individual and society.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The University's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings which is the functional and reporting currency of the entity. The 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 direct method. The financial statements are prepared on accrual basis

## 3. ADOPTION OF NEW AND REVISED STANDARDS

### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019.

a) **IPSAS 40: Public Sector Combinations-**  
The University did not have any transactions resulting from business combinations and therefore the Standard does not apply to the University.

### b) **IPSAS 41: Financial Instruments**

The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29.

The University intends to adopt this standard on its effective date of 1<sup>st</sup> January 2022

### c) **IPSAS 42: Social Benefits**

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

The University intends to adopt this standard on its effective date of 1<sup>st</sup> January 2022

### ii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2019

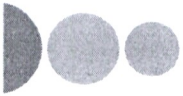
## 4. SIGNIFICANT ACCOUNTING POLICIES

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognized:

- i) **Revenue from non-exchange transactions (Transfer from other government**



### entities)

Transfer from other National Government entities are measured at fair value and recognized on obtaining control of the asset (only amounts received or receivable in relation to the current financial year). Capital grant is recognized as deferred income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. [IAS 20.12]

### ii) Revenue from exchange transactions

#### a) Rendering of services

Revenue from rendering of services recognized at the stage when the outcome of the transaction can be estimated reliably. Student fees are recognized when the student register for the semester

#### b) Sale of goods

Revenue from the sale of goods is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the University

#### c) Interest income

Interest income is accrued using the effective yield method

#### d) Rental income

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

### iii) Budget information

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

### iv) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses or professional valuation. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-ex-

change transaction for nil or nominal consideration the asset is initially measured at fair value.

Depreciation of property, plant and equipment is expensed to statement of financial performance in the following manner:

Furniture and equipment - 12.5% on straight line basis

Buildings - 2% on straight line basis

Motor vehicles - 25% on straight line basis

Computers - 33.3% on straight line basis

### v) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets carried at cost less any accumulated amortization and accumulated impairment losses.

### vi) Biological Assets

Immature Orchard crops relates mainly to Casuarina trees. This crop takes approximately 4 years before harvesting can begin and it has a productive life of approximately 20 years.

Significant assumptions made in determining the fair value of biological assets are:

- Mango and coconut plants will have an average productive life of 30 years.
- Future production and sales estimates are based on budgets approved by the University Council and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of mangoes and coconuts will remain constant based on the average price realized over a number of years.
- Current market prices are used to determine the fair value of short-term crop.

## Financial instruments

### Initial recognition and measurement

Financial assets and liabilities are recognized when the University becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through surplus or deficit) are added to or deducted from fair value of the assets or liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### i) Financial assets

Financial assets are classified at fair value through surplus or deficit at initial recognition.

**Loans and receivables** after initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment.

#### Impairment of financial assets

The University assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

#### ii) Financial liabilities

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

#### iii) Loans and borrowings

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.

#### iv) Inventories

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is mea-

sured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Inventory like library books are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

### V) Research grants

Research funds received from external donors for research purposes, are treated as payables.

#### vi) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) due to a past event. Bad and doubtful debts are provided for after carrying out impairment review to determine the recoverability of the receivable and any associated allowance at a rate of 5%.

#### Contingent liabilities

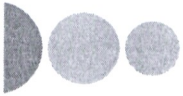
The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### vii) Nature and Purpose of reserves

The Pwani University creates and maintains reserves in terms of specific requirements as follows:



- Capital Grant Reserve – Maintained for acquisition of Capital Assets
- Accumulated surplus reserve – Maintained for posting of surplus and deficits
- Revaluation reserve – Maintained for revaluation of assets.

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

#### viii) Changes in accounting policies and estimates

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

#### ix) Foreign currency transactions

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

#### x) 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. Further borrowing costs are charged to the statement of financial performance.

#### xi) Related parties

A related party is a person or institution with the

ability to exert control individually or jointly, or to exercise significant influence over the University and vice versa. The Government of Kenya and members of key management are regarded as related parties.

#### xii) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand cash at bank and short-term deposits on call 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. For the purpose of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/ or institutions which were not surrendered or accounted for at the end of the financial year.

#### xiii) Comparative figures

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

## II. SIGNIFICANT JUDGMENT AND SOURCES OF ESTIMATION UNCERTAINTY

### *Estimates and assumptions*

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

### *Useful lives and residual values*

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

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 32.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material

#### **Subsequent events**

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. The University has no material non-adjusting events after the reporting date. 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, 2019

