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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
GARISSA UNIVERSITY

FOR THE YEAR  
ENDED 30 JUNE 2018





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# **GARISSA UNIVERSITY**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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

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## **KEY UNIVERSITY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

The Garissa University was established as a constituent college of Moi University on 12<sup>th</sup> August, 2011 through Legal Notice No. 116, the Moi University Act (Cap. 210A), and the Garissa University College Order 2011. The University became a fully pledged public University on 23<sup>rd</sup> October, 2017. At cabinet level, Garissa University is represented by the Cabinet Secretary for Ministry of Education Science and Technology (MOEST), who is responsible for the general policy and strategic direction of the University.

### **(b) Principal Activities**

The principal activities of Garissa University is teaching, research and community outreach and its mission is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

### **(c) Key Management**

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

1. Vice-Chancellor's Office
2. Deputy Vice-Chancellor (Academic and Student Affairs Division)
3. Deputy Vice-Chancellor (Finance, Administration and Planning Division)

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June, 2018 and who had direct fiduciary responsibility were:

<b>S.No.</b>	<b>Designation</b>	<b>Name</b>	<b>Role</b>
<b>1.</b>	Ag. Vice-Chancellor	Prof. Ahmed Abdikadir Osman	The Accounting Officer and the overall executive head of the University.
<b>2.</b>	Ag. Deputy Vice Chancellor (Academic & Student Affairs)	Prof. Hussein Golicha Adams	The head of academic division and responsible for academic, research and student affairs of the University.
<b>3.</b>	Ag. Deputy Vice-Chancellor (Finance, Administrative & Planning)	Prof. Stephen Irura Ng'ang'a	The head of finance, administration and planning division and responsible for financial, human resources, administration, development & infrastructural matters of the University.

## KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

### (e) Fiduciary Oversight Arrangements

The University has a Council which provides the overall oversight responsibility on the management of the University which includes:- recruitment of staff, approval of statutes of the University and cause them to be published in the Kenya gazette, approval of policies, approval of the budget, manage, supervise and administer the University assets; determine the provisions to be made for capital and recurrent expenditure and for reserves; receive any grants, donations or endowments on behalf of the University; enter into association, collaboration, partnership or linkages with other entities. The University governing Council exercises its governing and operational functions through its established standing committees with clear Terms of Reference. These committees are: Audit, Risk and compliance (ARC), Academic, Research and Community Outreach (ARCO), Governance, Human Resource and Students Welfare (GHRSW) and Finance, Development and General Purpose (FDGP).

### (f) University Head Quarter

Garissa University  
Main Campus  
P.O. Box 1801 – 70100  
Garissa University Building  
University Way Road, off Kismayu Road  
Garissa, KENYA.

### (g) Contacts

Telephone :( +254) 722 583 900  
E-mail: [vc@garissauniversity.ac.ke](mailto:vc@garissauniversity.ac.ke)  
Website: [www.garissauniversity.ac.ke](http://www.garissauniversity.ac.ke)

### (h) University Bankers

1. Kenya Commercial Bank  
Garissa Main Branch  
P.O Box 560 – 70100  
Garissa, Kenya.
2. Equity Bank  
Garissa Branch  
P.O. Box 700 - 70100  
Garissa, Kenya.

### (i) Independent Auditors




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





### (j) Principal Legal Adviser

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

**THE UNIVERSITY COUNCIL**

The Out-going Council members, who held office up-to 27<sup>th</sup> August, 2017 are as shown:

<p>Council Chairman</p>	 <p>Amb. Dr Hukka Wario B.Ed, M.Ed, PhD</p>	<p>Date of birth- 20/09/1952</p> <p>B.Ed (Nairobi) M.Ed (Nairobi), PhD (Reading)</p> <p>Has over 33 years of work experience. Served as Senior Lecturer Moi University, Ambassador to Zimbabwe, Mozambique, Lesotho, Swaziland and the People’s Republic of China; served as Permanent Secretary in the Office of the Vice President Ministry of Home Affairs, Ministry of the East African Community and also in the Ministry of Northern Kenya and other Arid Lands.</p> <p>He chairs The University College Governing Council.</p>
<p>Council Secretary/ Vice Chancellor</p>	 <p>Prof. Ahmed Abdikadir Osman</p>	<p><b>Date of Birth: 20/01/1960</b></p> <p><b>Prof. Ahmed Abdikadir Osman</b> PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University, 2002); M.Ed (Secondary Education, Ohio University, 1997); MA (International Studies, Ohio University, 1997); BA (English &amp; History, Ohio); Dip Ed (English Language &amp; Literature, Siriba Teachers College, 1984)</p> <p>Has over 30 years of work experience. Currently the acting Principal, Garissa University</p> <p>He is the Secretary to the Council</p>
<p>Member</p>	 <p>Mrs. Florence Lisa Chelimo</p>	<p><b>Date of birth: 8/12/1972</b></p> <p>Graduate with M.Sc. Foods, nutrition and dietetics (Kenyatta university), and MBA Strategic Management (Moi University).</p> <p>Has over 15 years of work experience. Currently working with Teachers Service Commission (TSC) as an Assistant Deputy Secretary, administration department.</p> <p>She chairs the Human Resources Committee of the Council.</p>

Member	 <p>Mr. Julius Mwabu</p>	<p><b>Date of Birth:</b> 29<sup>th</sup> November, 1967</p> <p>MSc – Environmental &amp; Information Systems (JKUAT); Professional Master Degree – Applied Geomorphological &amp; Engineering geological Survey (ITC-Netherlands); BSc – Geology (UoN)</p> <p>Over 20 years in work experience in public sector.</p> <p>He chairs the Finance, Development and General Purpose Committee.</p>
Member	 <p>Mr. Salah Abdi Sheikh</p>	<p><b>Date of Birth:</b> 14/12/1978</p> <p>PhD candidate (JKUAT), MBA Finance (Nairobi), BCom (Nairobi), CPA (K), MKIM</p> <p>Over 10 years of working experience in Auditing, Management Consultancy and Teaching.</p> <p>He chairs Audit and Compliance Committee</p>
Rep. PS National Treasury	 <p>Mr. John Kahugu Munge</p>	<p><b>Date of Birth:</b> 1959</p> <p>CPA-Experience in Finance, Accounting and Investment</p> <p>Over 20 years of working experience in Public Management, Debt, Investments and Finances.</p> <p>He is the Representative of PS-The National Treasury</p>
Rep. PS Ministry of Education, Science and Technology (MoEST)	 <p>Mr. Evans Mugoya Atambo</p>	<p>Date of Birth: 1973</p> <p>PhD candidate (CUEA), M.Phil. In Curriculum Development (Moi), B.Ed. English and Literature (Moi).</p> <p>Over 20 years of working experience in Education Management.</p> <p>He is the Representative of PS-Ministry of Education, Science &amp; Technology (MoEST)</p>

**THE UNIVERSITY COUNCIL (CONTINUED)**

The new University Council members were gazetted and appointed on 26<sup>th</sup> January, 2018 and sworn into office on 26<sup>th</sup> March, 2018.



**Dr. Christopher G. Gakahu**  
**Chairman of Council**




Christopher Gatama Gakahu is currently a principal consultant with Oikos Africa Environment Services Ltd. a firm and a center of excellence dedicated to offering professional services in sustainable development, policy advocacy and programming in areas of energy, environment and natural resources and in climate change mitigation and adaptation. Prior to that he was the Assistant Country Director in charge of programmes in United Nations Development Programme (UNDP) in Kenya where he doubled as the Energy, Environment and Natural Resources advisor and Team Leader for 15 years. While there he played lead role in the review and establishment of national policies, laws and institutions including Ecotourism Kenya, the National Environment Management Authority, Kenya National Cleaner Production Centre, and the Kenya Centre for Energy Efficiency and Conservation among others. Before joining the UNDP Dr. Gakahu worked as researcher and biodiversity advisor at Wildlife Conservation International (WCI) - now African Conservation Centre (ACC) and the International Union for Conservation of Nature (IUCN). Prior to that, he had a ten years academic tenure at University of Nairobi and Moi University in Kenya. He holds a BSc (Hons) and PhD in Zoology - Biology of Conservation from the University of Nairobi. He has also undertaken post-doctoral studies and research at the Aberdeen University in UK, at Griffith University, Brisbane Australia and at San Diego State University - California. He is a GEF and EIA trainer and practioner, expert and a certified in PRINCE2. He has published widely and also edited several books.



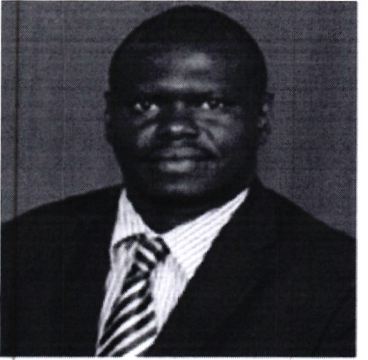

He chairs the University Council






**Dr. Bertha K. Kaimenyi**  
**Member**


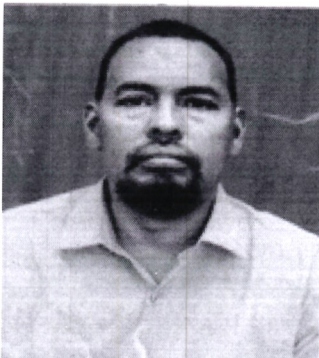
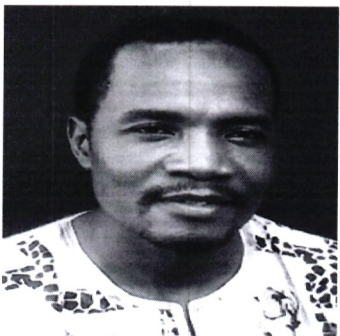

Dr. Bertha Kaimenyi has been working for a period of more than 20 years within the education sector in Kenya in different capacities. She is an entrepreneurship expert and prides herself in starting the first Masters programme on entrepreneurship in Jomo Kenyatta University in 1993. She has held several senior Administrative positions in different institutions of learning. She currently serves as a Director at Kenya Tea Development Agency and a Council Member in the Meru County. Dr. Kaimenyi holds a Doctorate of Education, an Education Specialist and a Master of Arts from Andrews University, Berrien Springs. She holds a Bachelor of Business Administration (Management) from the University of Eastern Africa, Eldoret, Kenya. She chairs the Academic, Research & Community Outreach Committee of Council


 <p><b>Mr. Jacktone Akelo</b> <b>Member</b></p>	<p>Mr. Akelo holds Master of Arts (M.A.) in Organization Leadership, Eastern University-USA; a Master of Science (M. Sc.) in Development Planning and Management, jointly from Kwame Nkrumah University of Science and Technology-Ghana and Technische Universitat Dortmund-Germany and a Bachelor of Science (B. Sc.) in Natural Resources Management – Wildlife Option, Egerton University-Kenya</p> <p>Mr. Akelo currently serves as the Kenya Country Director; Living Water International.</p> <p>He chairs the Governance, Human Resource and Students Welfare Committee of Council</p>
 <p><b>Eng. Mohamed Ali Farah</b> <b>Member</b></p>	<p>A graduate technical engineer by profession, Mr. Farah brings on board vast experience from different backgrounds. He holds a master’s Degree in community Health &amp; Development from Great Lakes University of Kisumu.</p> <p>Mr. Farah is a member of the Environmental Institute of Kenya; the International Water Association (Hague, Netherlands); a Lead Expert National Environmental Management Authority(NEMA) and last but not least, a member of the Engineers Registration Board (ERB) Kenya.</p> <p>Mr. Farah has also served as a Council Member in the University of Embu.</p> <p>He chairs the Finance, Development and General Purpose Committee of Council</p>
 <p><b>Eng. Emma Kiilu</b> <b>Member</b></p>	<p>Eng Emma Kiilu is a Director of Nemel Kenya Ltd, an energy consulting firm. She is the immediate past Chairperson of the Energy Regulatory Commission (ERC), previously Board member of the Rural Electrification Authority. She joined Ministry of Public Works in 1980 as a graduate trainee, rose through the ranks to become District Works Officer in various stations. She left Government in 1994 to establish her own private practice. Eng Emma Kiilu holds a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration both from the University of Nairobi. She is a registered Consulting Engineer, a member of the Institution of Engineers of Kenya and also a Registered Class A1 Contractor.</p>

