

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY
DATE: 11 MAR 2021
TABLED BY: Hon. Anne Kimani
Mwalimu Lemura

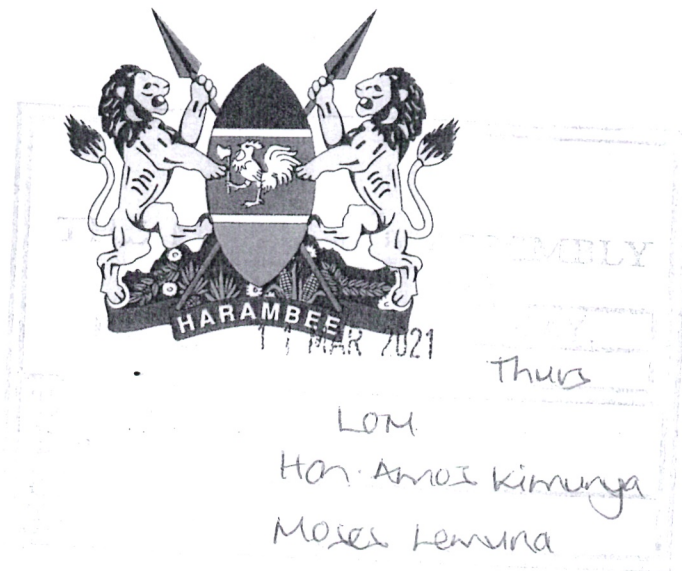
REPORT

THE AUDITOR-GENERAL

ON

ASSETS RECOVERY AGENCY

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



ASSETS RECOVERY AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Assets Recovery Agency is established under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAMLA) with the principal mandate of identifying, tracing, freezing, seizing and confiscating proceeds of crime. The Agency is currently operating with skeleton staff deployed and/or seconded to the Agency from Office of the Attorney General & Department of Justice, the National Treasury, Office of the President and the Directorate of Criminal Investigations.

The Agency received its first allocation in the FY 2015/16 which funds were administered through the Office of the Attorney General and Department of Justice (OAG & DOJ). Subsequently the Agency also received funds for the FY 16/17 but the same were still administered by the OAG & DOJ as the Agency did not have an accountant and a commercial bank account.

The Agency commenced its financial operations in the FY 2017/18 after deployment of a Chief accountant from the National Treasury and authorization to open a bank account with Kenya Commercial Bank, KICC Branch. The Agency was allocated Kshs. 210.67 million for its operations for the FY 2017/18. The Agency also received a transfer of Kshs. 126,300,000 which was unspent balance for the FY 2016/17 from the OAG & DOJ

During the FY 2018/19, the Agency was allocated Kshs 180,114,200 for its operations. The Agency also had Kshs 225, 440,790 as unspent balance for the FY 2017/18. Notably the Agency has been retaining its unspent balances pursuant to the provisions of Section 54A (6) of the Proceeds of Crime and Anti- Money Laundering Act.

(b) Principal Activities

The objective and functions of the Agency as defined by the Act include:

- i. Identification and investigation of proceeds of crime
- ii. Tracing of proceeds of crime and money laundering
- iii. Freezing assets suspected to be proceeds of crime held by persons under investigation or prosecution
- iv. Seizure of proceeds of crime
- v. Confiscation of proceeds of crime
- vi. Management of preserved assets
- vii. Administering the criminal assets recovery fund
- viii. Performing such other functions as are conferred on it by the Act or any other written law.

(c) Fiduciary Management

The key management personnel who held office during the Twelve Months Period ended June 30, 2019 and who had direct fiduciary responsibility were:

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No.	Designation	Name
1.	Director	Ms. Muthoni Kimani, MBS
2.	Senior State Counsel	Mr. Peter Ngumi
3.	Principal Accountant	Mr. Ismael Mbuvi
4.	Under Secretary	Mr. Timothy Nderitu
5.	Principal Supply Chain Management Officer	Mr. Kennedy Ogwengo

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit and finance committee activities*
- *Parliamentary committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

(e) Entity Headquarters

Assets Recovery Agency
22nd Floor UAP Towers
P.O. Box 52420-00100
NAIROBI.

(f) Entity Contacts

Telephone: +254-020-3310151
E-mail: info@assetsrecovery@ag.go.ke

(g) Entity Bankers

Kenya Commercial Bank-KICC Branch
KICC Building, Harambee Avenue
P.O Box 46950-00100
NAIROBI

(h) Independent Auditors

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

(i) Principal Legal Adviser

The Attorney General
Attorney General's Chambers
Harambee Avenue
P.O. Box 40112 - 00100
NAIROBI

MANAGEMENT TEAM



MS. MUTHONI KIMANI, MBS
DIRECTOR



PETER NGUMI NOAH
SENIOR STATE COUNSEL



TIMOTHY NDERITU
UNDER SECRETARY



ISMAEL MBUVI
PRINCIPAL ACCOUNTANT



KENNEDY OGWENGO
PRINCIPAL SUPPLY CHAIN MANAGEMENT
OFFICER

REPORT OF THE DIRECTOR

Principal activities

The Agency has undertaken the following activities during the FY 2018/19

- The Agency initiated several investigations and successfully identified, traced, seized, preserved and forfeited assets worth Kshs 3.5 Billion from proceeds of crime relating to complex financial cases such as NHIF, Kenya Power, KEBS, NYS II and Aror Dam.
- The Agency together with the relevant law enforcement agencies managed all assets preserved by the Agency
- The Agency together with the National Treasury finalized the Criminal Assets Recovery Fund (Administration) Regulations 2019 which regulations are currently being subjected to public participation.
- The Agency conducted sensitization workshops for investigative and prosecutorial agencies, to enhance knowledge on the process of recovery of proceeds of crime.
- Enhanced technical capacity of members of staff in various relevant areas of management and leadership, procurement, accounts, investigation, administration and records management.
- Participated in regional and international forums on asset recovery matters and reporting mechanisms.
- The Agency through the Multi Agency Team (MAT) sensitized the Justice and Legal Affairs Committee of the National Assembly on the Proceeds of Crime and Anti Money Laundering Act and international obligations under the Financial Action Task Force (FATF)
- The Agency obtained approval by the Public Service Commission on its Human Resource instruments to enable it to fully operationalize.
- The Agency moved its operations from the Attorney General's Chambers to UAP Towers, 22nd Floor.
- Procured goods and services for achievement of the Agency's mandate.

The Agency intends to undertake the following activities during the FY 2019/20

- Identify and trace proceeds of crime
- Institute seizure and forfeiture proceedings
- Manage preserved assets
- Conduct public participation forums for the Criminal Assets Recovery Fund (Administration) Regulations 2019

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- Operationalize and administer the Criminal Assets Recovery Fund
- Build capacity on emerging legal issues on asset recovery
- Conduct staff trainings as per training needs assessment
- Conduct a job evaluation exercise to obtain the requisite approval for staff salaries and allowances
- Enhance technical capacity in Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) and financial investigations.
- Conduct sensitization forums for law enforcement agencies, reporting institutions and regulatory authorities on the Proceeds of Crime and Anti-Money Laundering Act.
- Participate in major regional and international forums on asset recovery and reporting mechanisms.
- Procure goods and services that aid the Agency in achieving its mandate.



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MUTHONI KIMANI, MBS
DIRECTOR

Date: 30/9/2019

STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 54D (2) of the Proceeds of Crime and Anti Money Laundering Act, require the Director to prepare financial statements in respect of the Assets Recovery Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Director is also required to ensure that the Assets Recovery Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Director are also responsible for safeguarding the assets of the Assets Recovery Agency.