# NOTES TO THE FINANCIAL STATEMENTS

NOTE	2018-2019	2017-2018
	Kshs.'000	Kshs.'000
<b>3 Transfers from the national government</b>		
<b>3 A Unconditional grants</b>		
Operational grant	717,290	819,694
<b>3 B Conditional grants</b>	0	0
Other Capital grants -Development	54,038	12,500
<b>Total government grants and subsidies</b>	<b>771,328</b>	<b>832,194</b>
<b>4 Rendering of services</b>		
Tuition fees JAB	90,235	102,901
Tuition fees SSP	134,887	95,743
Activity fees	6,792	6,311
Examination fees	39,018	35,114
Library fees	10,403	9,150
Registration fees	10,096	9,169
Identity card fees	896	1,346
Medical fees	13,787	12,711
Pwani University Student Association (PUSA)	3,280	3,567
Material development	896	1,030
Alumni student income	0	27
Teaching practice	11,000	11,321
Field attachment fees	9,486	11,669
Facilities and material	1,032	535
Thesis development	53	83
Thesis examination	53	83
Computer/ Internet fees	25,809	22,391
Transport	585	517
KUCCPS Placement fees	2,257	2,796
Nursing students Placement fees	1,398	0
Swimming and Diving	525	690
Studio courses	579	800
Indexing fee	350	910
<b>Total</b>	<b>363,417</b>	<b>328,864</b>
<b>5-A Rental revenue from facilities and equipment</b>		
Straight line operating lease receipts	<b>9,782</b>	<b>11,969</b>
<b>5-B Deferred Grant Income</b>		
Deferred income	<b>23,988</b>	<b>21,252</b>
<b>6 Other income</b>		
Student income 6 A	47,758	43,630
Farm income 6 B	6,897	6,230
Guesthouse income 6 C	17,533	32,050
General Income 6 D	23,283	14,589
<b>Total Other Income</b>	<b>95,471</b>	<b>96,499</b>

<b>6 A Student Income</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs'000</b>	<b>Kshs,'000</b>
Application fee	936	1,052
Accommodation fee	8,907	7,738
Sale of food- Students	17,310	17,920
Academic field activity fee	18,909	16,118
Retake fee	1,696	802
<b>Total Student Income</b>	<b>47,758</b>	<b>43,630</b>
<b>6 B Farm Income</b>		
Sale of crop products	166	194
Nursery plants	153	72
Sale of cattle	629	652
Sale of milk	3,140	3,065
Sale of chicken	1,554	1,300
Sale of eggs	689	447
Pilot farm	174	327
Sale of pigs	196	77
Sale of sheep/goat	142	86
Miscellaneous farm income	53	10
Bio-fertilizer project	1	0
<b>Total Farm Income</b>	<b>6,897</b>	<b>6,230</b>
<b>6 C Income Guest house</b>		
Hire of conference Centre	661	792
Sale of food- guest house	13,016	21,341
Hire of rooms guest house	2,491	7,134
Sale of food- Buffalo	1,365	2,783
<b>Total Guest house Income</b>	<b>17,533</b>	<b>32,050</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont...)

6 D *General income	2018/2019	2017/2018
	Kshs' 000	Kshs' 000
Hire of motor vehicles	204	0
Hire of other halls	20	486
Campus tours fees	50	45
Hire of Gowns	10,309	4,023
Hire of Equipment	130	66
Project levies	5,023	593
Research Income	622	766
Convocation fee	24	21
Sale of obsolete items	1,115	0
Interest Income	581	1,023
Msc income	4,848	7,109
Ethics review fee	357	457
<b>Total general income</b>	<b>23,283</b>	<b>14,589</b>

NOTE	2018-2019	2017-2018
	Ksh.'000	Ksh.'000
<b>7 Employee costs</b>		
Employee related costs-salaries and wages	466,162	648,666
Employee related costs-contributions to pension & medical aid	130,320	93,317
Travel, accommodation, subsistence and other allowances	6,450	10,176
Housing benefits and allowances	285,996	189,283
<b>Total employee costs</b>	<b>888,928</b>	<b>941,442</b>
<b>8 Depreciation and amortization expense</b>		
Property, plant and equipment	61,972	60,732
Amortization	9,463	9,102
<b>Total depreciation and amortization</b>	<b>71,435</b>	<b>69,834</b>
<b>9 Repairs and maintenance</b>		
Property	7,197	12,635
Equipment	3,624	3,538
Vehicles	1,408	4,594
Other	1,038	2,208
<b>Total repairs and maintenance</b>	<b>13,267</b>	<b>22,975</b>
<b>10 Research expenses</b>		
Research expenses	2,698	3,509
Botanical garden	-	21
Biotechnology	1,373	2,185
Biogas farm outreach	515	508
<b>Total research expenses</b>	<b>4,586</b>	<b>6,223</b>
<b>11 Operating expenses</b>		
Stationery expenses	7,626	6,293
protective clothing	103	755
Publishing and printing	511	238
Cleaning material	1,373	1,554
<b>Balance c/d</b>	<b>9,613</b>	<b>8,840</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont...)