	<p>Mr Ogwagwa holds a Bachelor of Arts degree in Economics and Statistics (Egerton University), a Master of Business Administration (MBA) in Operations Management (University of Nairobi). Has consulted in both public and private sector in Strategic Management &amp; planning, Human Resources Management, Business Plans, Performance Contracting Areas, Feasibility Studies, Specialist (Technical) Management Disciplines, Public Service Management Administration and Reforms, Management of HIV/AIDS &amp; Alcohol, Drug and Substance Abuse Programmes, Research and Development (R &amp; D), Workplace Policies and Baseline Surveys, Environmental and Social Impact Assessments (ESIAs) with an experience of over 10(ten) years.</p>
<p><b>Mr. William O. Motari Member</b></p>	<p>He Chairs the Audit, Risk and Compliance Committee of Council</p>
	<p>CPA-Experience in Finance, Accounting and Investment</p> <p>Over 20 years of working experience in Public Management, Debt, Investments and Finances.</p>
<p><b>Mr. John Kahugu Munge Rep. PS National Treasury</b></p>	<p>He is the Representative of PS-The National Treasury</p>
	<p>PhD candidate (CUEA), M.Phil. in Curriculum Development (Moi), B.Ed. English and Literature (Moi).</p>
<p><b>Mr. Evans M. Atambo Rep. PS, State Dept. of Higher Education</b></p>	<p>Over 20 years of working experience in Education Management.</p> <p>He is the Representative of PS-Ministry of Education, Science &amp; Technology (MoEST)</p>
	<p>PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University; M.Ed (Secondary Education, Ohio University; MA (International Studies, Ohio University; BA (English &amp; History, Ohio); Dip Ed (English Language &amp; Literature, Siriba Teachers College)</p>
<p><b>Prof. Ahmed A. Warfa Ag. Vice Chancellor/ Council Secretary</b></p>	<p>Has over 30 years of work experience. Currently the acting Vice Chancellor, Garissa University and Secretary to the Council</p>

**MANAGEMENT TEAM**

S.No	Name	Key Professional/Academic Qualification	Area of Responsibility
1.	 <b>Prof. Ahmed A. Osman</b>	<p>PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University); M.Ed. (Secondary Education, Ohio University); MA (International Studies, Ohio University); BA (English &amp; History, Ohio);</p> <p>School Administration and Supervision of Instruction, Curriculum planning and Development. Over 30 years of experience in Education.</p>	<p><b>Ag. Vice-Chancellor</b></p>
2.	 <b>Prof. Stephen Irura Ng'ang'a</b>	<p>Doctor of Philosophy in <b>Planning</b> - Maseno University (2011), Master of Philosophy in <b>Entrepreneurship</b> - Moi University (2003), National Diploma in <b>Business Management</b> - The Kenya Institute of Management (1996), Master of Science in <b>Forest Industries Technology</b> - University College North Wales (1993), Graduate Diploma in <b>Timber Technology</b>- Bucks College in United Kingdom (UK) (1990). <b>Diploma in Industrial Education</b>- Kenya Technical Teachers College (1986). Over 30 years' experience in Teaching/Administration</p>	<p><b>Ag. Deputy Vice-Chancellor-</b> (Finance, administration and Planning)</p>
3.	 <b>Prof. Hussein Sheikh Adams Golicha</b>	<p>PhD (Physics) - Egerton University (1999); MSc (Polymer Physics) – Kenyatta University (1990); Bed (Science) Physics/Maths – University of Nairobi (1984).</p> <p>Over 30 years of experience in teaching/ administration</p>	<p><b>Ag. Deputy Vice Chancellor-</b> Academic and students' Affairs (Academic &amp; Student Affair)</p>

4.	 <p><b>Dr. Stephen Rotich, PhD</b></p>	<p>Dr. Stephen Kipkorir Rotich is the Registrar- Academics and students' Affairs (ASA) Division. He has been a senior Lecturer in Research Methods and Education Management, holder of PhD (Education Administration), Moi University, 2014). He has been teaching in University since 2010 and has been a secondary school teacher, principal, trainer of head teachers under KEMI and trainer of secondary teachers under SMASSE.</p>	<p><b>The Registrar</b> (Academic and Students' Affairs)</p>
5.	 <p><b>Mr. Hussein Hajir Hassan</b></p>	<p>PhD (Candidate), Garissa University, MSc Educational Studies: Teacher Education &amp; Development - The University of Oxford UK. Bachelor of Educational Studies (Hons) University of Stirling, Scotland UK.</p> <p>Over 35 years of experience in the field of education both in Kenya and UK, from Classroom Teacher, Deputy Head teacher, Head teacher, Principal, Field Inspector/Education officer, ECD Assistant lecturer, College Tutor/Lecturer and finally County Cabinet Secretary for Education.</p>	<p><b>Head of Administration and Planning</b></p>
6.	 <p><b>Dr. Iddi Webukha Juma, PhD</b></p>	<p>D.Phil. in LIS (Moi University), Library and Information Studies. M.Phil. in LIS (Moi), B.Sc. in IS (Moi). Library and Information Studies</p> <p>17 years working experience in Library and Information related sectors both in institutions of higher learning and the civil society.</p> <p>Professional training in Information Science (IT, Media, Publishing and Records Management) with specialization in Library and Information services.</p>	<p><b>The University Librarian</b></p>
7.	 <p><b>CPA Teddy Kiplagat Bett</b></p>	<p>MBA (Finance)- Kenyatta University, BCom-KCA University, CPA (K) Professional</p> <p>Accountant with over 8 years' experience in auditing and assurance, Accounting and Finance in both Public and Private Sector.</p>	<p><b>Head of Finance Accounting and Finance</b></p>

8.	 <p><b>Mr. Abdulrahman Hamo</b></p>	<p>PhD (Candidate), Garissa University, Masters in Education (MKU), B.Ed Science (KU), Dip. In Science Education (Kenya Science Teachers College).</p> <p>An accomplished Maths &amp; Chemistry Teacher with an excess of 18 years in Teaching and directing students</p>	<b>Head of Student Affairs</b>
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## CHAIRMAN'S STATEMENT

I am pleased to present this Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2018. This was a great year where Garissa University College (GUC) changed status from a Constituent College of Moi University to a fully-fledged University through the award of the Charter by His Excellency President Uhuru Kenyatta on 21<sup>st</sup> October 2017, thus renamed Garissa University (GaU). The University also welcomed the first Chancellor, Hon. Prof. Hellen Sambili and the first Council which was appointed by gazette notice of 26<sup>th</sup> January, 2018 and sworn in to office on 26 March, 2018.

These seminal building blocks are a source of hope for GaU, the youngest and the only University in Northern Kenya with unique social, cultural, economic and environmental conditions. GaU has not only shown its resilience and will power to overcome adversity, but has also served as a source of rededication, patriotism and hope for our motherland.

During the 2017/18 FY, our focus was sustaining implementation of uncompleted projects initiated in the previous financial years. Among the projects whose implementation continued during the reporting period is the 750 Capacity Students Hostel whose current completion rate stands at over 52% , putting in place ICT infrastructure for enhancing service delivery, which is 90% complete, and the implementation of the Enterprise Resource Planning (ERP) software project, which currently stands at 60% complete. The University also enhanced security infrastructure by constructing a masonry perimeter-wall fence with CCTV installation and watchtowers. This project is 85% complete.

All these projects are geared towards improving efficiency and effectiveness in service delivery to staff, students and other stakeholders. They also set a strong foundation for GaU's dream of being among the best innovation & technology based University nationally, regionally and eventually globally.

Council appreciates the significant growth in the number of students from 388 in the academic year 2015/16 to 664 in academic year 2016/17 and 1195 in academic year 2017/18. A gradual growth that is expected to hit the 2000 mark in academic year 2018/19 which will commence in September 2018.

Council achieved in enhancing quality assurance by;

- i) Negotiating, signing and closely monitoring the implementation of the performance contract (PC) for the 2017/18 financial year, which focused on several key result areas such as Financial Stewardship & Fiscal Discipline;
- ii) Monitoring and supporting the University's pursuance for attaining ISO certification; and
- iii) Approval and implementation of five policy documents namely: The Staff Recruitment Policy, Staff Medicare Policy, HIV/AIDS Policy, Staff Training & Development Policy and Staff Welfare Policy. This will enable smooth running of University affairs on a day-to-day basis.

GaU Council also embarked on review of the existing Strategic Plan in order to realign it with the current and future strategic needs of university education in Kenya, and as recommended by the Commission of University Education. The 208-2023 Strategic Plan is expected to be finalized and launched within the second quarter of 2018/2019 financial year.

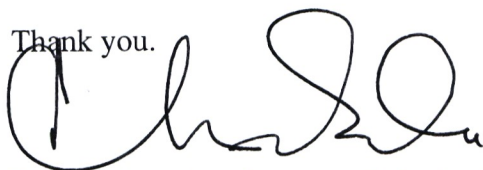
During the FY 2017/2018 the former Council approved, among other things, the year's budget and its accompanying procurement plan and the respective quarterly financial statements that were submitted to national treasury on time.

The Council is also pleased with the efforts of University's management in ensuring prudent management of resources. I wish to thank Garissa University Council members who, through dedication and determination, have provided strategic guidance, direction and oversight through various committees, and the University Management Board for making it possible to collectively make progress. This has further made it possible for the university to establish strategic linkages/partnerships with Garissa County Government, Massachusetts Institute of Technology (MIT)/Harvard, LAPSSET Corridor Project, UNHCR among others , most of which are at formative stage.

I thank the Government for its financial support so far that has made it possible to implement academic programmes and infrastructural development projects. However, I would like to make special appeal for more funding to clear past debts and for completion of capital development projects and to meet recurrent expenditure. These resources will enable Garissa University build new key infrastructure as it prepares to establish its niche nationally and globally.

Finally, I wish to thank the staff, parents, guardians, students, the community, our clients and all stakeholders for their continued support and dedication. We hope that all stakeholders will continue with the zeal to assist Garissa University in its endeavour to achieve greater heights of excellence.

Thank you.



**Dr. Christopher Gatama Gakahu PhD**  
**CHAIRMAN OF COUNCIL**

## **REPORT OF THE VICE CHANCELLOR**

It is my greatest pleasure and privilege to present the Annual Report and Financial Statements of Garissa University (GU) for the year ended 30th June, 2018 as required by the Universities Act of 2012 and Public Financial Management (PFM) Act, 2012.

During the year under review, the University raised Kshs 92,279,668 from students' fees; services rendered and rent collection which was majorly used to finance operations of the institution. The Government contributed Kshs 57,584,926 to support capital development and Kshs. 237,950,131 for recurrent expenditure. The total number of staff as at 30<sup>th</sup> June, 2018 stood at 174 with an additional 74 Casual workers. The University has 27 Police Officers who provides the University with security. With the growth of the University, the staff population is expected to rise.

Garissa University continues to discharge its three core mandates; teaching/training, research and community outreach. The current student population stands at 1195 majority are self-sponsored students. This is an improvement of 531 from the academic year 2016/2017. The student population is expected to increase by the end of financial year 2018/2019. The students are spread into three major schools offering a wide range of programmes. The Schools include: School of Pure & Applied Sciences, School of Business & Economics, School of Education, Arts & Social Sciences. In the financial year 2017/2018 the University Senate approved a new academic programme in the field of Masters of Science in Dry Land Environment and Natural Resources.

The University in its commitment to research was in collaboration with the University of Humboldt (Germany) to investigate on growing of African Indigenous Vegetable (AIV) as an adaptive strategy towards improving food security in Garissa County. GaU also established a training collaboration with the Kijabe Mission hospital which has been offering biannual training on community health to GaU students and staff as well as members of the community.

GaU is also reaching out to new potential partners at both local and international levels and working on processes leading to a possibility of signing Memorandum of Understanding (MOU). This includes partnership with Massachusetts Institute of Technology to establish a center for science, technology and innovation within GaU premises which is still ongoing. On the same visceral sense, we have commenced building rapport leading to initial discussions to partner with Red Cross, UNHCR and Garissa County Government in research and trainings with formalization of the relationships to be undertaken in the year 2018/2019. Towards the end of the financial year 2017/2018, more than ten (10) proposals were written.