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


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

The Director accepts responsibility for the Agency'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 Director is of the opinion that the Assets Recovery Agency's financial statements give a true and fair view of the state of Agency's transactions during the twelve (12) months period ended June 30, 2019, and of the Agency's financial position as at that date. The Director further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

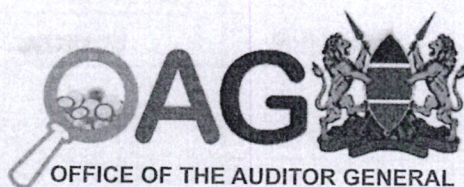
Approval of the financial statements

The Assets Recovery Agency's financial statements were approved by the Solicitor General on 30/9/2019 and signed on its behalf by:


.....
KENNEDY OGETO, EBS
SOLICITOR GENERAL


.....
MUTHONI KIMANI, MBS
DIRECTOR

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ASSETS RECOVERY AGENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Assets Recovery Agency set out on pages 9 to 24 which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Assets Recovery Agency as at 30 June, 2019, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2017 and Public Finance Management Act, 2012.

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

Key Audit Matters

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

Other Matters

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.180,114,200 and Kshs.180,114,200

Report of the Auditor-General on Assets Recovery Agency for the year ended 30 June, 2019

respectively. However, the Agency expended Kshs.142,833,048 against an approved budget of Kshs.180,114,200 resulting to an under-expenditure of Kshs.37,281,152 or 21% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

Basis for Conclusion

Confidential Expenditure

As disclosed under Note 9 to the financial statements, the statement of receipts and expenditure for the year ended 30 June, 2019 reflects confidential expenditure amounting to Kshs.6,250,000. However, payment certificates and declaration of the expenditure by the Cabinet Secretary responsible and the Accounting Officer were not availed for audit verification. This is contrary to Section 93(18) of the Public Finance Management (National Government) Regulations, 2015 which require that any special imprest utilized for any expenditure on services of a confidential nature, the purpose and the particulars of which cannot be made public, shall be supported by a certificate that money has been paid, and a declaration by the Cabinet Secretary responsible for the National Government entity and the relevant Accounting Officer that they have satisfied themselves that the money has been properly expended, and has not been used to supplement the emoluments of any officer.

Management was therefore in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

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

Responsibilities of Management and Board of Directors

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 overall governance.

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

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Agency monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and

risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

25 February, 2021

ASSETS RECOVERY AGENCY
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For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019


	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Government grants and subsidies	5	180,114,200	357,000,000
		180,114,200	357,000,000
Revenue from exchange transactions			
Other income – Sale of tender documents	6	-	48,000
Total revenue		180,114,200	357,048,000
Expenses			
Use of goods and services	7	-	31,200
Employee costs	8	40,125,896	22,529,965
Confidential expense	9	6,250,000	2,400,000
Repairs and maintenance	10	3,475,001	4,856,914
Other payments	11	92,982,152	39,981,332
Depreciation and amortization expense	15	19,414,425	-
Total expenses		162,247,474	69,799,411
Surplus/(deficit)for the period/year		17,866,726	287,248,589

The notes set out on page 14 to 24 form an integral part of this financial statements

PRINCIPAL ACCOUNTANT
BONFACE P.O. DIMBA
ICPAK No 5488

DIRECTOR
MUTHONI KIMANI, MBS

SIGN.....


SIGN.....


Date..... 04.02.2021.....

Date..... 04/02/2021.....

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	251,569,893	225,440,790
Receivables from exchange transactions	14	1,687,300	4,918,075
		253,257,193	230,358,865
Non-current assets			
Property, plant and equipment	15	59,831,200	58,369,724
Total assets		313,088,393	288,728,589
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	7,393,078	980,000
Provisions	17	580,000	500,000
Total liabilities		7,973,078	1,480,000
Net assets		305,115,315	287,248,589
surplus Opening		287,248,589	0.0
surplus for 2018/19		17,866,726	287,248,589
Total Net Assets & Liabilities		305,115,315	287,248,589

The financial statement set out on page 9 to 13 were signed on behalf of Assets Recovery Agency by:

PRINCIPAL ACCOUNTANT
BONFACE P.O. DIMBA
ICPAK No 5488

Sign

Date..... 04.02.2021

DIRECTOR
MUTHONI KIMANI, MBS

Sign.....

Date..... 4/02/2021

ASSETS RECOVERY AGENCY
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**STATEMENT OF CHANGE IN NET ASSESTS FOR
THE YEAR ENEDED 30TH JUNE 2019**

	Retained Surplus	Total
As At July 1, 2017	0	0
surplus for the year	287,248,589	287,248,589
As at 30th June 2018	287,248,589	287,248,589
As at 1st July 2018	287,248,589	287,248,589
surplus for the year	17,866,726	17,868,386
As at June 30, 2019	305,115,315	305,115,315

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT OF CASHFLOWS			
FOR YEAR ENDED JUNE 30, 2019			
		2018-2019	2017-2018
		Kshs.	Kshs.
Cash flows from operating activities			
Surplus		17,866,726	287,248,589
Add depreciation of assets		19,414,425	-
Decrease in receivables		3,230,775	(4,918,075)
Increase in Payables		6,493,078	1,480,000
Net cash flows from operating activities		47,005,004	283,810,514
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		26,129,103	(58,369,724)
Net cash flows used in investing activities			
Cash flows from financing activities			-
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		26,129,103	225,440,790
Cash and cash equivalents at 1 JULY 2018		225,440,790	0
Cash and cash equivalents at 30 JUNE 2019		251,569,893	225,440,790

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Government grants and subsidies	183,790,000	3,675,800	180,114,200	180,114,200	-	
Sale of goods					-	
Total income	183,790,000	3,675,800	180,114,200	180,114,200	-	
Expenses	-	-	-	-	-	
Use of goods and services	-	-	-	-	-	
Employee costs	40,500,000	(3,500,000)	37,000,000	40,125,896	(3,125,896)	8%
Confidential expense	20,000,000	-	20,000,000	6,250,000	13,750,000	69%
Repairs and maintenance	6,164,200	-	6,164,200	3,475,000	2,689,200	44%
Other payments	117,125,800	(175,800)	116,950,000	92,982,152	23,967,848	20%
Total expenditure	183,790,000	(3,675,800)	180,114,200	142,833,048		
Surplus for the period			-	37,281,152	37,281,152	

Budget Notes

1. The under-utilisation of Confidential expense by 69% was due to inadequate staff as the Agency had not recruited the required number to fully be operational.
2. The underutilisation of repairs and maintenance was because the Agency was not fully operational. This was the second year the Agency was operating independent of the Office of the Attorney General.
3. The underutilisation of Other payments by 20% was also due to the fact that the Agency was still setting up its operations as a Semi-Autonomous Government Agency (SAGA).
4. The difference between original budget and final budget is due to budget cuts/austerity measures by the government.

RECONCILIATION OF SURPLUS

Surplus as per the statement of financial performance	Kshs.17,866,726
Add back Depreciation and amortization expense	Kshs.19,414,425
Surplus as per statement of Comparison of budget	Kshs.37,281,152

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Assets Recovery Agency is established by the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 with the principal mandate of identifying, tracing, freezing, seizing and confiscating proceeds of crime. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The Agency's financial statements have been prepared on a historical cost basis unless stated otherwise. 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 Agency's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes of the financial statements.

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

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. The financial statements are prepared on accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions IPSAS 9

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Sale of goods (Tender Documents)

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

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Period ended June 30, 2019

economic benefits or service potential associated with the transaction will flow to the entity.

b) Taxes– IAS 12

c) Property, plant and equipment– IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them 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. Over its remaining useful life. Assets Recovery Agency has adopted reducing balance method of appreciation whereby the asset is fully depreciated on applicable rates on the year of acquisition but not depreciated on the year of disposal.