NOTE		2018-2019	2017-2018
		Kshs. '000	Kshs.'000
<b>11</b>	<b>Balance b/d</b>	<b>9,613</b>	<b>8,840</b>
	Office expenses	1,365	2,170
	Office consumables	0	41
	Telephone	836	850
	Courier and postage	470	675
	Electricity	20,101	17,871
	Sanitary services	304	220
	Water and sewerage	12,121	10,175
	Security	17,677	15,218
	Subscriptions	592	894
	Admission expenses	334	715
	Conferences, seminars and workshops	874	3,352
	External travel expenses	74	0
	Graduation expenses	5,312	5,845
	Fueling of motor vehicles	5,682	6,005
	Corporate social expenses	9	198
	Cleaning Services	21,023	0
	<b>Total Operating expenses</b>	<b>96,387</b>	<b>73,069</b>
<b>12</b>	<b>Administration expenses</b>		
	Show and exhibitions	3	954
	ISO certification	602	3,733
	Audit Fees	812	406
	Provision for Bad Debts	3,698	0
	Bank Charges	808	1,024
	<b>Total administration expenses</b>	<b>5,923</b>	<b>6,117</b>
<b>13</b>	<b>Teaching expenses</b>		
	Teaching materials	2,819	3,397
	Field course expenses	4,076	5,060
	Laboratory materials	0	25
	Examination expenses	2,622	2,703
	External examiners	573	1,388
	Teaching practice expenses	7,654	7,559
	Field attachment expenses	6,503	6,615
	Inspection fees	64	1200
	Accreditation fees	2,912	5,548
	Indexing fees	1,170	0
	Quality Assurance –Students Expenses	1,196	0
	<b>Total teaching expenses</b>	<b>29,589</b>	<b>33,495</b>

NOTES	2018-2019	2017-2018
	Kshs.'000	Kshs.'000
<b>14 Catering expenses</b>		
Gas and fuel - main kitchen	1,356	780
Gas and fuel - guest house	243	196
Foodstuff - main kitchen	21,308	4,803
Foodstuff - guest house	3,973	2,202
Cutlery and crockery - main kitchen	206	369
Cutlery and crockery - guest house	202	427
Beds, beddings, linen - guest house	200	0
Consumables kitchen	31	11
Consumables guest house	437	581
Red buffalo expenses	750	381
External accommodation - guest house	0	38
Perishables	0	25,655
<b>Total catering expenses</b>	<b>28,706</b>	<b>35,443</b>
<b>15 Library expenses</b>		
Newspapers and magazines	114	534
Library books and journals	383	140
Library subscriptions	1,008	906
Repair of books	90	0
<b>Total Library expenses</b>	<b>1,595</b>	<b>1,580</b>
<b>16 Health centre expenses</b>		
Medicines	992	4,325
Other medical expenditures	248	470
<b>Total Health expenses</b>	<b>1,240</b>	<b>4,795</b>
<b>17 Student expenses</b>		
Sports games and tournaments	3,537	5,387
Student welfare	3,253	4,143
Student activities	0	0
PUSA expenses	4,177	6,101
Student medical expenses	9	5
Bursary awards	1,000	828
Aids control unit	340	580
Students placement KUCCPS	1,458	2,912
Studio Courses	1,062	0
Student Identification cards	390	0
Nursing Clinical Placements	3,422	0
<b>Total student expenses</b>	<b>18,648</b>	<b>19,956</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont...)

NOTES		2018-2019	2017-2018
<b>18</b>	<b>Farm expenses</b>	<b>Ksh.'000</b>	<b>Ksh.'000</b>
	Farm maintenance	3,823	3,322
	Purchase of animal feeds	1,869	910
	Vet services and supplies	43	121
	<b>Total farm expenses</b>	<b>5,735</b>	<b>4,353</b>
<b>19</b>	<b>Council expenses</b>	<b>13,803</b>	<b>12,997</b>
		<b>13,803</b>	<b>12,997</b>
<b>20</b>	<b>General expenses</b>		
	Insurance expenses	3,581	6,335
	Legal services	4,506	4,504
	Consultancy fees	0	0
	Advertising and publicity	3,000	2,604
	Networking and software	22	0
	Internet connection	12,083	14,350
	Staff honoraria	3,098	4,620
	Senate Expenses	555	1,015
	Bursary expenses	0	129
	Departmental meeting	979	3,153
	Funeral Expenses	90	96
	Staff development	1,718	1,719
	Staff fees subsidy	829	355
	Miscellaneous expenses	403	857
	<b>Balance c/d</b>	<b>30,864</b>	<b>39,737</b>