The University Council term ended on 27<sup>th</sup> August, 2017 and the University had no council until January 2018 when the new council who were appointed and gazetted. This had an impediment on the oversight role in the financial year 2017/2018.

GaU has realized its potential towards effective resource mobilization activities in the year 2017/2018 which has led to formation of a committee. This realization is not only prompted by the insufficient resources delivered to the institution by the exchequer, but also taking advantage of the geo-political

niche of the university. By so doing, the university is already taking part in activities organized by Ministry of devolution and ASALs in the beginning of financial year 2018/2019.

Significantly, being aware of various development processes and initiatives undertaken by Kenyan government nationally and at county level, GaU has already identified strategic locations relevant for its expansion. A request for allocation of land in Lamu County officially declared as the fastest growing town in Kenya has already been communicated in the year 2017/2018. Same efforts will be replicated to other counties as deemed relevant towards university expansion and growth by the university management and council.

Moreover, the University has been at the center stage of growing and developing competencies of its staff in their relevant departments to improve efficiency and effectiveness in service delivery. Most of these documented trainings, workshops and conferences has promoted achievement of 100% of University's Performance Contracting (PC) commitment awaiting evaluation within stipulated timelines, and effective operationalization of Enterprise Resource Planning system (ERP) which has automated various sections of the university.

Despite these strides made, the University has been faced with the major challenge of insufficient funds for recurrent and development expenditure which have greatly affected its financial operations statements negatively.

On behalf of Garissa University management and staff, I would like to thank the government, our development partners and all the stakeholders for their continued support. I wish to also express my sincere gratitude to the newly appointed University Council for providing policy and strategic guidance with the expected zeal and objectivity; the staff and students who worked tirelessly to ensure smooth and successful operations of the University.

Thank you.



Prof. Ahmed A. Osman, PhD  
**AG. VICE CHANCELLOR**

## **CORPORATE GOVERNANCE STATEMENT**

Garissa University's corporate objective is to create long-term value in academic and research through creation, conservation and dissemination of knowledge. This will be done by nurturing of talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of society as prescribed in the mission statement and through the provision of innovative customer and market-focused academic programmes.

In line with PFM Act of 2012, Sec. 68, Garissa University accounting officer is accountable to the National Assembly for ensuring that the public resources are used in a way that is; lawful and authorised; and effective, efficient, economical and transparent.

### **Corporate Governance Principles**

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards and corporate integrity with respect for others. The University Council's governance role, basis and conduct of business are guided by the University Act no. 42 of 2012; Mwongozo code 2015; Commission for University Education regulations and standards 2014 and Garissa University charter and statutes 2017. As per the Universities Act 2012, the Council is expected to Employ staff, Approve statutes of the University and cause them to be published in Kenya Gazette, approve policies of the university and the budget; Appoint the Vice Chancellor, Deputy Vice Chancellor and Principals of Constituent Colleges through a competitive process and undertake other functions set out under the Universities Act and the Charter of the University.

In our view Governance in the University is not a matter of Council; good governance culture must be permeated through the University system. The current social-economic business and political environment that the University operates underscores the need for continued high standards of corporate governance and accountability. The emerging realities unmasked by the implementation of the constitution and enlarged space for more enlightened clientele calls for diligence in governance.

### **Appointment of new Council**

The first Council came into office vide gazette notice no. 13076 of 27<sup>th</sup> August, 2013 and consisted of a chairperson and six (6) members and their term of service ended on 27<sup>th</sup> August 2017 which fell under the reporting period. The current University Council members were gazetted and appointed on 26<sup>th</sup> January, 2018 vide gazette notice no. 924 and 926 and sworn into office on 26<sup>th</sup> March, 2018 to assume their oversight role as per the University Act of 2012.

### **Size and composition of Council**

Garissa University Council consists of a chairperson and nine (9) members who possess extensive experience in various disciplines all which are applicable in the overall governance of the University. The Council has the right balance of skills and experience appropriate for the University where they all participate in decision making

## Induction and Evaluation

The University was not able to induct the new Council and conduct a SCAC evaluation of the Council in line with the Executive Order no. 7 of 25<sup>th</sup> March 2015 due to various challenges and efforts will be made to ensure this happens in the financial year 2018/2019.

## Council Meetings

The University Council meets at least once in a quarter unless urgent matters call for special meeting. These regular meetings are intended to receive reports from the committees of Council that will have considered the matters in detail. Members receive adequate notice and board papers in advance to enable them review and prepare for the meeting. In all the meetings, the agenda included an item on declaration of conflict of interest and none was declared during the reporting period.

During the FY 2017/2018, the outgoing Council had one (1) full council meeting in July 2017 with no committee meetings. The current University Council had three (3) full council meetings; Audit, Risk and compliance (ARC) two (2) meetings, Academic, Research Community Outreach (ARCO) two (2) meetings, Finance, Development and General Purpose (FDGP) two (2) meetings while Governance, Human Resource and Students Welfare (GHRSW) had no meeting. Individual attendance is as tabulated below.

## Outgoing Council

Full Council meetings attendance and number of meetings held during the year are tabulated below:

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Amb. Dr. Hukka Wario (Chairperson)	1	0	0	1
2.	Prof. Richard Mibey (VC – Moi University)	0	0	1	1
3.	Mrs. Florence Chelimo	0	0	1	1
4.	Mr. Julius Mwabu	1	0	0	1
5.	Mr. Evans M. Atambo	1	0	0	1
6.	Mr. John K. Munge	1	0	0	1
7.	Prof. Ahmed A. Osman (Vice Chancellor/ Secretary)	1	0	0	1
8.	Mr. Salah Abdi Sheikh	0	0	0	0

Note: Mr. Salah Abdi Sheikh resigned in the second half of the FY 2016/2017 to pursue other interests

## Current Council

### Full Council meeting attendance

The Committee members and number of meetings held during the year are tabulated below:

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Dr. Christopher Gatama Gakahu (Chairperson)	2	1	0	3
2.	Dr. Bertha Kaimenyi	2	1	0	3
3.	Eng. Mohamed Ali Farah	2	1	0	3
4.	Mr. Jacktone Akelo	2	1	0	3
5.	Mr. Evans M. Atambo	1	2	0	3
6.	Mr. Hassan Duelle Abdulahi	0	3	0	3
7.	Mr. John K. Munge	2	1	0	3
8.	Eng. Emma Kiilu	2	1	0	3
9.	Mr. William Ogwagwa Motari	2	1	0	3
10.	Prof. Ahmed A. Osman (Ag. Vice Chancellor/ Secretary)	2	1	0	3

Note:

1. Special meetings was to consider financial status of the university
2. Mr. Evans M. Atambo who is a representative of PS MOEST was replaced by Mr. Hassan Duelle Abdulahi

### Council Committees

The University Council has established four (4) standing committees that assist to discharge its functions. These committees are:

#### Audit, Risk and compliance (ARC) Committee

Garissa University Council aspires to use the public resources at its disposal in an efficient and accountable manner. In line with the The Kenya Gazette No. 2690 of 15<sup>th</sup> April, 2016, and PFM Act Sec. 73, an audit committee was established to provide independent advice and assurance of the University's strategy, performance and compliance to different statutes.

In compliance with PFM Regulations, 2015, the committee members have the relevant qualifications and expertise in audit, finance and risk management in public service. At least there is a CPA qualification and a member of a professional body with good standing. The committee has a charter that describes its oversight mandate.

The **ARC** committee plays a key role with respect to the integrity of the entity's financial information, its system of governance, risk and internal controls, and the legal and ethical conduct of management and employees. The committee is required to review and report to the Council on the comprehensiveness, reliability and integrity of internal controls measures; quality assurance and standards required providing effective monitoring of processes, management of risk, recommend to the Council policies in respect to management and control systems on internal business processes including accounting policies, anti-fraud and whistle blowing consider an approved annual audit plan and advice the University Council on matters relating to the security of the University, staff and students and review and advice Council on all matters relating to the risk management framework and internal audit functions of the University.

**The Committee members and number of meetings held during the year are tabulated below:**

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Mr. William Ogwagwa Motari (Chairperson)	2	0	0	2
2.	Mr. Jacktone Akelo	2	0	0	2
3.	Mr. John K. Munge	2	0	0	2
4.	Eng. Emma Kiilu	2	0	0	2
5.	Mr. Hassan Duelle Abdulahi	0	0	2	2

Note:

1. Mr. Evans M. Atambo who is a representative of PS MOEST was replaced by Mr. Hassan Duelle Abdulahi

**Finance, Development and General Purpose (FDGP) Committee**

The committee critically scrutinizes the budget and other financial requirements before they are presented to the full Council. It oversees the University's financial affairs on behalf of the Council; develops strategies to guide the growth of the University and monitors its implementations; Reviewing the University's financial strategy for approval by the Council; Dealing with strategic issues concerning financial risk management and advising the Council appropriately; Reviewing the University's annual financial statements and reporting to the Council; Receiving and considering annual external audit reports submitted by External Auditors and, making recommendations to the Council; Reviewing the University's financial regulations from time to time and recommending any necessary changes in those regulations to the Council.

**The Committee members and number of meetings held during the year are tabulated below:**

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Eng. Mohamed Ali Farah (Chairperson)	2	0	0	2
2.	Dr. Bertha Kaimenyi	2	0	0	2
3.	Mr. John K. Munge	2	0	0	2
4.	Eng. Emma Kiilu	2	0	0	2
5.	Mr. Hassan Duelle Abdulahi	1	0	1	2
6.	Prof. Ahmed A. Osman (Ag. Vice Chancellor/ Secretary)	2	0	0	2

**Academic, Research Community Outreach (ARCO) Committee**

The committee advises on the development and implementation of academic and research programmes and policies; make recommendations for the sourcing, administration and distribution of scholarships; oversee a reward scheme for excellence in teaching, research and extension; receive regular reports from and provide advice to the Deputy Vice Chancellor Academic and Student Affairs on the development of policy and procedures relating to academic and research and consider and report any matter referred to it by the Council and the Senate

**The Committee members and number of meetings held during the year are tabulated below:**

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Dr. Bertha Kaimenyi (Chairperson)	0	0	0	0
2.	Mr. Hassan Duale Abdullahi	0	0	0	0
3.	Mr. William O. Motari	0	0	0	0
4.	Mr. John K. Munge	0	0	0	0
5.	Eng. Emma Kiilu	0	0	0	0
6.	Mr. Jacktone Akelo	0	0	0	0
7.	Prof. Ahmed A. Osman (Ag. Vice Chancellor/ Secretary)	0	0	0	0

**Governance, Human Resource & Students Welfare Committee**

The Committee oversees the formulation and subsequent monitoring and review of policies and strategies on employment of all University staff, including policies on recruitment and selection of, staff development and training, performance management schemes and salaries and other conditions of service; Monitoring key performance indicators as agreed by the Council; Receiving and considering proposals on strategy and policy in all matters relating to the recruitment, reward, retention, motivation and development of the University's staff, and making recommendations to the University Council; Receiving reports from the Management Board relating to promotion, re-grading, the award of additional salary increments and contribution payments to salaried staff; Receiving and considering reports from the Management Board concerning the terms and conditions of service of employees of the University, and making recommendations to the University Council.

**The Committee members and number of meetings held during the year are tabulated below:**

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	MISSED MEETINGS	TOTAL MEETINGS
1.	Mr. Jacktone Akelo (Chairperson)	2	0	0	2
2.	Dr. Bertha Kaimenyi	2	0	0	2
3.	Eng. Mohamed Ali Farah	2	0	0	2
4.	Mr. William Ogwagwa Motari	2	0	0	2
5.	Mr. Hassan Duale Abdullahi	0	0	2	2
6.	Mr. John K. Munge	2	0	0	2
7.	Prof. Ahmed A. Osman (Ag. Vice Chancellor/ Secretary)	2	0	0	2

Note:

1. Mr. Evans M. Atambo who is a representative of PS MOEST was replaced by Mr. Hassan Duale Abdullahi

During the FY 2017/2018 Council approved among other things the budget and its accompanying procurement plan and the respective quarterly financial statements that were submitted to National Treasury on time.

The Council acknowledges the need for strategic partnerships and encourages the participation of the private sectors in our financial matrix. The pressing needs for more financing and the clear needs for transparency makes engagement with and reporting to the government and other stakeholders more important. The increasing requirement for prudent financial management has heightened the level of interest in the university's approach to risk management and assurance.