• Computer and ICT equipment	33.3%
• Office equipment	20.0%
• Furniture and fittings	12.5%
• Motor vehicle	25.0%

d) Inventories– IPSAS 12

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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

e) Provisions– IPSAS 19

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Provisions are recognized when the Agency 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 Agency 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.

f) Contingent liabilities

The Agency 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.

g) Contingent assets

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

h) Changes in accounting policies and estimates – IPSAS 25

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

i) Related parties–IPSAS 20

Members of key management are regarded as related parties. Key management of the Agency have been disclosed on page 4 of the financial statement. The Agency is also related to Office of the Attorney General.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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 at various commercial banks at the end of the financial year.

k) Budget information - IPSAS 24

The National Assembly approved the original budget for FY 2018-2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. During the FY 2018/19 the

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original budget was Kshs183,790,000 but was reduced by Kshs3,675,800 to the final budget of Kshs 180,114,200 as at the end of period 30th June 2019

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

l) Comparative figures

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

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the fourteen period ended June 30, 2019.

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

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Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in the Note 16. 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.

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5. (a) TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Government grants and subsidies	180,114,200	357,000,000
Total	180,114,200	357,000,000

5. (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2018-2019
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Office of Attorney General and Department of Justice 2018/2019	180,114,200	-	-	180,114,200	180,114,200
Total	180,114,200	-	-	180,114,200	180,114,200

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6 OTHER INCOME

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Income from sale of tender	-	48,000
Total Other Income	-	48,000

7 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Subscriptions	-	31,200
Total Use of Good and Services	-	31,200

8 EMPLOYEE COSTS

	2018-2019	2017-2018
	Kshs.	Kshs.
Domestic Travel	29,803,209	15,613,085
Foreign Travel	10,322,687	6,916,880
Total Employee Costs	40,125,896	22,529,965

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9 CONFIDENTIAL EXPENSE

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Confidential	6,250,000	2,400,000
Total Confidential Expenditure	6,250,000	2,400,000

10 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Vehicles	3,475,001	672,409
Furniture and fittings	-	4,184,505
Total Repairs and Maintenance	3,475,001	4,856,914

11 OTHER PAYMENTS

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Insurance	65,843	52,000
Bank Charges	80,044	37,757
Consumables	742,304	3,348,227
Communication, Supplies and Services	1,332,040	1,117,203
Advertising, Printing, Stationery and Photocopying	7,236,230	11,081,436
Rent	14,381,261	9,147,283
Training	3,111,960	1,122,566
Fuel and oil	1,010,687	917,500
Conference and Delegations	20,913,394	13,157,360
Legal expenses	4,638,835	-
Audit fees	580,000	-
Others	38,889,554	-
Total Other payments	92,982,152	39,981,332

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12 (a) CASH AND CASH EQUIVALENTS

DESCRIPTION	2018-2019	2017-2018
	Kshs.	Kshs.
Current account	237,023,753	225,440,790
Confidential account	14,546,140	
Total	251,569,893	225,440,790

12 (b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019	2017-2018
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank (Recurrent)	1210028794	237,023,753	225,440,790
Kenya Commercial bank (Confidential)	1248074947	14,546,140	
Sub- total		251,569,893	225,440,790
Grand Total			
		251,569,893	225,440,790

13 DISCLOSURE.

As at 30th June 2019 the Agency was holding other bank accounts as shown below

Description	Account number	2018-2019	2017-2018
		Kshs.	Kshs.
Preservation Account	1240221339	409,748	-
Escrow Account –Ezekiel Owuor & assets recovery agency	1236765893	1,200,000	-
Total		1,609,748	-

14 RECEIVABLES AND PREPAYMENTS.

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Current receivables		
Outstanding Imprest	1,487,300	1,098,562
Prepayments	200,000	3,819,513
Total Current Receivables	1,687,300	4,918,075

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15 PROPERTY, PLANT AND EQUIPMENT

	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS AND EQUIPMENTS	TOTAL
DEPRECIATION RATE	25%	12.5%	33.3%	
Cost	Kshs	Kshs	Kshs	Kshs
AT 1 st JULY 2018	22,031,000	9,260,000	27,078,724	58,369,724
Additions	0	15,479,400	5,396,501	20,875,901
AT 30 th JUNE 2019	22,031,000	24,739,400	32,475,225	79,245,625
Depreciation and Impairment				
Depreciation	(5,507,750)	(3,092,425)	(10,814,250)	(19,414,425)
At 30 th June 2019	(5,507,750)	(3,092,425)	(10,814,250)	(19,414,425)
N/Book Value at 30th June 2019	16,523,250	21,646,975	21,660,975	59,831,200
N/Book Value at 30th June 2018	22,031,000	9,260,000	27,078,724	58,369,724

16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Trade Payables – Retention Fee	3,820,712	980,000
Other Payable	3,572,366	-
Total Trade and Other Payables	7,393,078	980,000

17 CURRENT PROVISIONS

Description	Provision	Total
	Kshs.	Kshs.
Provision for Audit Fee	580,000	500,000
Total Provisions	580,000	500,000

18 EVENTS AFTER THE REPORTING PERIOD

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

19 ULTIMATE AND HOLDING ENTITY

The entity is a SAGA under the Office of the Attorney General. Its ultimate parent is the Government of Kenya.

20 Currency

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

ASSETS RECOVERY AGENCY
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21 APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Note 9 to the financial statements reflects confidential expenditure on covert operations totalling to Kshs.2,400,000 for the year ended 30 June 2018. However, payment certificates and declaration of the expenditure by the Cabinet Secretary responsible and the Accounting Officer were not availed for audit verification.	The Accounting officer will avail the certificate	Director	Not resolved	December 2020

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director

Date..... 4/02/2021

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Transferring the funds	Date received as per bank statement	Nature	Total Amount - Kes	Statement of Financial Performance	Receivables	Total Transfers during the Year
State Department for Devolution	28/06/2019	Recurrent	660,000	Statement of Financial Performance		660,000
	Total		660,000			660,000

APPENDIX III: INTER-ENTITY TRANSFERS

Kirinyaga University			
Break down of Transfers from the State Department of Education			
FY 2019/2020			
a.	Recurrent Grants		
	Bank Statement Date	Amount (KShs)	FY
1.	02/08/2018	23,728,192	FY 2018/2019
2.	30/08/2018	23,728,194	FY 2018/2019
3.	01/10/2018	23,728,192	FY 2018/2019
4.	07/11/2018	23,728,194	FY 2018/2019
5.	03/12/2018	22,304,502	FY 2018/2019
6.	27/12/2018	22,304,502	FY 2018/2019
7.	01/02/2018	23,253,630	FY 2018/2019
8.	01/03/2019	23,253,630	FY 2018/2019
9.	28/03/2019	21,829,937	FY 2018/2019
10.	02/05/2019	23,728,194	FY 2018/2019
11.	06/06/2019	23,728,194	FY 2018/2019
12.	28/06/2019	23,728,193	FY 2018/2019
	Total	279,043,556	
b.	Development Grants		
1.	30/11/2018	58,778,228	FY 2018/2019
2.	26/02/2019	50,238,791	FY 2018/2019
3.	25/03/2019	30,000,000	FY 2018/2019
2.	28/05/2019	41,429,103	FY 2018/2019
5	28/05/2019	30,120,000	FY 2018/2019
	Total	210,566,122	

The above amounts have been reconciled with the parent Ministry.


Prof. Mary Ndung'u
Vice Chancellor.


CPA Peter Kagika
Finance Officer.