NOTES			2018-2019	2017-2018
			Ksh.'000	Ksh.'000
20	<b>Balance b/d</b>		<b>30,864</b>	<b>39,737</b>
	Office furnishing		9	39
	Ethics review		371	180
	Management Board Meetings		190	417
	Academic regalia		297	0
	Land Rates		131	0
	KRA Taxes		39,268	0
	<b>Total general expenses</b>		<b>71,130</b>	<b>40,373</b>
21	<b>Cash and Cash Equivalent</b>			
	<b>Financial Institution</b>	<b>Account Name</b>	<b>Account Number</b>	
	<b>a)Current Account</b>			
	Equity Bank	Main Account	0460291566381	1,057
	Equity Bank	Collection Account	0460291566407	85,481
	Barclays Bank	Collection Account	0191046501	13,199
	Barclays Bank	Caution Money Acct	0191068378	16,879
	Barclays Bank	Payment Account	2030242370	4,760
	Kenya Commercial	Collection Account	1109893868	1,183
	Kenya Commercial	Research Account	1114479950	20,959
	Kenya Commercial	Niche/Ken Account	1164789988	3,765
	Kenya Commercial	USD Account	1173114157	13,246
	Cooperative Bank -	Collection Account	01129465157200	4,141
	Mpesa - Account	Utility Account	986450	5,266
	Petty Cash		86	10
	Kenya Commercial	Afya Pwani	1224008103	1,240
	<b>b)Call Account</b>			
	Housing Finance		218	205
	<b>Totals</b>		<b>171,480</b>	<b>197,266</b>
22	<b>Receivable from exchange transactions</b>			
	Student debtors		73,955	83,795
	Provisions for Doubtful Debts		(3,698)	0
	<b>Net Student Debtors</b>		<b>70,257</b>	<b>83,795</b>
	Imprest debtors		14,776	7,613
	Refundable Deposits		1,106	4,879
	Pre-Paid Insurance		357	0
	<b>Balance c/fwd</b>		<b>86,496</b>	<b>96,287</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont...)

	2018-2019	2017-2018
	Ksh.'000	Ksh.'000
<b>Balance b/bd</b>	<b>86,496</b>	<b>96,287</b>
External debtors	2,291	2,041
Other Debtors	4,308	7,455
<b>Total current receivables</b>	<b>93,095</b>	<b>105,783</b>
<b>23 Inventories</b>		
Finance stores –stationery	1,491	1,726
Maintenance stores general	425	307
Main kitchen stores	243	655
Health unit stores	658	1,131
Electrical stores	543	391
Cleaning material store	158	303
Farm inputs and feeds	236	166
<b>Total Inventories</b>	<b>3,754</b>	<b>4,679</b>
<b>24 Receivables from non-exchange transaction</b>		
Grants Ministry of Education June grant-Recurrent	76,889	0
Grants Ministry of Education grant-Development	0	0
<b>Total receivables from non-current exchange transactions</b>	<b>76,889</b>	<b>0</b>

NOTE 25	LAND		WORK IN PROGRESS		BUILDINGS		MOTOR VEHICLES		GENERAL EQUIPMENT		FURNITURE & FITTINGS		COMPUTERS TOTALS	
	Ksh. '000	Ksh. '000	Ksh. '000	Ksh. '000	2%	Ksh. '000	25%	Ksh. '000	12.50%	Ksh. '000	12.50%	Ksh. '000	33%	Ksh. '000
<b>Depreciation Rates</b>														
<b>Cost/ Valuation</b>														
<b>Balance as at 30 June 2016</b>	116,045	560,018	744,136	96,730	115,847	48,641	59,894	1,741,311						
Additions during the year	-	141,765	237,367	5,041	4,433	8,637	10,371	407,614						
Transfers		(237.367)						(237.367)						
<b>Balance as at 30 June 2017</b>	116,045	464,416	981,503	101,771	120,280	57,278	70,265	1,911,558						
Additions during the year	0	25,104	0	3,798	5,853	4,183	9,536	48,474						
<b>Balance as at 30 June 2018</b>	116,045	489,520	981,503	105,569	126,133	61,461	79,801	1,960,032						
Additions during the year	-	173,936	3,804	25,651	4,289	1,339	6,616	215,635						
<b>Balance as at 30 June 2019</b>	116,045	663,456	985,307	131,220	130,422	62,800	86,417	2,175,667						
<b>Depreciation / Impairment</b>														
<b>As at 30 June 2016</b>	-	-	82,378	69,581	75,362	24,365	51,474	303,160						
Charge for the Year			17,174	22,174	11,143	4,511	6,906	61,908						
<b>As at 30 June 2017</b>	0	0	99,552	91,755	86,505	28,876	58,380	365,068						
Charge for the year	0	0	26,971	7,888	10,696	5,405	9,772	60,732						
<b>As at 30 June 2018</b>	0	0	126,523	99,643	97,201	34,281	68,152	425,800						
Charge for the year	0	0	23,987	12,300	11,536	5,354	8,795	61,972						
<b>As at 30 June 2019</b>	0	0	150,510	111,943	108,737	39,635	76,947	487,772						
<b>NET BOOK VALUE June 2018</b>	116,045	489,520	854,980	5,926	28,932	27,180	11,649	1,534,232						
<b>NET BOOK VALUE June 2019</b>	116,045	663,451	834,797	19,277	21,685	23,165	9,470	1,687,895						

3059 assets with a total value of kshs.252,043,000 are fully depreciated and are still in use