*Garissa University: Annual Report and Financial Statements for the year ended June 30, 2018*

The Council governs the University consistent with the stated business strategy indicated in the University's values of equity, team work, meritocracy, accountability, academic freedom and excellence, and probity all contributing to the commitment to transparency and high-quality governance system.

Garissa University incurred a total expenditure of **Kshs 5,621,794** in facilitating the council to attend meetings which includes a monthly allowance of **Kshs 87,000** (Gross) for the chairman and **Kshs 100,000** for the Chancellor.

S/NO	NAME	POSITION	1st QUARTER Kshs' 000	2nd QUARTER Kshs' 000	3rd QUARTER Kshs' 000	4th QUARTER Kshs' 000	GROSS PAY Kshs' 000
1	Prof. Hellen Sambili	Chancellor	-	48	480	300	828
2	Dr. Luka Huka Wario	Former Chairman	382	-	-	-	382
3	Dr. Christopher G. Gakahu	Current Chairman	-	110	-	527	638
4	Mr. John K. Munge	Rep. PS Treasury	186	-	149	407	742
5	Mr. Evans M. Atambo	Rep. PS MOEST	165	-	145	-	310
6	Mr. Julius Mwabu	Member	177	-	-	-	177
7	Dr. Bertha Kaimenyi	Member	-	-	159	348	507
8	Eng. Mohamed Ali Farah	Member	-	-	110	352	463
9	Mr. Jacktone Akelo	Member	-	-	189	526	715
10	Mr. Hassan Dually Abdulahi	Rep. PS MOEST	-	-	-	45	45
11	Eng. Emma Kiilu	Member	-	-	78	193	271
12	Mr. William Ogwagwa Motari	Member	-	-	154	389	543
	<b>QUARTERLY TOTAL</b>		<b>910</b>	<b>158</b>	<b>1,464</b>	<b>3,089</b>	<b>5,622</b>

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Section A: The University's operational and financial performance

Garissa University resumed full operations during the academic year 2016/2017. In the financial year 2017/18, the University was allocated 441 students by Kenya Universities and Colleges Central Placement Service (KUCCPS) but only 277 students reported. The shortfall may be attributed to the stigma created by the attack and this has affected our Appropriations in Aid (A-in-A) resulting to operational deficit in the reporting periods.

### Section B: University's compliance with statutory requirements

Garissa University has complied with all the statutory requirements issues that may expose the University to potential contingent liabilities.

### Section C: Key projects and investment decisions the University is planning/implementing

The University has the following on-going projects:

- 1. Construction of 750 capacity Students' Hostel:** - The main objective of this project is to address the gap in the boarding facilities at Garissa University in order to cater for the accommodation needs of the expanding students' population. The project, which is funded by the Government of Kenya, had an initial cost of **Kshs. 427,103,221.60** and is estimated to cost **Kshs. 653,311,521.43** upon variation. The outstanding balance to complete the project is therefore **Kshs. 314,719,722.50**. By the end of the reporting period, the University had made a total payment of **Kshs. 338,591,798.89** representing **52%** of the estimated cost of the project at **49.97%** completion rate
- 2. Construction of Perimeter wall (Fence):** - The project involves the construction of 2.4 kilometres perimeter wall, two (2) gates, four (4) sentry rooms and installation of surveillance cameras and two (2) watch towers at a cost of **Kshs. 123,265,532**. The project is intended to boost security within the University premises. At the end of reporting period, the project was about **85%** complete and a sum of **Kshs. 105,070,348** had been paid to the contractor. The outstanding amount is **Kshs. 18,195,184**
- 3. Enterprise Resource Planning (ERP) Project:** - An ERP project was awarded at a cost of **Kshs. 16,894,603** in 2016/17 financial year and it's at implementation stage. This project will go a long way into synchronizing University Processes and Operations thereby enhancing efficiency and increasing productivity among members of staff. By the end of the reporting period, the University had paid a sum of **Kshs. 10,136,762** towards the project representing **60%** of the estimated cost of the project. The outstanding balance is **Kshs. 6,757,841**.

**Construction of the borehole:** - This project is funded by the Ministry of Water and Irrigation, through the Northern Water Board, drilled a borehole within the university premises during the financial year 2016/2017 and installed a solar power water pumping system. The project is intended to ensure access to improved safe drinking water and sanitation that are available and

accessible to all students and staff but faces a challenge of high water salinity levels. **The water requires desalination in order to provide the desired quantity and quality of water.**

Once completed, the project will raise the standards of the University's overall water resource management, storage and harvesting capability. By the end of financial year 30<sup>th</sup> June 2018, the project was not fully operational and yet to be handed over to the University.

### **Completed Projects**

**Information Communication Technology (ICT) infrastructure Project:** - The University began the process of automation of its processes and operations. In the financial year 2016/17, ICT infrastructure was laid down at a cost of **Kshs. 32,497,619**. During the period ending 30<sup>th</sup> June, 2018 the project was completed and handed over to the university.

### **Proposed Projects**

The Management has been soliciting for more funds from the government and other well-wishers with a view to undertaking the following projects and accordance with the CUE standards and guidelines (2014) for physical facilities in a University as reflected in the capital development budget 2018/19 FY:

1. Tuition block and Auditorium (Amphitheatre)
2. Library hosting School of Information Science
3. Water Treatment
4. Medical Laboratory
5. Sporting Complex & Graduation Pavilion
6. Rainwater Harvesting
7. ICT, Research & Innovation Hub (Centre)
8. Administration Block

### **Section D: Major risks facing the University**

The following are some risks that the University faced during the Reporting period:

- 1) **Budgetary Provisions-** Following the award of charter, financial needs of the university increased however the availability and allocation of resource from the government has moved from bad to worse, hence increasing the liquidity risk exposure. Compounded by this is the fact that the university has low stream of internally generated revenue that is, it only relies on tuition and accommodation charges from students.
- 2) **Civil Action-** There are employees in university who have been on casual terms for more than three years and may take action to seek redress.
- 3) **Technological risk-**With current software the chance of malware attack is high and this may lead to slow down of computers operation, loss of data and information, poor or no data confidentially among others. Another related risk is the security of servers and ICT office which is poor and finally the lack of disaster recovery policy increase risk exposure of the university on matters technological.

## MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

- 4) **Reputational Risk.** With damaged reputation and poor public perception following the unfortunate incident of April 2015, the university still faces reputational risk whether actual or perceived. Among the likely reputational risk include students' unrest.
- 5) **Fraud and Errors Risk-** Having no computerized accounting system in place, the possibilities of errors and fraud occurring may be high. However, with the ERP in place the risk will be low after it is fully completed and implemented.
- 6) **Strategic risk** –The university face strategic risk because of its failure to attract adequate students whether Government sponsor(GSSP) or Private sponsor(PSSP) this due to several factors among them programs offered, form four performance in 2017 national examination and competition among others.
- 7) **Security risk-** The University faces the risk of terror related attacks like any other part of the country. This aggravated by its proximity to the Somali border. However, the university is in the process of completing the construction of perimeter wall with safety and security features. A police post has also been established and located within the compound and is fully operational and manned by armed administration police officers.
- 8) **Enhanced Security-**Following the unfortunate incident of April 2015, as a measure to boost security, the University continues to support operational expenses for the Government security in place. This is constantly increasing the liquidity risk exposure compounded by the decreasing government capitation the low streams of internally generated income. Furthermore, the University is financially constrained due to the fact that it was directed by the government to meet the funeral expenses for the students and families who suffered from the unfortunate incident.

### Section E: Material arrears in statutory/financial obligations

During the period under review, Garissa University had no material arrears in statutory obligations; however, on her financial obligation, she had pending bills amounting to **Kshs 78,914,438** owed to suppliers and service providers which had been attributed to unrealized internally generated income and the reduction of operation capitation. The University was given an award by KRA for compliance.

In addition, there was an outstanding amount of **Kshs. 3,268,249** that relates to employer pension contributions for the period July 2013-June 2017, which arose from the CBA negotiations by the trade unions in 2017 and that remained unpaid since the ministry did not disburse the funds to the Universities.

### Section F: The University's financial probity and serious governance issues

Garissa University is up to date with its financial probity and there are no serious governance issues

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Garissa University (GaU) recognises that it must integrate its operations to meet the expectations of its stakeholders. These include students, employees, investors, suppliers, the immediate community, the Kenya public and the environment.

In GaU, we recognise that our social, economic and environmental responsibilities to these stakeholders are integral to our business. We have demonstrated these responsibilities through our actions and interventions. During the period under review, GaU carried out various activities aimed at fulfilling its corporate social responsibility as follows:

**i.** On 13<sup>th</sup> November, 2017, GaU organised and took part in a mentorship programme where its lecturers and students visited the Garissa School for the deaf to encourage the students and also assist them in chores such as washing their clothes and conducting general cleaning in the School. They also distributed some food items and drinks. The exercise was meant to integrate the disabled in our society and encouraging them to work hard in their studies.

**ii.** On 14<sup>th</sup> March, 2018, GaU in collaboration with the Norther Eastern Province Kenyatta University Students Association (NEPKUSA) provided accommodation and conference facilities to 38 Officials from Kenyatta University and 1,000 students drawn from Garissa County Schools for a mentorship talk on Life Skills and Career Guidance.

**iii.** On 2<sup>nd</sup> April, 2018 GaU in conjunction with athletics Kenya organised a marathon aimed at forging peace and cohesion with the community and also in commemoration of the 3rd Anniversary of the terror attack that took place in April 2015. Over one hundred persons participated in the marathon.

**iv.** On 4<sup>th</sup> and 5<sup>th</sup> April, 2018 the university in collaboration with the Act, Change and Transform (ACT) movement organized a talk aimed Promoting Peace & Security within North Eastern Region through. It emphasized on the need for partnership with all community, leaning institutions and organizations in Countering Violent Extremists. The stakeholders in the meeting were community representatives, political leaders drawn from Northern Eastern Region (Garissa, Wajir and Mandera) as well as university GaU management and students.

**v.** On 6<sup>th</sup> April, 2018, the Garissa University Red Cross Club hosted a group of 200 Red Cross Volunteers drawn from all over Kenya in the University Lecture Hall Theatre for a Cultural Night after their completion of their Camp that had been undertaken between 2<sup>nd</sup> and 5<sup>th</sup> April, 2018 at the Garissa Show Ground. The aim was to encourage social cohesion and show case culture as well as emphasize on need for caring for one another.

Garissa University will continue to organize and take part in more programmes in the 2018/2019 FY as it holds steadfast in its mandate for carrying out community outreach activities.

## REPORT OF THE UNIVERSITY GOVERNING COUNCIL

The University Governing Council submits their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Garissa University's affairs.

### Principal activities

The principal activity of the Garissa University is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

### Results

The results of the Financial Performance of the University for the Year ended June 30, 2018 are set out on page 1

### Council Members

The members of the University Governing Council who served during the year are shown from page iv to viii.

### Auditors

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

By Order of the University Governing Council



Prof. Ahmed A. Osman, PhD  
**AG. VICE CHANCELLOR**

Date: 2/3/2019

## STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Sections 14, 15 (1) & 33 of the State Corporations Act, require the University Governing Council to prepare financial statements in respect of that Garissa University, which give a true and fair view of the state of affairs of the University at the end of the financial period and the operating results of the University for that period. The 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.

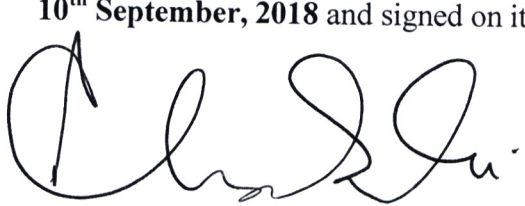
The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University as at the end of the financial year period ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose, with reasonable accuracy, at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Council members are of the opinion that the University's financial statements give a true and fair view of the state of Garissa University's transactions during the financial year ended June 30, 2018, 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 Garissa University's financial statements as well as the adequacy of the systems of internal financial control.