APPENDIX II: Projects Implemented by the University

Projects

Projects implemented by the Kirinyaga University funded by the government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Tuition Complex	KyU/TC1/001/2016/2017	GOK		Fully Committed	No	Yes
Multipurpose Lecture Theatre	KyU/LTH/001/2016/2017	GOK		Fully Committed	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Tuition Complex	1,200,000,000	112,582,459	9%	1,200,000,000	1,200,000,000	GOK
2	Multipurpose Lecture Theatre	184,393,638	44,574,828	24%	184,383,638	184,393,638	GOK

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
4.0	Failure to disclose material uncertainty in relation to sustainability of services that University is recording a deficit in the year.	University Management noted this and wrote a letter to Principal Secretary National Treasury seeking for financial support.	Prof. Mary Ndung'u (Vice-Chancellor)	Resolved – The Vice-Chancellor has written to the Ministry of Education for adequate funding.	Continuous

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	FY 2018/2019	FY 2017/2018 (Audited)
	<u>29-Jun-19</u>	<u>30-Jun-18</u>
	<u>Kes</u>	<u>Kes</u>
35 ACCUMULATED SURPLUS		
Balance b/f	-	75,106,946
Surplus/ (Deficit) for the period	12,194,926	(76,693,339)
Adjusted Cummulative deficit	-	1,586,394
Balance c/d	<u>12,194,926</u>	<u>-</u>
36 CAPITAL FUND		
Balance b/f	376,388,902	392,666,204
Development fund	210,566,122	41,081,345
Transfer to Income Statement	(33,994,599)	(55,772,253)
Adjusted Cummulative deficit	-	(1,586,394)
Balance c/d	<u>552,960,425</u>	<u>376,388,902</u>
37 FARM ACCOUNTS		
<u>Revenue</u>		
Coffee	1,995,525	-
Tea income	11,588,746	9,349,228
Horticulture	1,490,059	1,003,164
Total Income	<u>15,074,330</u>	<u>10,352,392</u>
<u>Expenditure</u>		
Tea picking casuals	1,595,300	1,907,410
Tea pruning	89,520	104,680
Fertilizers & Inputs	314,847	221,464
Horticulture expenses	247,320	121,433
Farm staff welfare	39,077	16,790
Farm travelling charges	16,280	16,720
Electricity Water & Conservation	26,501	18,932
Total Expenditure	<u>2,328,845</u>	<u>2,407,429</u>
Sulplus for the year	<u>12,745,485</u>	<u>7,944,962</u>

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FOR THE YEAR ENDED 30 JUNE 2019

	FY 2018/2019	FY 2017/2018
	30-Jun-19	(Audited) 30-Jun-18
	Kes	Kes
28 BIOLOGICAL ASSETS		
64,108 Coffee trees	19,500,000	19,500,000
148,052 Tea bushes	37,500,000	37,500,000
4.5 acres Banana Plantation	850,000	2,000,000
28 Avocado trees	140,000	140,000
15 Macandamia trees	172,500	172,500
10 Bee hives mounted on trees	-	185,000
5 Fish ponds	-	1,200,000
2.5 acres Agroforest	4,700,000	3,200,000
Total	62,862,500	63,897,500
This was at net realisable value		
29 LIBRARY BOOKS		
Library Books	35,207,068	35,207,068
	35,207,068	35,207,068
30 TRADE AND OTHER PAYABLES		
Student creditors	1,246,723	2,658,802
Trade Creditors- Recurrent	31,685,167	79,158,370
Trade Creditors - Development	-	55,913,403
Retention funds	18,980,919	27,473,046
Total	51,912,809	165,203,621
31 AUDIT FEES		
Balance b/f	1,392,000	696,000
Paid in the Year	(1,392,000)	-
Provision Audit fees for the Year	696,000	696,000
Balance c/d	696,000	1,392,000
32 PROVISION FOR SERVICE GRATUITY		
Balance b/f	12,466,277	31,500,000
Add provision for the year	17,933,697	4,987,043
Gratuity paid during the year	(12,552,522)	(24,020,766)
Balance c/d	17,847,452	12,466,277
33 REVALUATION RESERVE - PPE		
Balance b/f	865,399,026	865,399,026
Additions for the Year	184,052,786	-
Balance c/d	1,049,451,812	865,399,026
34 REVALUATION RESERVE (BIOLOGICAL ASSETS)		
Balance b/f	46,392,000	46,392,000
Additions for the Year	(1,035,000)	-
Balance c/d	45,357,000	46,392,000

MOVEMENT OF FIXED ASSET AS AT 30 JUNE 2019

<u>Note 21 : PROPERTY, PLANT & EQUIPMENTS</u>	LAND	BUILDING	MOTOR VEHICLES	COMPUTER & ACCESSORIES	PLANT & MACHINERY	FURNITURE & EQUIPMENTS	WORK IN PROGRESS	TOTAL
	<u>Nil</u> <u>Kes</u>	<u>2%</u> <u>Kes</u>	<u>25%</u> <u>Kes</u>	<u>30%</u> <u>Kes</u>	<u>12.5%</u> <u>Kes</u>	<u>12.5%</u> <u>Kes</u>	<u>NOTE 3</u> <u>Kes</u>	<u>Kes</u>
Bookvalue as at 01/07/2017	677,500,000	246,536,948	25,981,652	10,820,360	24,190,549	54,223,577	186,715,617	1,225,968,703
Additions for the period	-	-	-	4,705,679	-	2,842,335	102,937,897	110,485,911
As at 30/06/2018	<u>677,500,000</u>	<u>246,536,948</u>	<u>25,981,652</u>	<u>15,526,039</u>	<u>24,190,549</u>	<u>57,065,912</u>	<u>289,653,514</u>	<u>1,336,454,614</u>
Accumulated Depreciation as at 01/07/2017	-	19,788,771	39,782,718	20,422,684	13,382,517	20,537,739	-	113,914,429
Charge for the period	-	4,930,739	6,495,413	4,657,812	3,023,819	7,133,239	-	26,241,022
Depreciation as at 30/06/2018	-	<u>24,719,510</u>	<u>46,278,131</u>	<u>25,080,496</u>	<u>16,406,336</u>	<u>27,670,978</u>	-	<u>140,155,451</u>
Net Bookvalue as at 01/07/2018	677,500,000	241,606,209	19,486,239	10,868,227	21,166,730	49,932,673	289,653,514	1,314,457,987
Additions for the period	-	-	-	1,027,098	-	2,455,285	67,109,300	70,591,683
Transfers	-	172,691,713	-	26,913,814	-	-	(199,605,527)	-
As at 30/06/2019	<u>677,500,000</u>	<u>414,297,922</u>	<u>19,486,239</u>	<u>38,809,139</u>	<u>21,166,730</u>	<u>52,387,958</u>	<u>157,157,287</u>	<u>1,380,805,275</u>
Accumulated Depreciation as at 01/7/2018	-	24,719,510	46,278,131	25,080,496	16,406,336	27,670,978	-	140,155,451
Depreciation of the disposed asset	-	-	-	-	-	-	-	-
Charge for the period	-	8,285,958	4,871,560	11,642,742	2,645,841	6,548,495	-	33,994,599
As at 30/06/2019	-	<u>33,005,468</u>	<u>51,149,691</u>	<u>36,723,238</u>	<u>19,052,177</u>	<u>34,219,473</u>	-	<u>174,150,050</u>
Net Book value as at 30/06/2019	<u>677,500,000</u>	<u>406,011,964</u>	<u>14,614,679</u>	<u>27,166,397</u>	<u>18,520,889</u>	<u>45,839,463</u>	<u>157,157,287</u>	<u>1,346,810,676</u>
Revaluation Reserve	234,200,000	(30,546,964)	29,417,723	(16,702,540)	848,658	(26,006,805)	(7,157,287)	184,052,786
Valuation as at 30/6/2019	<u>911,700,000</u>	<u>375,465,000</u>	<u>44,032,402</u>	<u>10,463,857</u>	<u>19,369,547</u>	<u>19,832,658</u>	<u>150,000,000</u>	<u>1,530,863,464</u>
Net Bookvalue as at 30/06/2018	<u>677,500,000</u>	<u>241,606,209</u>	<u>19,486,239</u>	<u>10,868,227</u>	<u>21,166,731</u>	<u>49,932,673</u>	<u>289,653,514</u>	<u>1,314,457,987</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2019**