## NOTES TO THE FINANCIAL STATEMENTS (cont...)

NOTE	
<b>26</b>	<b>Intangible Assets</b>
	<b>SOFTWARE</b>
	<b>Depreciation Rates</b> 33%
	Ksh.'000
	Cost/ Valuation
	<b>Balance as at 30 June 2016</b> 16,524
	Additions 17,411
	<b>Balance as at 30 June 2017</b> 33,935
	Additions 5,900
	<b>Balance as at 30 June 2018</b> 39,835
	Additions 5,091
	<b>Balance as at 30 June 2019</b> 44,926
	<b>Impairment</b>
	<b>As at 30 June 2016</b> 8,863
	Charge for the year 4,196
	<b>Balance as at 30 June 2017</b> 13,059
	<b>Charge for the year</b> 9,102
	<b>Balance as at 30 June 2018</b> 22,161
	<b>Charge for the year</b> 9,463
	<b>Balance as at 30 June 2019</b> 31,625
	<b>NET BOOK VALUE June 2017</b> 20,876
	<b>NET BOOK VALUE June 2018</b> 17,674
	<b>NET BOOK VALUE June 2019</b> 13,301

**NOTE**

**27. Biological assets**

Biological assets are measured at fair value less cost to sell. Plants are stated at fair value on the escalated average cost, using inflation rate of 10%, of each year of remaining expected life. Livestock was characterized as mature or immature. Market comparison technique was applied in determining the fair value. Market price of livestock of similar age, weight, breed and genetic make-up was used.

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.'000</b>	
<b>Carrying amount at start of the year</b>		
Immature livestock	588	588
Mature livestock	4,673	4,472
<b>Total livestock</b>	<b>5,261</b>	<b>5,060</b>
Immature orchards	10	10
Mature orchards	4,057	4,057
<b>Total orchards</b>	<b>4,067</b>	<b>4,067</b>
Additions during the year-Mature Bull	140	201
Loss arising from changes in fair value attributable to changes in Livestock	(562)	0
Gain arising from changes in fair value attributable to price changes of livestock	0	0
Loss arising from changes in fair value attributable to physical changes of orchards	(1,281)	0
Net fair value (loss)/ gain	(1,703)	0
<b>Carrying amount at end of June</b>		
Immature livestock	834	588
Mature livestock	4,005	4,673
<b>Total livestock</b>	<b>4,839</b>	<b>5,261</b>
Immature orchards	1,006	10
Mature orchards	1,780	4,057
<b>Total orchards</b>	<b>2,786</b>	<b>4,067</b>
<b>Totals</b>	<b>7,625</b>	<b>9,328</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**2018-2019**
**2017-2018**

	Ksh.'000	Ksh.'000
<b>28 Trade and other payables from exchange transactions</b>		
Trade creditors	143,012	64,515
Student fees	49,030	56,756
Other control accounts	11,394	3,381
Payroll control	42,205	19,631
Other liabilities	157,653	63,771
<b>Total payables</b>	<b>403,294</b>	<b>208,054</b>
<b>29 Refundable deposit from customers</b>		
Caution money fees	16,502	16,096
<b>Total Deposit</b>	<b>16,502</b>	<b>16,096</b>
<b>30 Current provisions</b>		
Audit fees	812	406
<b>Total current provisions</b>	<b>812</b>	<b>406</b>
<b>31 Capital Grants</b>		
Opening Balance	1,402,919	1,411,671
Additions during the year	54,038	12,500
<b>Sub Total</b>	<b>1,456,957</b>	<b>1,424,171</b>
Transfer to income Statement	(23,988)	(21,252)
<b>Balance as at 30 June</b>	<b>1,432,969</b>	<b>1,402,919</b>
<b>32 Working capital adjustments:</b>		
Decrease / (increase) in inventories	925	1,354
Decrease / (increase) in receivables from exchange transactions	12,688	23,534
Decrease / (increase) in receivables from non-exchange transactions	(76,889)	106,172
Increase / (decrease) in payables	196,052	(61,451)
Decrease / (increase) in Biological Assets	1,703	0
<b>Net working capital adjustment</b>	<b>134,479</b>	<b>69,609</b>

**33. Financial Risk Management**

The University's activities expose it to a variety of financial risks including credit and liquidity risks. The University's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Council Members. The carrying amount of financial assets recorded in the financial statements representing the enti-

ty's maximum exposure to credit risk without taking account of the value of any collateral obtained is

made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	96,762	93,064	0	3,698
Receivables from non-exchange transactions	76,889	76,889	0	0
Bank balances	171,480	171,480	0	0
<b>Total</b>	<b>345,131</b>	<b>341,433</b>	<b>0</b>	<b>3,698</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	105,783	105,783	0	0
Receivables from non -exchange transactions	0	0	0	0
Bank balances	197,266	197,266	0	0
<b>Total</b>	<b>303,049</b>	<b>303,049</b>	<b>0</b>	<b>0</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal.

#### ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Council, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The

entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2019</b>				
Trade payables	78,756	15,085	49,171	143,012
Current portion of borrowings	0			0
Provisions	0			0
Deferred income	23,988			23,988
Employee benefit obligation	42,205			42,205
<b>Total</b>	<b>144,949</b>	<b>15,085</b>	<b>49,171</b>	<b>209,205</b>
<b>At 30 June 2018</b>				
Trade payables	19,833	0	44,682	64,515
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	21,252	0	0	21,252
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>41,085</b>	<b>0</b>	<b>44,682</b>	<b>85,767</b>

## ii) Market risk

The University Council has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable

parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Committee.

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

## iv) Capital Risk Management

The objective of the University's capital risk management is to safeguard the University's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	31,698	31,698
Retained earnings	168,764	209,788
Capital reserve	1,432,969	1,402,919
<b>Total funds</b>	<b>1,633,431</b>	<b>1,644,405</b>
Total borrowings	0	0
Less: cash and bank balances	(171,480)	(197,266)
Net debt/(excess cash and cash equivalents)	(171,480)	(197,266)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

## 34. Related Party Balances

### a) Nature of related party relationships

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family

members.

The entity is related to

- i) The National Government
- ii) The Ministry of Education
- iii) Key management
- iv) University Council

<b>b) Related party transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>000</b>	<b>000</b>
Transfers from related parties'	771,328	832,194
Transfers to related parties	0	0
	=====	=====
<b>c) Key management remuneration</b>		
	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>000</b>	<b>000</b>
Council expenses	13,803	12,997
Key Management compensation	54,502	52,202
	=====	=====
<b>d) Due from related parties</b>		
Due from Parent Ministry	76,889	0
Due from SC or SAGA	0	0
	-----	-----
	76,889	0
	=====	=====
<b>e) Due to related parties</b>		
Due to the parent Ministry	0	0
Due to SC or SAGA	0	0
	-----	-----
	0	0
	=====	=====

### 35. Contingent assets and contingent liabilities

The University had no pending court cases against it or issued no guarantee to any entity or person during the reporting period.

### 36. Capital Commitments

The University Council did not make any capital commitments during the year 2018/2019

### 37. Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period

### 38. Currency

The financial statements are presented in Kenya Shillings (Kshs).

### 39. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The following is the summary of issues raised by the external auditors, and management responses 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)	Time frame (Put a date when you expect the issue to be resolved)
1	Caution money was not deposited in the designated bank account.	Fees Payment Policy has been revised to include the Management of caution money in clause 2.6	Prof. H. Mondoh DVC (AF&P)	Resolved	N/A
2	University is yet to obtain Title deed for its Land	The University has evicted the squatters and it is currently fencing the area. Processing of the title deed is at an advanced stage and it is expected to be issued in the near future.	Prof. M. S. Rajab Vice Chancellor and PS, Ministry of Lands	Not Resolved	Next Twelve months
3	Failure to put in place guidelines to ensure collection of student debts	The University is finalizing the developing a guidelines to collect the outstanding student debt	Prof. H. Mondoh DVC (AF&P)	Not resolved	Dec. 2019
4	No local purchase orders for Purchase of Fuels	LPO has been issued to the shortlisted supplier of fuel products	Prof. H. Mondoh DVC (AF&P)	Resolved	N/A

### 42. PROJECTS IMPLEMENTED BY THE ENTITY

#### Projects

Project Title	Project Number	Donor	Period / Duration	Donor Commitment	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statement (Yes/No)
N/A						

#### Status of Projects completion

Project	Total project Cost	Total expected to date	Completion % to date	Budget	Actual	Sources of funds
N/A						

# INTER ENTITY TRANSFERS

## a ) Recurrent Grants

Bank Statement Date	RECEIPT NUMBER	Amount	F/Y
02.08.2018	REC-073517	54,455,868.00	2018/2019
30.08.2018	REC-074915	54,455,868.00	2018/2019
01.10.2018	REC-078196	54,455,868.00	2018/2019
07.11.2018	REC-083908	54,455,868.00	2018/2019
03.12.2018	REC-088485	51,188,516.00	2018/2019
27.12.2018	REC-090905	51,188,516.00	2018/2019
01.02.2019	REC-105691	53,366,751.00	2018/2019
07.03.2019	REC-106911	53,366,751.00	2018/2019
28.03.2019	REC-107796	50,099,398.00	2018/2019
02.05.2019	REC-113609	54,455,868.00	2018/2019
06.06.2019	REC-114702	54,455,868.00	2018/2019
28.06.2019	REC-115182	54,455,869.00	2018/2019
11.07.2019	REC-115432	76,889,152.10	2018/2019
<b>Total Recurrent</b>		<b>717,290,161.10</b>	