Garissa University requires additional recurrent capitation. However, nothing has come to the attention of the Council Members to indicate that Garissa 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

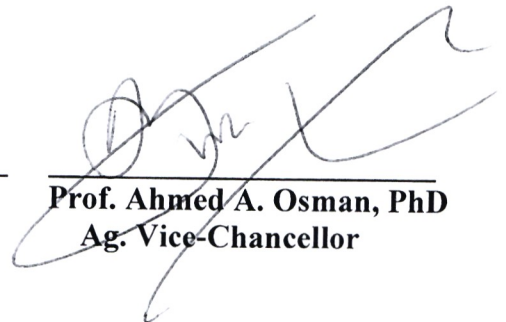
The Garissa University financial statements were approved by the University Council on 10<sup>th</sup> September, 2018 and signed on its behalf by:



**Dr. Christopher G. Gakahu, PhD**  
Chairman of Council



**Eng. Mohamed Ali Farah**  
Chair, FDG Committee



**Prof. Ahmed A. Osman, PhD**  
Ag. Vice-Chancellor

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Garissa University set out on pages 1 to 36, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

#### Basis for Qualified Opinion

##### 1. Financial Performance

The University's current liabilities amounted to Kshs.128,683,481 as at 30 June 2018 while the current assets stood at Kshs.62,942,791 thus resulting in a negative working capital of Kshs.65,740,690. In addition, the statement of financial performance reflects a deficit of Kshs.64,754,556.

In the circumstances, the University's ability to continue as a going concern is dependent on Government and creditors support.

##### 2. Trade and Other Payables from Exchange Transactions

The trade and other payables from exchange transactions balance reflects Kshs.78,914,000 as at 30 June 2018. However, the schedule provided for audit review did not indicate the ageing analysis and therefore it was not possible to ascertain how long the payables have been outstanding.

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

In view of the foregoing, it has not been possible to confirm that trade and other payables from exchange transactions balance of Kshs.78,914,000 as at 30 June 2018 is fairly stated.

### **3. Property, Plant and Equipment**

Included in the property, plant and equipment balance of Kshs.845,388,000 is Kshs.35,000,000 for land on which the University stands. However, the land had no title deed and only had allotment letters as evidence of ownership. No explanation was provided as to why the University had not registered the parcel of land in its legal name despite having been issued with charter as a full-fledged University in 2017. Land without valid ownership documents may lead to illegal occupation and thus loss of public funds.

In the circumstances, the ownership of the property, plant and equipment balance of Kshs.35,000,000 could not be confirmed.

### **4. Irregular Payment of Subsistence Allowances**

Included in the subsistence and travelling expenditure of Kshs.9,463,000 is Kshs.1,842,660 being subsistence allowances for the University's staff. However, it was observed that the relevant documents to support the expenditure such as mode of transport were not availed for audit review while mileage allowances were paid without copies of logbooks. Further, schedules supporting the payments were not signed by the officers to confirm receipt of monies.

In the circumstances, the probity of the expenditure of Kshs.1,842,660 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements of the current year under review. Except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that there were no Key Audit Matters to report in the year under review.

### **Other Matter**

#### **1. Budget Performance**

Statement of comparison of budget and actual amounts for the year ended 30 June 2018 reviewed the following position:

	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Performance Difference	Percentage Rate
<b>Revenue</b>						
Grants & Capitations - Recurrent	237,950,000	37,424,000	275,374,000	275,374,000	(0)	0%
Grants & Capitations - Capital	246,228,000	(188,643,000)	57,585,000	57,585,000	(0)	0%
Tuition & Related charges	110,830,000	-	110,840,000	101,943,000	(8,887,000)	-9%(a)
Other Income	13,594,000	-	13,594,000	11,439,000	(2,155,000)	-19%(b)
<b>Total Income</b>	<b>608,601,000</b>	<b>(151,219,000)</b>	<b>457,382,000</b>	<b>446,340,000</b>	<b>(11,042,000)</b>	<b>-2%</b>
<b>Expenses</b>						
Employee Costs	288,818,000	19,123,000	307,941,000	305,575,000	2,367,000	1%
Operational, Academic & Administrative	99,007,000	20,406,000	119,413,000	120,618,000	(1,205,000)	-1%
Repairs & maintenance cost	1,661,000	0	1,661,000	1,661,000	0	0%
Board Expenses	16,310,000	(5,926,000)	10,384,000	10,254,000	130,000	1%
Capital Expenditure	246,228,000	(188,643,000)	57,585,000	57,585,000	0	0%
<b>Total Expenditure</b>	<b>652,024,000</b>	<b>(155,040,000)</b>	<b>496,985,000</b>	<b>495,693,000</b>	<b>1,292,000</b>	<b>0%</b>
<b>Surplus/Deficit</b>	<b>(43,423,000)</b>	<b>3,820,000</b>	<b>(39,603,000)</b>	<b>(49,352,000)</b>	<b>(9,750,000)</b>	<b>(20%)</b>

Upon analysis of the budget, the following observations were made:

- Amounts anticipated from the exchequer both recurrent and development were below the target.
- There was an under collection of tuition fee.

Underfunding and under collection of revenue may have adversely affected implementation of projects thus hampering in realizing the University's strategic plan. On expenses, the University spent more than the amount budgeted, this can be attributed to factors like the University utilizing Kshs.27,43,626 of retention fund to pay part time lectures and for other operating costs.

The University therefore did not adhere to budgetary policies.

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Compliance with Lawfulness and Effectiveness in use of Public Resources 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**

#### **Employee Costs**

Note 11 to the financial statements reflects that the University spent Kshs.305,575,000 or 78% of its revenue on compensation of employees as at 30 June 2018 contrary to Section 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35% of the National Government's equitable share of the revenue raised.

The management was thus in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Report on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **Lack of Approved Internal Audit Charter**

A review of the operations of the internal audit department revealed that the University has internal audit unit in place. However, it was noted that the Internal Audit Unit operates without approved Internal Audit Charter which is currently in draft form. Lack of approved Internal Audit Charter may impair the operations of the Internal Audit department.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in

all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

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

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

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

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

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

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

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

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

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

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

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

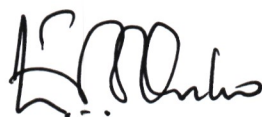
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on

the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.

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

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

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



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

**Nairobi**

**08 May 2019**



**Garissa University: Annual Report and Financial Statements for the Year Ended June 30, 2018**

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

	Notes	2017-2018 KShs '000	2016-2017 KShs '000
<b>Revenue from non exchange transactions</b>			
Public contributions and donations	6	-	35
Government Grants & Capitation	7(a)	275,374	241,550
<b>Sub-Total</b>		<b>275,374</b>	<b>241,585</b>
<b>Revenue from exchange transactions</b>			
Tuition & Related Charges	8	101,943	39,088
Rental Revenue from facilities and equipment	9	4,717	2,758
Sundry Income	10	6,722	2,835
<b>Sub-Total</b>		<b>113,381</b>	<b>44,681</b>
<b>Total revenue</b>		<b>388,755</b>	<b>286,266</b>
<b>Expenses</b>			
Employee costs	11	305,575	228,373
Board Expenses	12	10,254	11,159
Depreciation and Amortization Expense	13	15,292	21,504
Repairs and Maintenance	14	1,661	3,063
General Expenses	15	120,728	71,047
<b>Total expenses</b>		<b>453,510</b>	<b>335,146</b>
Deficit before Tax		<b>(64,755)</b>	<b>(48,880)</b>
Taxation		-	-
<b>Deficit for the period</b>		<b>(64,755)</b>	<b>(48,880)</b>

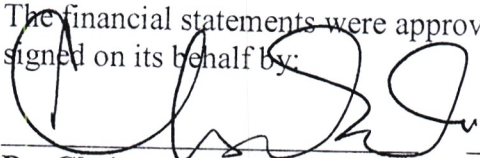
The notes set out on pages 6 to 26 form an integral part of these Financial Statements

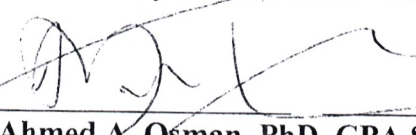
**REPORT OF THE INDEPENDENT AUDITORS ON GARISSA UNIVERSITY**

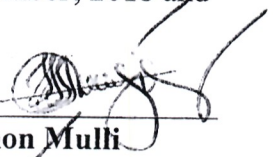
**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

<b>ASSETS</b>	<b>Notes</b>	<b>2017-2018</b>	<b>2016-2017</b>
		<b>KShs' 000</b>	<b>KShs' 000</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	16(a)	27,688	102,463
Trade & Other Receivables	17	26,798	74,831
Inventories	18	8,458	26,188
<b>Total Current Assets</b>		<b>62,943</b>	<b>203,482</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	19	845,388	745,154
<b>Total Non-Current Assets</b>		<b>845,388</b>	<b>745,154</b>
<b>Total Assets</b>		<b>908,330</b>	<b>948,636</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other Payables from exchange transactions	20	78,914	41,243
Refundable Deposits from customers	21	48,283	34,102
<b>Total Current Liabilities</b>		<b>127,197</b>	<b>75,345</b>
<b>Non-Current Liabilities</b>			
Non-current employee benefit obligation		-	-
Deferred tax liabilities		-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>127,197</b>	<b>75,345</b>
<b>RESERVES</b>			
Revenue Reserve		(64,755)	(48,880)
Capital Reserves		545,887	647,492
Revaluation Reserves		300,000	274,679
<b>Total Net Assets</b>		<b>781,133</b>	<b>873,291</b>
<b>TOTAL RESERVES &amp; LIABILITIES</b>		<b>908,330</b>	<b>948,636</b>

The financial statements were approved by the University Council on 10<sup>th</sup> September, 2018 and signed on its behalf by:

  
Dr. Christopher G. Gakahu, PhD  
Chairman

  
Prof. Ahmed A. Osman, PhD  
Ag. Vice-Chancellor

  
CPA Simon Mulli  
A.g Head of Finance  
ICPAK No. 15625

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

	<b>Capital Reserves Kshs '000 Restated</b>	<b>Revaluation Reserves Kshs '000 Restated</b>	<b>Revenue Reserves Kshs '000 Restated</b>	<b>Total Reserves Kshs '000 Restated</b>
<b>As at 1 July 2016</b>	<b>468,323</b>	<b>267,044</b>	<b>4,169</b>	<b>739,536</b>
Surplus/(deficit) for the period	-	-	(48,880)	(48,880)
Transfers to/from accumulated reserves	4,169	-	(4,169)	-
Transfer of excess depreciation on revaluation	-	7,635	-	7,635
Grants received during the year	175,000	-	-	175,000
Revaluation gain	-	-	-	-
<b>As at 30 June 2017</b>	<b>647,492</b>	<b>274,679</b>	<b>(48,880)</b>	<b>873,291</b>
<b>As at 1 July 2017</b>	<b>647,492</b>	<b>274,679</b>	<b>(48,880)</b>	<b>873,291</b>
Surplus/(deficit) for the period	-	-	(64,755)	(64,755)
Transfers to/from accumulated reserves	(48,880)	-	48,880	-
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year	57,585	-	-	57,585
Prior years adjustments	(110,309)	25,321	-	(84,988)
<b>As at 30 June, 2018</b>	<b>545,887</b>	<b>300,000</b>	<b>(64,755)</b>	<b>781,133</b>

**Note:**

**a) Capital reserve**

This represents the net worth of the University for the period ended 30<sup>th</sup> June, 2018 and forms the net assets of the institution. It includes revenue reserves Surpluses for prior periods.

Prior year adjustments under capital reserve of **Kshs. 110,309,052** presents an amount allocated by the government as capital grant and not received of **Kshs. 100,000,000** and **Ksh. 10,309,052** as an irrecoverable bad debt for the deceased students reported under revenue reserve transferred to capital reserve and reported in the previous year's financial statements.

**b) Revaluation Reserve**

The University carried out valuation of its buildings in the year 2015 and **Kshs. 300,000,000** represents the value of buildings over and above the value before the valuation and hence forms the net asset of the institution.

Prior adjustments under revaluation reserve of **Kshs. 25,321,000** presents an amount understated in the previous year's financial statements.