	FY 2018/2019	FY 2017/2018
	<u>30-Jun-19</u>	<u>30-Jun-18</u>
20 GENERAL EXPENSES	<u>Kes</u>	<u>Kes</u>
Conferences & Seminars	1,285,155	1,405,610
Internet expenses	6,311,048	5,725,398
Vehicle licenses & insurance	2,572,598	2,484,183
Purchase of Uniforms	150,603	635,374
Vehicle fuel and oil	3,333,688	2,149,061
Performance Contracting	285,450	317,652
Advertisement & Marketing	1,777,951	6,160,508
Staff Welfare & Trainings	655,747	1,521,648
News papers	366,651	342,757
Telephone & Postage expenses	160,997	205,581
Subscription to Professional bodies	3,505,090	505,000
Cleaning Materials	242,000	2,120,627
Public celebrations/Demise	160,000	549,870
Catering expenses	9,185,304	10,335,255
Corporate Social Responsibility	168,060	-
Research	118,835	1,337,783
Award of University Charter	-	607,500
Valuation Expense	460,000	-
Totals	<u><u>30,739,175</u></u>	<u><u>36,403,807</u></u>

KIRINYAGA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	FY 2018/2019	FY 2017/2018
	<u>30-Jun-19</u>	<u>30-Jun-18</u>
	<u>Kes</u>	<u>Kes</u>
15 <u>CONTRACTED/PROFESSIONAL SERVICES</u>		
Legal Services	941,114	2,046,071
ISO Expenses	169,990	555,460
House Keeping/Cleaning Services	9,166,329	8,705,111
Security Services	2,031,985	1,683,821
	<u>12,309,418</u>	<u>12,990,463</u>
16 <u>STUDENTS WELFARE</u>		
Students games	3,797,382	3,027,560
Students medical expenses	1,593,118	4,587,727
Fees refunds	1,659,373	1,779,516
Students Entertainment	940,962	862,941
KYU Students union	316,300	333,090
	<u>8,307,135</u>	<u>10,590,834</u>
17 <u>ACADEMIC COSTS</u>		
Academic Field trips	-	5,000
Curriculum Development	339,544	263,692
Attachement expenses	956,400	985,979
Student admision Expense	912,067	1,314,000
Gratuation Expense	2,500,377	4,996,178
Teaching materials	4,049,785	3,210,594
	<u>8,758,173</u>	<u>10,775,443</u>
18 <u>ADMINISTRATIVE COSTS</u>		
Travelling and accommodation	4,296,675	3,656,803
Stationery	2,757,841	7,187,124
	<u>7,054,516</u>	<u>10,843,927</u>
19 <u>FINANCE COSTS</u>		
Bank charges	260,241	291,729
	<u>260,241</u>	<u>291,729</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	FY 2018/2019	FY 2017/2018 (Audited)
	<u>30-Jun-19</u>	<u>30-Jun-18</u>
	<u>Kes</u>	<u>Kes</u>
9 RENTAL REVENUE		
Rent Income	1,640,438	1,720,000
Balance c/d	<u>1,640,438</u>	<u>1,720,000</u>
10 OTHER INCOMES		
Sale of tender forms	51,000	113,500
Disposal of Assets	186,021	262,352
Medical & Other Income	45,100	3,700
Kitchen sales	4,940,200	4,767,223
Interest Income	274,749	1,352,018
Research Grant	-	10,617,150
Hire of Facilities	766,858	517,726
TOTAL INCOME	<u>6,263,928</u>	<u>17,633,669</u>
11 BULK PURCHASE OF WATER AND ELECTRICITY		
Electricity expenses	4,372,138	6,358,266
Water expenses	2,727,998	2,723,541
	<u>7,100,136</u>	<u>9,081,807</u>
12 EMPLOYEE COSTS		
Basic Salaries	161,855,405	165,103,051
Casual workers	3,905,154	4,012,544
House allowances	83,196,350	90,080,595
Part time teaching	41,696,858	29,160,101
Gratuity and pension	20,705,587	60,657,374
House to Office allowance	21,829,563	24,237,564
Other personal allowances	33,377,139	25,971,105
Passage & Baggage	128,453	118,176
Staff Medical Cover	17,869,805	17,667,894
CBA Arrears	-	75,160,773
	<u>384,564,315</u>	<u>492,169,177</u>
13 RENUMERATION OF COUNCIL		
Chairman's Allowance	1,084,500	1,080,000
Sitting Allowance	2,576,000	1,912,000
Travelling & Accommodation	2,349,957	523,358
Chancellor Allowance	1,200,000	1,200,000
	<u>7,210,457</u>	<u>4,715,358</u>
14 REPAIRS AND MAINTENANCE		
Vehicle repairs	1,239,163	1,566,432
Maintenance of Buildings	1,758,861	6,584,271
Machine & Equipment repairs	764,885	1,557,424
	<u>3,762,909</u>	<u>9,708,127</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	FY 2018/2019	FY 2017/2018
	30-Jun-19	(Audited) 30-Jun-18
	Kes	Kes
5 TRANSFER FROM THE GOVT - RECURRENT		
July	23,728,194	19,069,936
August	23,728,194	19,069,936
September	23,728,192	19,069,936
October	23,728,194	19,069,936
November	22,304,502	19,069,936
December	-	3,015,764
December	22,304,502	19,069,936
January	-	3,015,764
January	23,253,630	19,069,936
January	-	3,015,764
February	23,253,630	19,069,936
February	-	3,015,764
March	21,829,937	19,069,936
March	-	3,015,764
April	23,728,194	19,069,936
April	-	3,015,764
May	23,728,194	19,069,936
June	23,728,193	3,015,764
June	35,585,730	19,069,936
	<u>314,629,286</u>	<u>249,949,580</u>
6 TRANSFER FROM THE GOVT - CBA FUNDS		
July	-	33,204,604
July	-	30,344,877
December	-	15,078,821
Total	<u>-</u>	<u>78,628,302</u>
7 TRANSFER FROM THE GOVT - DEVELOPMENT		
October	-	24,206,345
November	58,778,228	-
January	50,238,791	-
March	30,000,000	-
May	30,120,000	6,931,278
May	41,429,103	9,943,722
Total	<u>210,566,122</u>	<u>41,081,345</u>

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

Detailed analysis of the grants received by Kirinyaga University

Name of the entity sending the Grant	Amount recognized to statement of comprehensive income	Amount deferred	Amount recognised in capital fund	Total Income FY 2018/2019	Total Income FY 2017/2018
MoE -Recurrent	314,629,286	-	210,566,122	525,195,408	249,949,580
MoE -CBA Arrears	-	-	-	-	78,628,302
Total	<u>314,629,286</u>	<u>-</u>	<u>210,566,122</u>	<u>525,195,408</u>	<u>328,577,882</u>

8 RENDERING SERVICES

Tuition and other fees	165,611,958	144,723,551
	<u>165,611,958</u>	<u>144,723,551</u>

Repairs and maintenance budget was Kes 5,293,500.00 during the year under review. As a result of reduced capitation, the University decided to decelerate expenditure on repairs and spent Kes 3,762,909 on repairs, resulting to a favourable variance of 29%.

(r) Comparative information

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

(s) Related Party Disclosures

During the financial year the University paid Kes 7,210,457.00 to Council members and Kes 49,015,755.00 to the top management.

(t) Capital Commitment

The University had an approved capital budget of Kes 210,995,000.00 but received Kes 210,556,122.00 during the year under review.

(u) Ultimate and Holding Entity

Kirinyaga University is a Semi – Autonomous Government Agency under Ministry of Education.