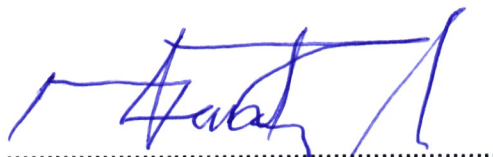
## a) Development Grants

08.02.2019	REC-102041	18,750,000.00	2018/2019
08.02.2019	REC-102080	16,537,500.00	2018/2019
14.02.2019	REC-102468	18,750,000.00	2018/2019
<b>Total Development</b>		<b>54,037,500.00</b>	



**Mwinyi M. Ali**  
FINANCE OFFICER  
ICPAK No. 9996

Date: 16/01/2020



**Prof Mohamed S. Rajab PhD.EBS**  
VICE CHANCELLOR

Date: 16/01/2020

## RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Ministry	Date received as per bank statement	Nature	Total Amount	Statement of financial performance	Capital Fund
<b>Ministry of Education - State Department for University Education</b>					
	02.08.2018	Rec	54,455,868.00	X	
	30.08.2018	Rec	54,455,868.00	X	
	01.10.2018	Rec	54,455,868.00	X	
	07.11.2018	Rec	54,455,868.00	X	
	03.12.2018	Rec	51,188,516.00	X	
	27.12.2018	Rec	51,188,516.00	X	
	01.02.2019	Rec	53,366,751.00	X	
	07.03.2019	Rec	53,366,751.00	X	
	28.03.2019	Rec	50,099,398.00	X	
	02.05.2019	Rec	54,455,868.00	X	
	06.06.2019	Rec	54,455,868.00	X	
	28.06.2019	Rec	54,455,869.00	X	
	11.07.2019	Rec	76,889,152.10	X	
	08.02.2019	Dev	18,750,000.00		X
	08.02.2019	Dev	16,537,500.00		X
	14.02.2019	Dev	18,750,000.00		X
			<b>771,327,661.1</b>		



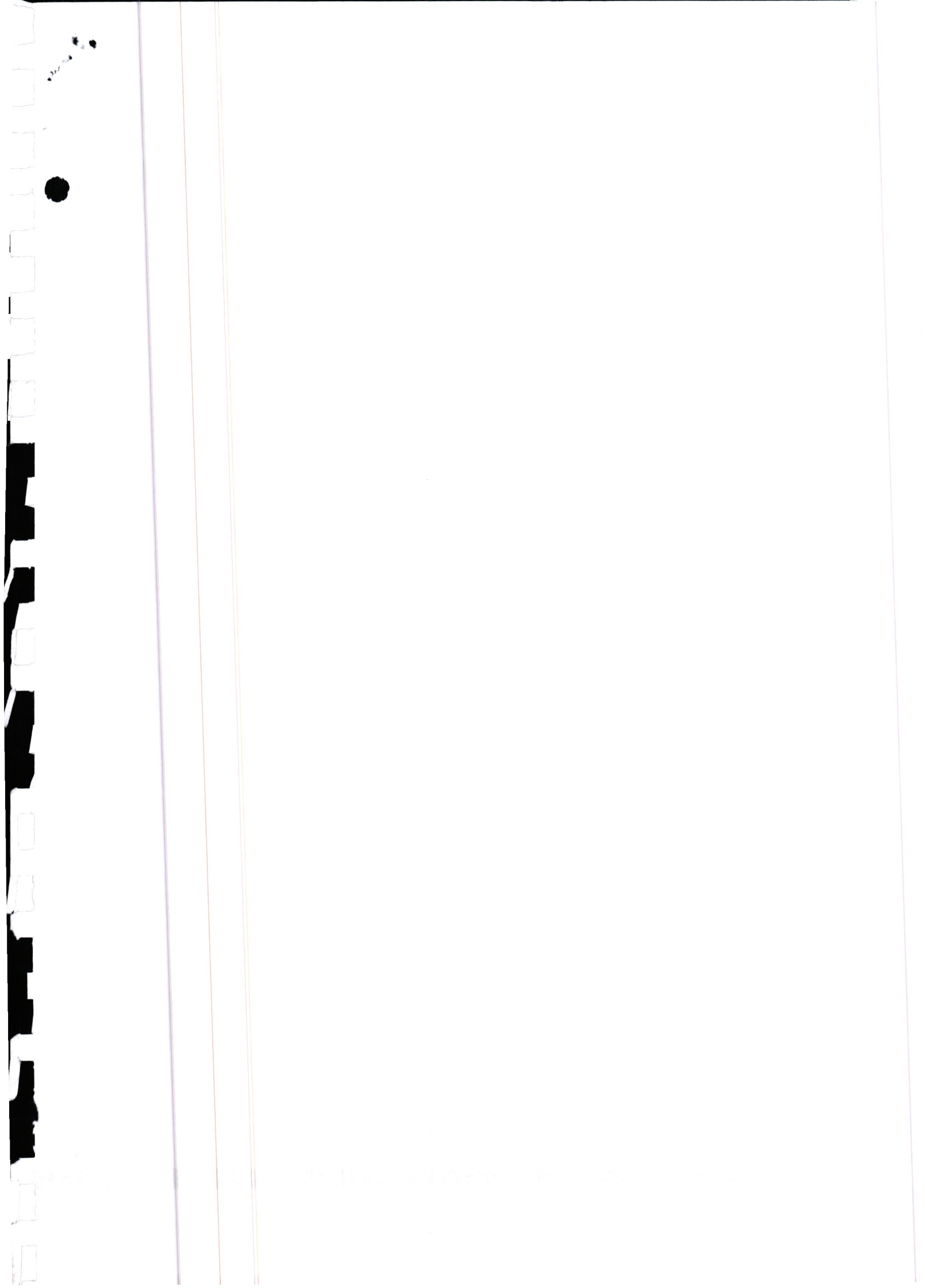
.....  
**Dr. Musangi J. Mutua, PhD**  
CHAIR OF COUNCIL