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

	Notes	2017-2018 Kshs' 000	2016-2017 Kshs' 000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	6	-	35
Government grants and Capitation	7(a)	275,374	241,550
Tuition fees & Related Charges	8	101,943	39,088
Rental revenue from facilities and equipment	9	4,717	2,758
Sundry Income	10	6,722	2,835
<b>Total Receipts</b>		<b>388,755</b>	<b>286,266</b>
<b>Payments</b>			
Employees Costs	11	305,575	228,373
Board Expenses	12	10,254	11,159
Repairs and Maintenance	14	1,661	3,063
General Expenses	15	120,728	71,047
<b>Total Payments</b>		<b>438,218</b>	<b>313,642</b>
<b>Net cash flows from operating activities</b>		<b>(49,462)</b>	<b>(27,376)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant, Equipment and Intangible assets	19	(32,498)	(15,425)
Purchase/Renovations of buildings	19	-	(31,677)
Increase in Capital-Work in Progress (WIP)	19	(60,461)	(99,211)
(Decrease)/Increase in Refundable Deposits	21	10,060	13,287
<b>Net cash flows used in investing activities</b>		<b>(82,898)</b>	<b>(133,026)</b>
<b>Cash flows from financing activities</b>			
Capital Grants	7(b)	57,585	175,000
<b>Net cash flows used in financing activities</b>		<b>57,585</b>	<b>175,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(74,776)</b>	<b>14,598</b>
Cash and cash equivalents at 1st July, 2017	16(a)	<b>102,463</b>	<b>87,865</b>
<b>Cash and cash equivalents at 30th June, 2018</b>	16(a)	<b>27,688</b>	<b>102,463</b>

IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method.

The university only received **Kshs. 57,585,000** as capital grant for the financial year 2017/18. There was a balance of **Kshs. 2,876,000** brought forward from financial year 2016/17. This adds to **Kshs. 60,461,000** as reported in the cash flow statement.

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

	Original Budget	Adjustments	Final Budget	Actual on Performance	Percentage	Explanation
				Comparable Difference	rate	of material
				Basis		variances
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
<b>Revenue</b>						
Grants and Capitations-Recurrent	237,950	37,424	275,374	275,374	(0)	0%
Grants and Capitations-Capital	246,228	(188,643)	57,585	57,585	(0)	0%
Tuition & related charges	110,830	-	110,830	101,943	(8,887)	-9% (a)
Other Income	13,594	-	13,594	11,439	(2,155)	-19% (b)
<b>Total income</b>	<b>608,601</b>	<b>(151,219)</b>	<b>457,382</b>	<b>446,340</b>	<b>(11,042)</b>	<b>-2%</b>
<b>Expenses</b>						
Employee Costs (Personal Emoluments)	288,818	19,123	307,941	305,575	2,367	1%
Operational, Academic & Administrativ	99,007	20,406	119,413	120,618	(1,205)	-1%
Repairs & Maintenance Cost	1,661	-	1,661	1,661	0	0%
Board Expenses	16,310	(5,926)	10,384	10,254	130	1%
Capital Expenditure	246,228	(188,643)	57,585	57,585	-	0%
<b>Total expenditure</b>	<b>652,024</b>	<b>(155,040)</b>	<b>496,985</b>	<b>495,693</b>	<b>(1,075)</b>	<b>0%</b>
<b>Surplus/(Deficit) for the period</b>	<b>(43,423)</b>	<b>3,820</b>	<b>(39,603)</b>	<b>(49,352)</b>	<b>(9,967)</b>	<b>20% (c)</b>

**Explanation of material variance**

- (a) Variance is due to an outstanding fee and over-estimation of student population.
- (b) Variance is due to low streams of income from other sources
- (c) The overall deficit of **(Kshs. 9,967,136)** in the statement of final budget vs actuals is as a result of not realising the incomes relating to A.I.A as projected in the budget. However, the expenditures were done as per the approved budgets.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Garissa University is established by and derives its authority and accountability from the Universities Act of 2012. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of Garissa University is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Garissa University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The University adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University.</i></p>
IPSAS 38: Disclosure of Interests in Other Entities	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires a University to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the</p>

Standard	Impact
	<p>effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The University does not have interests in other entities and therefore the standard does not apply.</i></p>

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

Standard	Effective date and impact:
<p><b>IPSAS 39:</b> Employee Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p><i>The University does not have employees in defined pension schemes and therefore the standard does not apply.</i></p>
<p><b>IPSAS 40:</b> Public Sector Combinations</p>	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p> <p><i>The University does not engage in Exchange transactions and therefore the standard does not apply.</i></p>

**iii. Early adoption of standards**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Revenue recognition

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

###### **Fees, taxes and fines**

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

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably.

##### ii) Revenue from exchange transactions

###### ***Rendering of services***

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

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

###### ***Sale of goods***

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

###### ***Interest income***

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

###### ***Dividends***

Dividends or similar distributions must be recognized when the shareholder's or the University's right to receive payments is established.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *Rental income*

The University does not have operating lease on investment properties during the reporting period.

### **b) Budget information**

The original budget for FY 2017-2018 was approved by the University Governing Council in July, 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

### **c) Taxes**

The University is exempted from paying corporation tax by the Kenyan Government since its non-profit making entity.

### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Fixed Assets Depreciation:** Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Buildings	2%
Furniture, plant and equipment	12.5%
Motor vehicles	25%
Computers	33 <sup>1/3</sup> %

Freehold land is not depreciated as it is deemed to have an infinite life. Leasehold land is amortised over the unexpired lease period.

**Work in progress**

Work in progress represents properties (buildings), Perimeter wall construction and Intangible ERP (Enterprise Resource Planning) projects. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

**e) Intangible assets**

During the year under review, The University did not own intangible assets. However, an ICT infrastructure and ERP projects were commission and were not fully operational by the end the year. The costs incurred on them has been classified under Work-in Progress and fully disclosed in the financial statements.

Once certificate of completion is issued to the University, the intangible assets will then be initially recognized at cost in the financial statements. Subsequently, these will be carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

**f) Research and development costs**

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### g) Financial instruments

The University did not have investments in financial instruments during the period under review.

##### *Financial assets*

##### *Initial recognition and measurement*

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

##### *Loans and receivables*

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

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

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

##### *Impairment of financial assets*

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets (Continued)*

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

#### **i) Financial instruments (Continued)**

#### *Financial liabilities*

#### *Initial recognition and measurement*

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

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

#### *Loans and borrowing*

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

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

#### **h) Inventories**

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Costs of issues are calculated using 'First in First Out' (FIFO) method.

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

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

#### **i) Provisions**

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### ***Contingent liabilities***

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

#### ***Contingent assets***

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University 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.

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

The University has a capital reserve which represents the government interest in the net assets/equity of the University and is a combination of contributed capital by the government and the aggregate of the University's accumulated surpluses or deficit and reserves that reflect the net assets/equity attributable to the University operations.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Employee benefits**

**1) Retirement benefit plans**

The University provides retirement benefits for its employees by way of making pension contributions to Moi University Pension Fund. The University does not have a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

**c) Foreign currency transactions**

The University did not engage in foreign currency transactions during the year under review.

**d) Borrowing costs**

The University did not have any borrowings during the period under review.

**e) Related parties**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the Vice Chancellor and two Deputy Vice Chancellors.

**f) Service concession arrangements**

The University did not have any service concession arrangements during the year under discussion.

**g) Cash and cash equivalents**

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

**h) Comparative figures**

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

**i) Subsequent events**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparation of the University's financial statements in conformity with IPSAS, management made judgments, estimates and assumptions that affected the reported amounts of revenues, expenses, assets and liabilities, and are expected to disclose contingent liabilities, at the end of the reporting period, if any.

The University 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 University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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.

#### a) Property and equipment

Critical estimates are made by the University Council in determining the depreciation rates for property and equipment.

#### b) Useful lives and residual values of Assets & Liabilities

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

- The condition of the asset based on the assessment of experts employed by the University
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

#### c) Provisions

Provisions on audit fees were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. PUBLIC CONTRIBUTIONS AND DONATIONS**

<b>Description</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Equity Bank	-	15
KCB		20
<b>Total</b>	<b>-</b>	<b>35</b>

**7. GOVERNMENT GRANTS AND CAPITATION**

**a) UNCONDITIONAL GRANTS**

<b>Date</b>	<b>Month</b>	<b>Description</b>	<b>2017-2018</b>	<b>2016-2017</b>
			<b>Kshs' 000</b>	<b>Kshs' 000</b>
7/3/2017	July	CBA Arrears	17,870	20,129
7/19/2017	July	CBA Arrears	19,554	-
8/1/2017	August	Monthly Capitation	18,153	20,129
9/12/2017	September	Monthly Capitation	18,153	20,129
10/3/2017	October	Monthly Capitation	18,153	20,129
11/3/2017	November	Monthly Capitation	18,153	20,129
12/1/2017	December	Monthly Capitation	8,381	-
12/1/2017	December	Monthly Capitation	18,153	20,129
1/2/2018	January	Monthly Capitation	1,676	-
1/2/2018	January	Monthly Capitation	18,153	20,129
2/9/2018	February	Monthly Capitation	19,829	20,129
3/8/2018	March	Monthly Capitation	19,829	-
3/31/2018	March	Monthly Capitation	19,829	-
4/9/2018	April	Monthly Capitation	19,829	40,258
5/9/2018	May	Monthly Capitation	19,829	20,129
6/8/2018	June	Monthly Capitation	19,829	20,129
<b>Total</b>			<b>275,374</b>	<b>241,550</b>

**Notes:**

The CBA Arrears of Kshs. 37,423,752 relates to the period between 2013-2017 but received during the reporting periods.

**b) CONDITIONAL GRANTS**

<b>Quarter</b>	<b>Month Received</b>	<b>Description</b>	<b>2017-2018</b>	<b>2016-2017</b>
			<b>Kshs' 000</b>	<b>Kshs' 000</b>
1	Sep-17	Development Grants	-	-
2	Oct-17	Development Grants	34,167	41,080
3	Feb-18	Development Grants	-	96,836
4	May-18	Development Grants	23,418	37,084
<b>Total</b>			<b>57,585</b>	<b>175,000</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(c) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

<b>Quarter</b>	<b>Month Received</b>	<b>Description</b>	<b>2017-2018 Kshs' 000</b>	<b>2016-2017 Kshs' 000</b>
1	Sep-17	Development Grants	-	-
2	Oct-17	Development Grants	34,167	41,080
3	Feb-18	Development Grants	-	96,836
4	May-18	Development Grants	23,418	37,084
<b>Total</b>			<b>57,585</b>	<b>175,000</b>

**8. TUITION & RELATED CHARGES**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Tuition Fees	81,908	38,529
Registration Fees	1,270	-
Application Fees	706	559
Students' Id	635	-
Examination Fees	1,524	-
Medical Fees	1,270	-
Activity Fees	1,270	-
Quality Assurance	1,270	-
Ammenity Fees	1,270	-
Computer Fees	5,080	-
Gusco Fees	1,270	-
Gusco Annual Sub	1,270	-
Caution Money	659	-
Library	2,540	-
<b>Total</b>	<b>101,943</b>	<b>39,088</b>

**9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Hire of University facilities	2,642.08	1,344
Staff House Rentals	2,075	1,414
Others	-	-
<b>Total</b>	<b>4,717</b>	<b>2,758</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. SUNDRY INCOME**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Accommodation	2,186.37	848
Catering	3,616.85	1,987
Research Grants	918.35	-
Others (Specify)	-	-
<b>Total</b>	<b>6,722</b>	<b>2,835</b>

**11. EMPLOYEE COSTS**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Basic Salary	149,723	204,478
House Allowance	61,151	-
Car & Comm	19,458	-
Hardship Allowance	24,852	-
Responsibility Allowance	4,318	-
Entertainment Allowance	4,202	-
Telephone Allowance	2,571	-
Professorial Allowance	252	-
Extraneous Allowance	2,154	-
Risk Allowance	221	-
Leave Travelling Allowance	445	-
Acting Allowance	6	-
Book & Journal	545	-
Employer Pensions & Provident Contributions	13,730	6,059
Passage & Baggage	19	-
Police Allowances	6,368	5,348
Casual Wages	15,560	12,488
<b>Total</b>	<b>305,575</b>	<b>228,373</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. BOARD EXPENSES**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Chairman's Honoraria	672.40	1,284
Chancellor's Honoraria	619.47	-
Council Allowances	4,329.93	9,875
Other Board Expenses	-	-
<b>Total Council Expenses</b>	<b>5,622</b>	<b>11,159</b>
Senate & Deans' committee Expenses	4,632	-
University Committees	-	-
<b>Total Committee Expenses</b>	<b>4,632</b>	<b>-</b>
<b>Total Board Expenses</b>	<b>10,254</b>	<b>11,159</b>