(v) Currency

The financial statements are presented in Kenyan shillings (Kes)

(w) Notes to the Budget

In these financial statements, any variance more or less than 10% is deemed to be material and explained as follows;

The University had budgeted to receive Kes 13,409,000.00 from other income during the year under review. Included in this income was Kes 7,995,000.00 from National Research fund. The actual revenue was Kes 6,263,928.00 since the amount expected from National Research Fund was not received. This resulted to unfavourable variance of Kes 7,145,072 translating to a negative variance of 53%.

The University had budgeted to receive Kes 10,000,000.00 from the farm. The actual income was Kes 12,745,485 as a result of good climate favouring green leaf production in the tea farm. This resulted to a favourable variance of 27%.

The University submitted personnel cost budget of Kes 543,741,000.00 to the National Treasury through Ministry of Education for approval. The actual allocation for recurrent budget for the year under review was Kes 284,738,322.00. This resulted to unfavourable personnel cost budget of Kes 99,825,993.00 translation to a negative variance of 35%.

Bank Balance	21,348,827	-	-
Totals	54,023,986		
As At 30 June 2018			
Student Receivables	1,718,607	-	-
Accrued Interest	214,153	-	-
Deposit with Financial Institution	3,871,272	-	-
Bank Balance	31,005,669	-	-
Totals	36,809,701	-	-

Liquidity risk - Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations. To manage this risk, Kirinyaga University ensures availability of funds before committing an expenditure or collateral to fulfil those needs at the appropriate time.

	Less than 1 month Kes	Between 1- 3 months Kes	Over 5 months Kes	Total Kes
At 30 June 2019				
Trade payables	1,246,723	31,685,167	18,980,919	51,912,809
	=====	=====	=====	=====
At 30 June 2018				
Trade payables	2,658,802	35,068,447	127,476,372	165,203,621
	=====	=====	=====	=====

(q) On call/ Fixed Deposit Kes 30,001,014 (Thirty million One thousand Fourteen only)

1. Kes 642,525.00 (Six hundred forty-two thousand, five hundred twenty-five only) is a bank guarantee with KCB Bank Ltd for fuelling with National Oil Corporation of Kenya
2. Kes 3,264,736.00 (Three million two hundred sixty-four thousand seven hundred thirty-six only) deposited on a call deposit account with Cooperative Bank Ltd at a rate of 7% for the payment of CBA 2013 / 2017 arrears employee component.
3. Kes 26,093,653.00 (Twenty-six million ninety-three thousand six hundred fifty-three only) deposited on a call deposit account with Equity Bank Ltd at a rate of 8% for the payment of gratuity and retention funds.

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

(n) Significant judgements and sources of estimation uncertainty

The preparation of Kirinyaga University financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Nothing has come to the attention of the University Council that can result to contingent liability or asset.

(o) Related parties' disclosures

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

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

(p) Disclosure on financial risk management

Credit risk - Credit risk refers to the risk that the students will default fees by failing to make required payments. To manage this risk, the University ensures that students with fees balances are not issued with examination cards hence they cannot sit for examinations.

Trade receivables

As at 30 June 2019	Fully performing	Between 0-5months	Over 5 Months
Student Receivables	2,221,332	-	-
Accrued Interest	452,813	363,190	214,153
Deposit with Financial Institution	30,001,014	26,093,653	3,907,361

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(h) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statement for the year ended June 30, 2019.

(i) Receivables

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

(j) Trade payables

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

(k) Nature and purpose of reserves

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

Revaluation Reserve. This reserve was occasioned by the fact that the University valued all its assets. It represents the difference between the net book value as at June 30, 2019 and the revalued amount.

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

Capital fund. This relate to development funds made to the University.

(l) Changes in accounting policies and estimates

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

(m) Biological assets

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

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

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

Library books

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

(e) Employee benefits

Retirement benefit plans

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

Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. The most common type of defined contribution plan is a savings and thrift plan. Under this type of plan, the employee contributes a predetermined portion of his or her earnings (usually pretax) to an individual account, all or part of which is matched by the employer

(f) Foreign currency transactions

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

the items. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation

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

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

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

Intangible assets have been amortized using straight line method to write off the costs of the assets over their useful economic life starting from the year they have been transferred to property, plant and equipment.

(d) Inventories

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

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

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

xi.	6 th June 2019	-	Kes. 23,728,194
xii.	28 th June 2019	-	<u>Kes. 23,728,193</u>
Total:			<u>Kes 279,043,556</u>

b) Development

i)	30 th November 2018	-	Kes 58,778,228
ii)	26 th February 2019	-	Kes 50,238,791
iii)	25 th March 2019	-	Kes 30,000,000
iv)	28 May 2019	-	Kes 30,120,000
v)	28 th May 2019	-	<u>Kes 41,429,103</u>
Totals			<u>Kes 210,566,122</u>

During the FY 2018/2019, the University received capital grant amounting to Kshs 210,556,122.00. During the same year under review, the University had assets which were funded from capital grants and generated future economic benefits. In accordance to IPSAS 23, transfers are defined as inflows of future benefits or service potential from non-exchange transactions other than taxes. It is on this basis that Kirinyaga University has recognized Kshs 33,994,599.00 being capital grant amortised as revenue since the University enjoyed economic gain from assets and hence transferred the same amount to statement of financial performance as revenue from non-exchange transactions.

b) Budget information

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

(c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of

The University recognizes revenue from exchange transactions by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

(i) Income from Rendering of services

This is income derived from fees collected from tuition and other fees payable by the students.

(ii) Rental income

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

(iii) Interest income

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

(iv) Farm

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

(v) Revenue from non-exchange transactions

The University recognizes revenue from transfers from government once they are included in the printed estimates and the outcome of the transaction can be estimated reliably. The University has received a total of Kes 489,609,678 as follows:

a) Recurrent expenditure	
i.	2 nd August 2018 - Kes. 23,728,194
ii.	30 th August 2018 - Kes. 23,728,194
iii.	1 st October 2018 - Kes. 23,728,192
iv.	7 th November 2018 - Kes. 23,728,194
v.	3 rd December 2018 - Kes. 22,304,502
vi.	27 th December 2018 - Kes. 22,304,502
vii.	1 st February 2019 - Kes. 23,253,630
viii.	1 st March 2019 - Kes. 23,253,630
ix.	28 th March 2019 - Kes. 21,829,937
x.	2 nd May 2019 - Kes. 23,728,194

NOTES TO THE FINANCIAL STATEMENT

1. General Information

Kirinyaga University is a fully chartered Public University, granted charter by His Excellency Hon. Uhuru Kenyatta the President of the republic of Kenya on 7th October 2016. It is owned by the government of Kenya and is domiciled in Kenya. The mandate of the University is derived from the Universities Act No. 42 of 2012. The main objective of the University is to provide, directly or indirectly through collaboration with other institutions of higher learning, university education including scientific and professional education, and technology transfer for effective application of knowledge and skills in life, work and welfare of the citizens of Kenya.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards.

Kirinyaga University is non-profit making organization and hence was not affected by IPSAS 40 on Public Sector Combinations during the year under review.

Kirinyaga University will adopt IPSAS 41 on financial instruments effective from 1st January 2022 to provide users with information on interest receivable as a result of fixed and on call deposits.

Kirinyaga University will adopt IPSAS 42 on social benefits effective from 1st January 2022 to enhance revenue mobilization strategies from all stake holders. This will improve the University's corporate social responsibility and also improve financial performance.