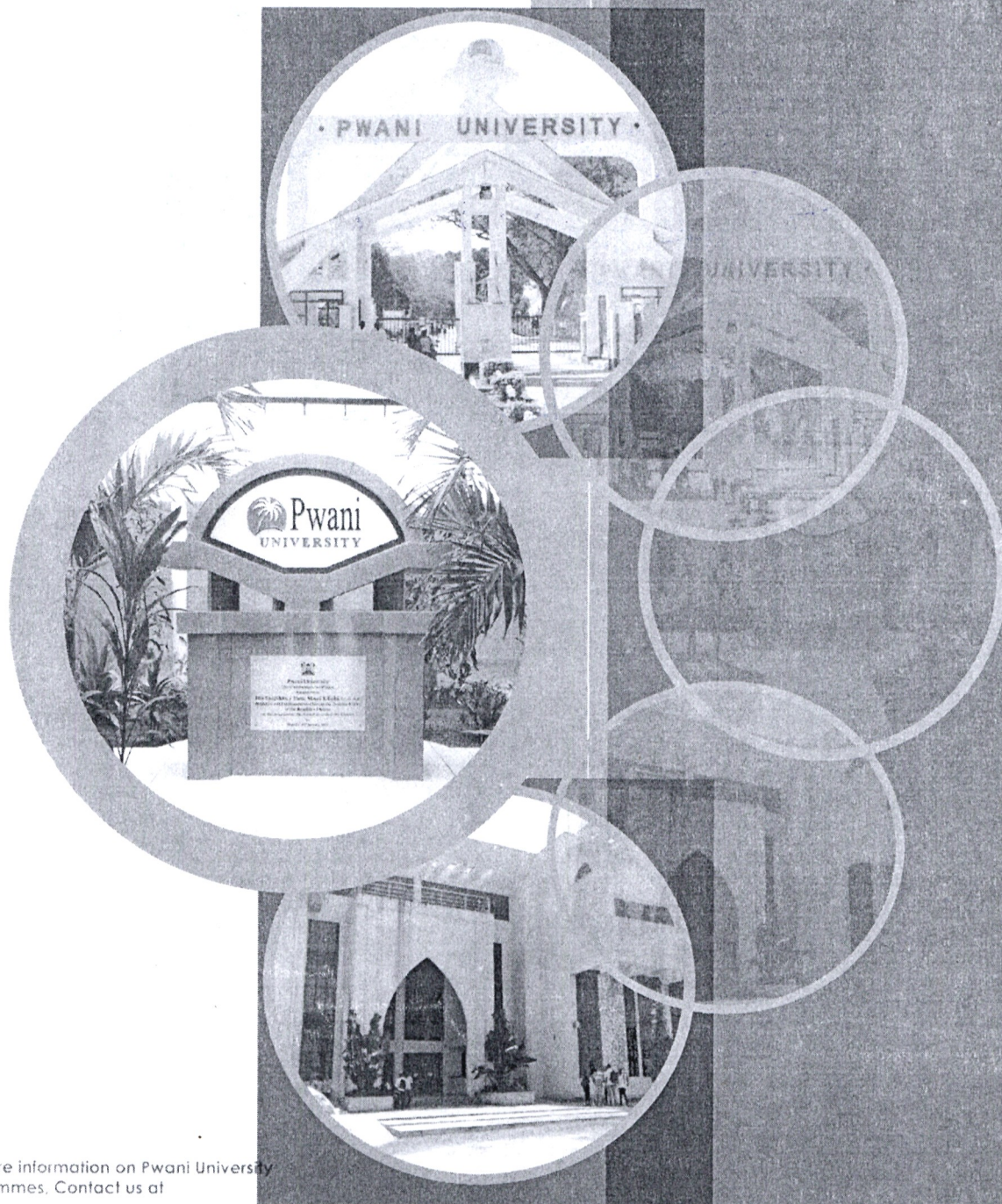
Date: 16/01/2020



.....  
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VICE CHANCELLOR

Date: 16/01/2020





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