**13. DEPRECIATIONS AND AMORTIZATION EXPENSES**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Property, plant and equipment	15,292	21,504
Intangible assets	-	-
<b>Total</b>	<b>15,292</b>	<b>21,504</b>

**14. REPAIR AND MAINTENANCE EXPENSES**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Plants & Equipments	-	19
Catering facilities	-	68
Hostel facilities	-	68
Medical Equipment	-	18
University Vehicles	712	2,319
Buildings and Stations	77	87
Water & Sewerage	-	316
Maintenance of Grounds & Parks	-	74
Generator fuel & Maintenance	27	-
General Refurbishment	844	94
<b>Total</b>	<b>1,661</b>	<b>3,063</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. GENERAL EXPENSES**

<b>Description</b>	<b>2017-2018 Kshs '000</b>	<b>2016-2017 Kshs '000</b>
Senate & Deans' committee Expenses	-	2,179
Insurance	2,046	2,907
Postage & Telegram Expenses	165	110
Office Expenses	39	9
News papers & Periodicals	162	183
Electricity, Water & Concervancy	10,775	7,335
Advertising & Publicity	1,646	1,412
Legal expenses	25	15
ASK Shows & Other Exhibitions	-	510
Open Day & Cultural Expenses	907	2,471
Public Eng. & Communication strategy	-	280
Staff Medical Care	17,561	9,848
Medical Expenses-Drugs purchase	747	1,436
Audit fees	3,480	2,799
Rent & Rates	238	1,117
Computer Expenses & software	15	87
Internet services & communication Exps	2,249	2,676
ICT Infrastructure & ERP Expenses	-	36
Bank Charges	239	150
Corporate Social Responsibility (CSR)	30	21
Subsistence & Travelling Costs	9,463	7,870
Telecommunication Expenses	70	20
Cleaning Materials & Detergents	1,578	1,637
Security Services, System & Equipment	-	866
Catering Expenses-(Food & Fuel)	18,543	7,781
Vehicle Fuel and oil	879	-
ISO certification Expenses	690	189
Strategic Plan & Implementation	-	125
Purchase of Bicycle & Motor Cycle	-	130
Stationeries	1,709	1,459
Purchase of Hostel Material	-	200
Purchase of Sports Equipment	233	289
Printing and Publishing	40	355
Graduation Expenses	74	100
GUSO Welfare	748	1,711
Conferences & Seminars	274	245
Post-Graduate programme	-	-
Research Programme Expenses	456	44
External Examiners	1,241	1,343
Subscriptions to Professional bodies	11	99
Performance Contracting	945	503
KUCCPS Charges	407	255
Commission for Universty Education expense (CUE)	1,094	2,857
Library Subscription, Books & Journals	2,112	5,074
Training & capacity building	758	995
Examination Materials & Expenses	496	336
Teaching practise and field courses	674	151
Industrial Attachment	96	-
Purchase of lab equipment	722	420
Part-Time Lecturers	36,055	-
Sports & Recreational Activities	945	411
Student fees Refund	91	-
<b>Total</b>	<b>120,728</b>	<b>71,047</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. CASH AND CASH EQUIVALENTS**

<b>Description</b>		<b>2017-2018</b>	<b>2016-2017</b>
<b>(a) Cash and cash equivalents</b>		<b>Kshs '000</b>	<b>Kshs '000</b>
Current accounts		27,688	102,463
<b>Total</b>		<b>27,688</b>	<b>102,463</b>
<b>(b) Current account</b>			
<b>Financial institution</b>		<b>2017-2018</b>	<b>2016-2017</b>
<b>Bank Details</b>	<b>Account No.</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
KCB-Payment Account-	1136134727	950	5,935
KCB- Capital Development A/c-	1136134816	635	36,943
KCB-Deposit Account-	1136134514	(2)	11,759
Equity-GSSP Collection A/c-	0580261358416	4,159	4,882
Equity-PSSP Collection A/c-	0580261358406	20,356	40,109
Equity- Accommodation A/c-	0580261526380	1,590	2,836
<b>Sub- total</b>		<b>27,688</b>	<b>102,463</b>
<b>Grand total</b>		<b>27,688</b>	<b>102,463</b>

**17. TRADE & OTHER RECEIVABLES**

<b>Description</b>		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Student Receivables-Outstanding Fees		26,798	74,631
Staff Receivables- Imprest Debtors		-	200
Others(Specify)		-	-
<b>Totals</b>		<b>26,798</b>	<b>74,831</b>

**18. INVENTORIES**

<b>Description</b>		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Kshs '000</b>	<b>Kshs '000</b>
Central-stores		1,110	2,004
Consumable stores		1,662	1,887
Medical supplies-Clinic store		1,072	17,421
Catering store		3,774	3,732
Hostel stores		839	1,144
<b>Total</b>		<b>8,458</b>	<b>26,188</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Motor vehicles	Furniture, Plant & Equipment	Computers, Copiers & Printers	Capital-Work in Progress (W.I.P)	Total
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
<b>COST/VALUATION</b>							
At 1 July 2016	35,000	293,040	25,824	22,338	11,753	221,269	609,224
Disposals/Capitalization	-	-	-	-	-	-	-
Additions	-	31,677	-	15,425	-	149,796	196,898
<b>At 30 June 2017</b>	<b>35,000</b>	<b>324,717</b>	<b>25,824</b>	<b>37,763</b>	<b>11,753</b>	<b>371,065</b>	<b>806,122</b>
At 1 July 2017	35,000	324,475	25,824	37,763	11,753	371,065	805,881
Disposals/Capitalization	-	-	-	-	-	(32,498)	(32,498)
Additions	-	-	-	32,498	-	119,977	152,475
<b>At 30 June 2018</b>	<b>35,000</b>	<b>324,475</b>	<b>25,824</b>	<b>70,261</b>	<b>11,753</b>	<b>458,544</b>	<b>925,858</b>
<b>DEPRECIATION/AMORTIZATION</b>							
At 1 July 2016	-	11,858	13,322	6,364	7,920	-	39,465
Disposals	-	-	-	-	-	-	-
Charge for the year	-	6,494	6,456	4,720	3,833	-	21,503
Amortization for the year	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	<b>-</b>	<b>18,352</b>	<b>19,778</b>	<b>11,084</b>	<b>11,753</b>	<b>-</b>	<b>60,968</b>
At 1 July 2017	-	18,352	19,778	11,084	11,753	-	60,968
Disposals	-	-	-	-	-	-	-
Charge for the year	-	6,490	2,051	6,751	-	-	15,292
Amortization for the year	-	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>24,842</b>	<b>21,829</b>	<b>17,836</b>	<b>11,753</b>	<b>-</b>	<b>76,260</b>
<b>NET BOOK VALUE</b>							
As At 30 June, 2018	35,000	299,634	3,995	52,425	-	458,544	845,388
As At 30 June 2017	35,000	306,365	6,046	26,679	-	371,065	745,154

Note:

The land on which the University operates does not have a title deed having been taken over from Garissa Teachers' Training College (GTTC). However, the University has received an allotment letter from the Commission of Lands and the process is currently at an advanced stage.

The addition of **Kshs 119,976,649** under capital work in progress includes balance brought forward of **Kshs. 63,362,838** from the financial year 2016/2017 under which the income was recognised in the previous year cash flow but the expenditure was not incurred and recognized.

## 20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs '000	Kshs '000
Trade Payables	50,832	34,923
Unpaid Personal Claims	506	-
Accrued audit fee	3,480	2,799
Other Creditors	24,096	-
<b>Total</b>	<b>78,914</b>	<b>37,722</b>

### Note:

1. Trade Payables represent supplier and service providers invoices not paid of **(Kshs. 50,831,866)**
2. Unpaid Personal claims include travelling and Accomodation costs of **(Kshs. 506,450)** incurred by members of staff while on official duties.
3. Unpaid audit fee that has accrued since 2013 but provisions were made.
4. Other Creditors represent monies borrowed from retention fund to pay part-time lecturers and other operational expenses of **(Kshs. 24,096,122)**

## 21. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2017-2018	2016-2017
	Kshs	Kshs
Caution Money	2,716	1,457
Retention fund	44,073	32,645
Prepaid fees	1,494	3,521
<b>Total deposits</b>	<b>48,283</b>	<b>37,623</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. 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 programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that these risks are minimised.

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

**i) Credit risk**

The University has exposure to credit risk, which is primarily attributable to receivables since some students are unable to pay fees in full when due. Credit risk arises from cash and cash equivalents.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs.</b>	<b>Fully performing Kshs.</b>	<b>Past due Kshs.</b>	<b>Impaired Kshs.</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	113,381	113,381	-	-
Receivables from non-exchange transactions	275,374	275,374	-	-
Bank balances	27,688	27,688	-	-
<b>Total</b>	<b>416,443</b>	<b>416,443</b>	-	-
<b>At 30 June 2017</b>				
Receivables from exchange transactions	44,681	44,681	-	-
Receivables from non-exchange transactions	241,585	241,585	-	-
Bank balances	102,463	102,463	-	-
<b>Total</b>	<b>388,730</b>	<b>388,730</b>	-	-

The credit risk associated with receivables under the fully performing category is minimal and the allowance for uncollectible amounts that the University has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University Management board have set fees policy to ensure that all students pay their fees and on time as a measure to credit risk management.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the University's council members who have built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The University prepares annual budgets and expenditures are incurred based on availability of funds.

	<b>Less than 1 month Kshs</b>	<b>Between 1-5 months Kshs</b>	<b>Over 5 months Kshs</b>	<b>Total Kshs</b>
<b>At 30 June 2018</b>				
Trade payables	32,238	29,001	17,675	<b>78,914</b>
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>32,238</b>	<b>29,001</b>	<b>17,675</b>	<b>78,914</b>
<b>At 30 June 2017</b>				
Trade payables	-	37,722	-	<b>37,722</b>
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>37,722</b>	<b>-</b>	<b>37,722</b>

**iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the University 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 University's income or its purchasing power. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The University's Internal Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**iv) Foreign currency risk**

The University does not engage in foreign currency transactions and therefore no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

**v) Interest rate risk**

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. Its interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the University's deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Fair value of financial assets and liabilities**

***a) Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>At 30 June 2018</b>				
Financial Assets	-	-	-	-
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land and buildings	-	334,586	-	334,586
<b>Total</b>	<b>-</b>	<b>334,586</b>	<b>-</b>	<b>334,586</b>
<b>At 30 June 2017</b>				
Financial Assets	-	-	-	-
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land and buildings	-	341,365	-	341,365
<b>Total</b>	<b>-</b>	<b>341,365</b>	<b>-</b>	<b>341,365</b>

There were no transfers between levels 1, 2 and 3 during the year.

**iv) Capital Risk Management**

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

	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Revaluation reserve	300	275
Retained earnings	-	-
Capital reserve	546	647
<b>Total funds</b>	<b>846</b>	<b>922</b>
Total borrowings	-	-
Less: cash and bank balances	27,688	102,463
Net debt/(excess cash and cash equivalents)	(27,688)	(102,463)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**23. Related Party Transactions (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 University is related to

- i) The National Government;
- ii) The Parent Ministry; Ministry of Education, Science & Technology-MoEST
- iii) Council Members
- iv) Top Management: The Vice Chancellor, The Deputy Vice Chancellor-ASA and the Deputy Vice Chancellor-FAP, who are the key management Member

**b) Related party transfers**

There were no transfers made to/and from the top management staff.