4. Summary of significant accounting policies

(a) Revenue recognition

Revenue from exchange transactions

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Adjustment	Final Budget	Actual	Performance Difference	% Variance
	FY 2018/2019		FY 2018/2019	FY 2018/2019		
			Shs	Shs		
REVENUE						
Transfers from government	556,486,000	(271,747,678)	284,738,322	314,629,286	29,890,964	10
Other Income	8,839,389	4,569,611	13,409,000	6,263,928	(7,145,072)	(53)
Rendering of services	160,130,611	-	160,130,611	165,611,958	5,481,347	3
Rental income and agency fees	1,500,000	-	1,500,000	1,640,438	140,438	9
Farm Surplus	10,000,000	-	10,000,000	12,745,485	2,745,485	27
Total Income	736,956,000	(267,178,067)	469,777,933	500,891,095		
EXPENSES						
Compensation of employees	543,741,000	(259,002,678)	284,738,322	384,564,315	(99,825,993)	(35)
Repairs & Maintenance	8,280,000	(2,986,500)	5,293,500	3,762,909	1,530,592	29
Finance cost	250,000	-	250,000	260,241	(10,241)	(4)
Contracted services	15,000,000	(2,000,000)	13,000,000	12,309,418	690,583	5
Remuneration to the council	12,745,000	(5,945,000)	6,800,000	7,210,457	(410,457)	(6)
Students welfare	8,000,000	283,012	8,283,012	8,307,135	(24,123)	(0)
Depreciation	33,000,000	-	33,000,000	-	-	-
Academic cost	18,000,000	(8,500,000)	9,500,000	8,758,173	741,828	8
Administrative Costs	11,200,000	(3,500,000)	7,700,000	7,054,516	645,485	8
General expenses	39,330,000	(8,403,476)	30,926,524	30,739,175	187,350	1
Water & Electricity	15,000,000	(8,005,907)	6,994,093	7,100,136	(106,043)	(2)
Audit fee	696,000	-	696,000	696,000	-	-
Gratuity	17,000,000	-	17,000,000	17,933,697	(933,697)	(5)
Total expenditure	722,242,000	(298,060,549)	424,181,451	488,696,169		
Surplus(Deficit) for the period	14,714,000	30,882,482	45,596,482	12,194,926		

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		FY 2018/2019	FY 2017/2018
		<u>30-Jun-19</u>	<u>30-Jun-18</u>
	NOTES	<u>Kes</u>	<u>Kes</u>
Surplus/Deficit for the period		12,194,926	(76,693,339)
Adjustments for:			
Depreciation	21	33,994,599	26,241,021
Provision for audit fees	31	696,000	696,000
Provision for service gratuity	32	17,933,697	4,987,043
Provision for Bad debt		-	3,570,921
Accumulated Depreciation	21	<u>(33,994,599)</u>	<u>(55,772,253)</u>
		30,824,624	(96,970,607)
Cash flows from operating activities			
Change in;			
Increase Receivables - Exchange transactions	24	3,218,290	(4,958,795)
Increase Receivables -Non Exchange transactions	25	(32,014,809)	-
Increase in Inventory	27	(2,538,704)	(55,632)
Decrease in Payables	30	<u>(110,438,418)</u>	<u>89,865,040</u>
Net cash flows used in operating activities		(141,773,641)	84,850,613
Cash flows from Investing activities			
Purchase of Computers	21	(1,027,098)	(4,705,679)
Purchase of Furniture & Equipment	21	(2,455,285)	(2,842,335)
Work in progress	21	(67,109,300)	(116,436,258)
Increase in Fixed Deposit account	26	(26,129,742)	88,235,264
Gratuity paid	32	<u>(12,552,522)</u>	<u>-</u>
Net cash flows used in investing activities		(109,273,947)	(35,749,008)
Cash flows from financing activities			
Capital fund	7	<u>210,566,122</u>	<u>41,081,345</u>
Net cash flows used in investing activities		210,566,122	41,081,345
Net increase/(decrease) in cash and cash equivalents		(9,656,842)	(6,787,657)
Cash and cash equivalents at the beginning of the year		<u>31,005,669</u>	<u>37,793,326</u>
Cash and cash equivalents at the end of the year		<u>21,348,827</u>	<u>31,005,669</u>

STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2019

ATTRIBUTABLE TO THE OWNERS OF THE CONTROLLING ENTITY

	CAPITAL FUND	REVALUATION RESERVE (PPE)	REVALUATION RESERVE (BIOLOGICAL ASSETS)	ACCUMULATED FUNDS	TOTAL
	Kes	Kes	Kes	Kes	Kes
Balance as at 1 July 2017	392,666,204	865,399,026	46,392,000	75,106,945	1,379,564,175
Additions in the year (Note 7)	41,081,345	-	-	-	41,081,345
Deficit for the Year	-	-	-	(76,693,339)	(76,693,339)
Transfer to Income Statement	(55,772,253)	-	-	-	(55,772,253)
Adjusted Cumulative Loss	(1,586,394)	-	-	1,586,394	-
Balance as at 30 June 2018	<u>376,388,902</u>	<u>865,399,026</u>	<u>46,392,000</u>	-	<u>1,288,179,928</u>
Balance as at 1 July 2018	376,388,902	865,399,026	46,392,000	-	1,288,179,928
Additions in the year	210,566,122	184,052,786	(1,035,000)	-	393,583,908
Surplus/(Deficit) for the Year	-	-	-	12,194,926	12,194,926
Transfer to Income Statement	(33,994,599)	-	-	-	(33,994,599)
Balance as at 30 June 2019	<u>552,960,425</u>	<u>1,049,451,812</u>	<u>45,357,000</u>	<u>12,194,926</u>	<u>1,659,964,163</u>

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

ASSETS	NOTES	FY 2018/2019	FY 2017/2018
		30-Jun-19	30-Jun-18
Current assets		Kes	Kes
Cash and cash equivalents	23	21,348,827	31,005,669
Receivables from exchange transactions	24	9,166,945	12,385,235
Receivables from non exchange transactions	25	35,585,730	3,570,921
Investments	26	30,001,014	3,871,272
Inventories	27	5,384,877	2,846,173
		<u>101,487,394</u>	<u>53,679,270</u>
Non-current assets			
Property, Plant and Equipment(PPE)	21	1,530,863,464	1,314,457,987
Biological assets	28	62,862,500	63,897,500
Library Books	29	35,207,068	35,207,068
		<u>1,628,933,032</u>	<u>1,413,562,555</u>
Total assets		<u>1,730,420,426</u>	<u>1,467,241,825</u>
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	30	51,912,810	165,203,621
Provision for audit fee	31	696,000	1,392,000
		<u>52,608,810</u>	<u>166,595,621</u>
Long term liabilities			
Provision for service gratuity	32	17,847,452	12,466,277
		<u>17,847,452</u>	<u>12,466,277</u>
FUNDS AND RESERVES			
Revaluation Reserves - PPE	33	1,049,451,812	865,399,026
Revaluation Reserves - Biological Assets	34	45,357,000	46,392,000
Accumulated surplus	35	12,194,926	-
Capital fund	36	552,960,425	376,388,902
		<u>1,659,964,163</u>	<u>1,288,179,928</u>
Total Funds, Reserves & Liabilities		<u>1,730,420,426</u>	<u>1,467,241,825</u>

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


Dr. Mechal Charles Moturi

Chairman of Council.