**c) Key management remuneration**

GUC incurred a total expenditure of **Kshs. 28,777,614** in payment of salaries, allowances and honorarium to the Chancellor, Chairperson, Council members and key management staff as tabulated below:

S/NO	NAME	POSITION	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	GROSS PAY
			Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
1	Prof. Hellen Sambili	Chancellor	-	48,000	479,790	300,000	827,790
2	Dr. Luka Huka Wario	Former Chairman	382,248	-	-	-	382,248
3	Dr. Christopher G. Gakahu	Current Chairman	-	110,400	-	527,323	637,723
4	Mr. John K. Munge	Rep. PS Treasury	185,794	-	148,717	407,402	741,912
5	Mr. Evans M. Atambo	Rep. PS MOEST	165,145	-	145,145	-	310,289
6	Mr. Julius Mwabu	Member	176,851	-	-	-	176,851
7	Dr. Bertha Kaimenyi	Member	-	-	159,469	348,007	507,476
8	Eng. Mohamed Ali Farah	Member	-	-	110,400	352,355	462,755
9	Mr. Jacktone Akelo	Member	-	-	188,678	526,497	715,175
10	Mr. Hassan Duelle Abdulahi	Rep. PS MOEST	-	-	-	45,200	45,200
11	Eng. Emma Kiilu	Member	-	-	77,800	193,400	271,200
12	Mr. William Ogwagwa Motari	Member	-	-	154,275	388,900	543,175
13	Prof. Ahmed Abdikadir Osman	Ag. VC	1,770,495	1,770,495	1,879,745	1,770,495	7,191,230
14	Prof. Stephen Irura Nganga	Ag. DVC (FAP)	1,947,780	1,947,780	2,054,360	2,078,880	8,028,800
15	Prof. Hussein Sheikh Adams Golicha	Ag. DVC (ASA)	965,148	1,194,552	3,828,310	1,947,780	7,935,790
<b>QUARTERLY TOTAL</b>			<b>5,593,460</b>	<b>5,071,227</b>	<b>9,226,689</b>	<b>8,886,239</b>	<b>28,777,614</b>

Note: The 1<sup>st</sup> Quarter Relates to the former Council Members.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**d) Due from related parties**

There were no dues from the top management or from the council members during the year under review.

**e) Due to related parties**

There were no dues to and from ministries or other departments during the period under review.

**24. Segment information**

The University operates with Garissa County and specifically in the proximity of Garissa Township and does not have campuses in other places. Hence IPSAS 18 on segment reporting is not applicable

**25. Contingent assets and contingent liabilities**

At the close of business on June 30<sup>th</sup>, 2018, the University did not have any contingent asset or liability.

**26. Capital Commitments**

At the close of business on June 30<sup>th</sup>, 2018, the University did not have any capital commitments

**27. Events after the reporting period**

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

**28. Ultimate and Holding University**

The University is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education, Science & technology-MoEST. Its ultimate parent is the Government of Kenya.

**29. The Reporting Currency**

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

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. 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.

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1.	The Financial Statements was signed by the Accounting Officer and not the University Council.	The University Council terms ended on 27th August 2017 and by the time of submitting the financial statement, we had no Council in place. We consulted the National Treasury for guidance and advice together with your officer on the ground and Treasury has since referred the matter to the Deputy Auditor General, Mr. Gichana.	Prof. Ahmed O. Warfa Ag. VC	Not Resolved	FY 2018/19
2.	<b>Construction Of Proposed 750 Students Hostel-</b> a) The Contract had no start, completion and taking over date b) No documentary evidence to show 3 <sup>rd</sup> Contract extension beyond 31 <sup>st</sup> October, 2016 c) The initial project sum could not complete the project with an allowable 25% Variation <i>excluding contractual claims</i>	The start date is not clearly indicated in the initial contract. However, Management realized the anomaly and corrected it through the Project Implementation Team minutes of 24th April, 2014 which now specified the start date as 2nd May, 2014. The project completion taking over date as defined in the contract under clause 31 ought to have been 2nd January, 2015 and 9th January, 2015 respectively.  The 3rd Contract extension beyond 31st October, 2016 was given by the project manager in accordance with clause 17 of the contract. The justifications for extension are as indicated below: i) Change in architectural design required more time ii) Delayed government funding meant delayed payment for project implementation iii) The terror attack of 2nd April 2015 led to suspension of key university activities for more than 9 months iv) The High level water tank was partially destroyed by a	Prof. Ahmed O. Warfa Ag. VC	Not Resolved	FY 2018/19

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
		<p>military tanker during the April 2nd 2015 terror attack v) Insufficient funding led to slow pace of project implementation hence the extension</p> <p>The management have noted this and the financial appraisal of the project was conducted through financial appraisal 2 dated 22nd May, 2017 which now places the total contract sum at 653, 311,524.43. The management now believes that this now adequate to undertake the project to completion. The basis for variations are as outlined below:</p> <p>i) Change in the project's architectural design which reinforced the basement i.e. from strip foundation to raft foundation ii) Reduction in space wastage in the original design which saw the number of rooms increase from 750 to 992 iii) The architectural design did not reflect the culture of the neighbourhood hence some changes i.e. elevation</p>			
4.	<p>Construction of Perimeter Wall; a) The use of restricted tender not justified; b) There was no performance guarantee</p>	<p>The university adopted the use of restricted tendering which is allowed in law due to insecurity and the urgency of construction of the wall as per the letter from County Commissioner dated <b>26<sup>th</sup> August, 2016</b> to curb reoccurrence of similar terror attack that has been experience on <b>2<sup>nd</sup> April 2015</b>.</p> <p>The performance guarantee/bond was part of the evaluation criteria to confirm the responsiveness of the bidder and <b>ROCHO CONSTRUCTION COMPANY LIMITED</b> submitted performance bond in the tendering process and its available</p>	Prof. Ahmed O. Warfa Ag. VC	Not Resolved	FY 2018/19

Garissa University: Annual Report and Financial Statements for the Year Ended June 30, 2018

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
5.	<p>c) Report of clerk of works on status of project not dated, not detailed</p> <p>e) No evidence of implementing other activities included in the tender.</p> <p>Delay in the implementation of ERP system</p>	<p>The clerk of work report was dated 7<sup>th</sup> June 2017 and had detailed information showing the following:</p> <ul style="list-style-type: none"> <li>• Foundation evacuation 95% complete</li> <li>• Superstructure 90% complete</li> <li>• Finishing in progress</li> <li>• Curing in progress</li> </ul> <p>The project is ongoing and the contractor is on site</p> <p>There were technical hitches that caused the delay explained in CIT minutes dated <b>18<sup>th</sup> May, 2017</b>.</p> <p>The contract was signed on <b>22<sup>nd</sup> February 2017</b> therefore the project will continue for a period of <b>one (1) year and 10 months</b>, and will be concluded on <b>22<sup>nd</sup> December 2018</b></p>	<p>Prof. Ahmed O. Warfa Ag. VC</p>	<p>Not Resolved</p>	<p>FY 2018/19</p>
6.	<p>Direct procurement of Group Life Assurance services</p>	<p>The University adopted Moi University tender documents used to source the firms and procure the service</p>	<p>Prof. Ahmed O. Warfa Ag. VC</p>	<p>Not Resolved</p>	<p>FY 2018/19</p>
7.	<p><b>Procurement of sanitation and pest control services</b></p> <p>a) Service were procured directly</p>	<p>The mode of procurement was approved by the Tender committee meeting dated 18th August 2014 pursuant to section 74 of PPDA 2005 and regulation 58(2) 4</p>	<p>Prof. Ahmed O. Warfa Ag. VC</p>	<p>Not Resolved</p>	<p>FY 2018/19</p>

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	b) Original contract agreement not availed	The Original contract that was renewed on 31st August 2016 And the survey report dated 20th August 2014 clearly outline the scope of work			
	c) Computations of payment not pegged on square meter of areas sprayed	Computation were pegged on room sizes			
	d) Payment made without inspection and acceptance certificate	Inspection and acceptance was done and Certificate issued on the service rendered			

  
 Prof. Ahmed A. Osman, PhD  
Ag. VICE CHANCELLOR

Date: 2/3/2019

Dr. Christopher Gatama Gakahu PhD  
COUNCIL CHAIRMAN

  
 Date: \_\_\_\_\_

**APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY**

The projects which the University undertook during the year under review were fully funded by the Government of Kenya, through the Ministry of Education, Science & Technology.

**I) PROJECT DETAILS**

S/No.	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required (yes/no)	Consolidated in these financial statements (yes/no)
					<b>Kshs' 000</b>		
1	750 Capacity Students Hostel		GoK	2014-Date	653,312	No	yes
2	Perimeter wall		GoK	2016-Date	123,266	No	yes
3	ICT Infrastructure		GoK	2016-2017	32,498	No	yes
4	ERP System		GoK	2016-Date	16,895	No	yes

**II) STATUS OF PROJECTS COMPLETIONS**

S/No.	Project title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
		<b>Kshs' 000</b>	<b>Kshs' 000</b>		<b>Kshs' 000</b>		
1	750 Capacity Students Hostel	653,312	338,392	52%	166,000	-	GoK
2	Perimeter wall	123,266	105,070	85%	136,668	-	GoK
3	ICT Infrastructure	32,498	32,498	100%	9,759	-	GoK
4	ERP System	16,895	10,137	60%	-	-	GoK
<b>Total</b>		<b>825,969</b>	<b>486,097</b>	<b>-</b>	<b>312,426</b>	<b>-</b>	

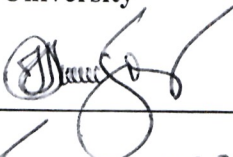
**APPENDIX III: INTER-UNIVERSITY TRANSFERS**

Recurrent Grants	Bank statement Date	Amount Kshs' 000							2017-2018	2015-2016
		1st Quarter	Bank statement Date	2nd Quarter	Bank statement Date	3rd Quarter	Bank statement Date	4th Quarter		
	7/3/2017	17,870	10/3/2017	18,153	1/2/2018	1,676	09.04.18	19,829	57,528	
	7/19/2017	19,554	11/3/2017	18,153	1/2/2018	18,153	09.05.18	19,829	75,689	
	8/1/2017	18,153	12/1/2017	8,381	2/9/2018	19,829	08.06.18	19,829	66,192	
	9/12/2017	18,153	12/1/2017	18,153	3/8/2018	19,829			56,135	
					3/31/2018	19,829			19,829	
	<b>Total</b>	<b>73,730</b>		<b>62,840</b>		<b>79,317</b>		<b>59,488</b>	<b>275,374</b>	<b>241,550</b>
Development Grants										
			10/12/2017	34,167			May-18	23,418	57,585	
	<b>Total</b>	-		<b>34,167</b>		-		<b>23,418</b>	<b>57,585</b>	<b>175,000</b>
Direct Payments										
Donor Receipts										
	<b>Grand Total</b>	<b>73,730</b>		<b>97,007</b>		<b>79,317</b>		<b>82,905</b>	<b>332,959</b>	<b>416,550</b>

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


**Ag. Head of Finance  
Garissa University**

Sign

  
MNo. 15625

**Head of Accounting Unit  
MOEST-State Department of Education**

Sign

  
4/3/2019

**PENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

The transfers which the University received during the year under review were all from the National Treasury, through the Ministry of Education, Science & Technology.

Recurrent Grants	Bank statement Date	Amount Kshs' 000							2017-2018	2015-2016
		1st Quarter	Bank statement Date	2nd Quarter	Bank statement Date	3rd Quarter	Bank statement Date	4th Quarter		
	7/3/2017	17,870	10/3/2017	18,153	1/2/2018	1,676	09.04.18	19,829	57,528	
	7/19/2017	19,554	11/3/2017	18,153	1/2/2018	18,153	09.05.18	19,829	75,689	
	8/1/2017	18,153	12/1/2017	8,381	2/9/2018	19,829	08.06.18	19,829	66,192	
	9/12/2017	18,153	12/1/2017	18,153	3/8/2018	19,829			56,135	
					3/31/2018	19,829			19,829	
	<b>Total</b>	<b>73,730</b>		<b>62,840</b>		<b>79,317</b>		<b>59,488</b>	<b>275,374</b>	<b>241,550</b>
Development Grants	Amount Kshs' 000									
			10/12/2017	34,167			May-18	23,418	57,585	
	<b>Total</b>	<b>-</b>		<b>34,167</b>		<b>-</b>		<b>23,418</b>	<b>57,585</b>	<b>175,000</b>
Direct Payments										
Donor Receipts										
	<b>Grand Total</b>	<b>73,730</b>		<b>97,007</b>		<b>79,317</b>		<b>82,905</b>	<b>332,959</b>	<b>416,550</b>

  
**Prof. Ahmed A. Osman, PhD**  
**Ag. VICE CHANCELLOR**

Sign

2/3/2019

**Dr. Christopher Gatama Gakahu PhD**  
**COUNCIL CHAIRMAN**

Sign





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