Date 16/02/2021


Prof. Mary Ndung'u
Vice Chancellor

Date 16/2/2021


CPA Peter Kagika
Finance Officer

Date 16/02/2021


ICPAK Member
No.9632

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

		FY 2018/2019	FY 2017/2018
	Notes	<u>30-Jun-19</u>	<u>Audited</u> <u>30-Jun-18</u>
		Kes	Kes
Revenue from non-exchange transactions			
Transfers from the government- Reccurrent	5	314,629,286	249,949,580
Transfers from the government- CBA Arreas	6	-	78,628,302
Transfers from Capital funds - Amortization	21	33,994,599	55,772,253
		348,623,885	384,350,135
Revenue from exchange transactions			
Rendering of services	8	165,611,958	144,723,551
Rental revenue from facilities and equipment	9	1,640,438	1,720,000
Other income	10	6,263,928	17,633,669
Farm Surplus	37	12,745,485	7,944,962
		186,261,809	172,022,182
Total revenue		534,885,694	556,372,318
Expenses			
Bulk purchases of water and electricity	11	7,100,136	9,081,807
Employee costs	12	384,564,315	492,169,177
Remuneration of council	13	7,210,457	4,715,358
Repairs and maintenance	14	3,762,909	9,708,127
Contracted services	15	12,309,418	12,990,463
Student Welfare	16	8,307,135	10,590,834
Academic cost	17	8,758,173	10,775,443
Administrative costs	18	7,054,516	10,843,927
Finance costs	19	260,241	291,729
General expenses	20	30,739,175	36,403,807
Depreciation and amortization expense	21	33,994,599	26,241,021
Provision for Audit fee	31	696,000	696,000
Provision for service gratuity	32	17,933,697	4,987,043
Provision for Bad debt		-	3,570,921
Total expenses		522,690,767	633,065,657
Other gains/(losses)		-	-
Surplus (Deficit) for the period		12,194,926	(76,693,339)
Taxation		-	-
Surplus (Deficit) for the period		12,194,926	(76,693,339)

The notes set out on pages 6 to 22 form an integral part of the Financial Statements

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 February, 2021

inadequate because of changes in conditions, or that the degree of compliance with the University's 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

(178) employees or (77%) of the entire workforce was from one (1) ethnic community in the County, contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008.

In the circumstances, the University was in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

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

Other Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts for the year under review reflects a revenue budget of Kshs.469,777,933 and actual revenue of Kshs.500,891,095 resulting to a net revenue surplus of Kshs.31,113,162 comprising of Kshs.38,258,234 in four (4) items and a revenue shortfall of Kshs.7,145,072 in one (1) item. The revenue surplus may be an indication of inaccurate revenue budget planning process. Further, the statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs.424,181,451 and an actual expenditure of Kshs.488,696,169 resulting to a net over-expenditure of Kshs.64,514,718. The University therefore, overspent its budget without approval contrary to Regulation 44(1) of the Public Finance Management (National Government) Regulations, 2015.

In addition, the University's budget was unbalanced as it comprised a total revenue budget of Kshs.469,777,933 and a total expenditure budget of Kshs.424,181,451 resulting to a difference of Kshs.45,596,482 in respect to budgeted revenue without a corresponding budgeted expenditure contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Unapproved Bank Accounts

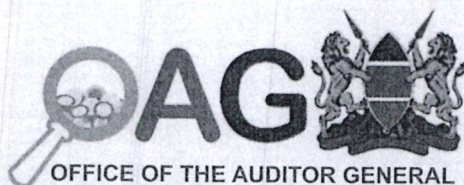
Note 23 to the financial statements reflects a balance of Kshs.21,348,827 in respect to cash and bank balances as at 30 June, 2019 comprising of Kshs.16,561 and Kshs.21,332,266 in respect to cash balances in seven (7) accounts held in commercial banks. However, no authority from The National Treasury to operate the seven (7) accounts in commercial banks was availed for audit review contrary to Section 2(1) of the Public Finance Management Act, 2012.

In the circumstances, the University was in breach of the Law.

2.0 Human Resource Management

An analysis of the ethnic composition of employees of Kirinyaga University revealed that out of the total two hundred and thirty (230) employees, one hundred and seventy-eight

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kirinyaga University set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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, the financial statements present fairly, in all material respects, the financial position of Kirinyaga University as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Approval of the financial statements

Kirinyaga University financial statements were approved by the University Council on
6TH SEP..... 2019 and signed on its behalf by:



Dr. Mechah Charles Moturi
Chairman of Council.



Mr. Alister M. Murimi
Council Member



Prof. Mary Ndung'u
Vice Chancellor

STATEMENT OF THE RESPOSIBILITIES OF THE COUNCIL MEMBERS

Section 81 of the Public Finance Management Act, 2012 and Kirinyaga University Charter of 7th October, 2016, requires the University Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results for that year/period.

The responsibilities of University Council include:

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

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

The Council members are of the opinion that the Kirinyaga University financial statements give a true and fair view of the state of the University transactions during the financial year ended June 30, 2019, and of the University financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

REPORT OF THE UNIVERSITY COUNCIL MEMBERS

Principal activities

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

Results

The financial results of Kirinyaga University for the year ended 30 June, 2019 are set out on page xvi

University Council Members

Chairman of Council was appointed with effect from 15th October, 2018 for a period of 1 year and 10 months, other members of Council shown on page (vi) and (vii) were appointed under gazette notice No. 7614 with effect from 1st August, 2017 for a period of three years.

Auditors

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

Follow up of Auditors Recommendations

Previous audit report (FY 2017/2018) had qualified opinion due to non-disclosure of material uncertainty in relation to sustainability of services. The uncertainty is due to consistence realisation of deficit in previous years occasioned by the reduced capitation from the government.

Kirinyaga University's Financial Probity and Serious Governance Issues

During the year under review, nothing has come to the attention of the University Council to indicate that Kirinyaga University will not remain a going concern for at least the next twelve months from the date of this statement. Further to this, there was no conflict of interest and nothing was reported by internal auditors, external auditors or government agencies providing oversight, which is likely to affect the correctness of these financial statements.


Prof. Mary Ndung'u

Vice Chancellor.

Date.....16/2/2021

the Mwea citizens and Kirinyaga County community at large in production of power. The project uses irrigation water for production of power and at the same time offers job opportunities to the local community.

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

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

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

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

KyU believes that strong neighbourhoods, towns, and cities are vital to the well-being of the society and to the economy, and we acknowledge that we have both a special responsibility and role to play in helping the communities thrive. Through our various student and staff clubs and societies, we participate in environmental and health initiatives to help conserve the environment and save lives, and create stability in local communities. The University has partnered with the Kenya Forestry Service to plant over 6000 trees in an initiative to contribute to the national goal of achieving 35% tree cover by 2022. The University has put in place mechanisms to protect the riparian land along its borders by planting trees. The University blood donor club through their quarterly blood donation weeks/campaigns continues to contribute upwards of 200 pints of blood very three months, towards building a sustainable blood bank in Kenya for the benefit of the community members needing blood transfusions.

The University contributes support to local community endeavours which help provide for a better quality of life, including contributing substantially to local employment, training and skills development, especially for the management staff of Kirinyaga and Nyeri county governments. In addition, our employees and students participate in community outreach programmes to educate on Alcohol Drugs and Substance Abuse and HIV and AIDS prevention and other volunteer services.

Kirinyaga University has collaborated with United Nations Industrial development organization on provision of services relating to Operations and Maintenance (O&M) training for ultra-low Head Micro Hydro Power (ULH-MHP) technology. This involves the research by the University staff on the installation sites for the system and training of about 20 participants annually who will offer technical support during and after commissioning of the projects. The primary objective of the training is to develop capacity locally for operation and maintenance of ULH-MHP system to benefit

levies, Union dues, Sacco deductions etc. During the year under review, the University complied with statutory requirements and Public Finance Management (PFM) Act, 2012, Laws of Kenya.

Major Risks Facing the Entity

Kirinyaga University is exposed to two major risks as follows;

Credit risk – This refers to the risk that the students will default on payment of fees. To manage this risk, the University ensures that only students who have paid at least 60% of semester fees get to register for course units and can attend lectures up to and including the 14th week of study for the given semester by when they must attain zero balance of fees. Students with fees balances are not issued with examination cards hence they cannot sit for examinations. Such students are advised to take academic leave pending payment of requisite fees.

Liquidity risk – This is the risk to the University's financial condition or safety and soundness arising from her inability to meet her contractual obligations. To manage this risk, Kirinyaga University ensures availability of funds before committing an expenditure or collateral to fulfil those needs at the appropriate time. That the University is mainly dependent on exchequer funds, compounds the risk, especially when the budget cuts/ realignment happen in the course of the plan period and without reference to the university.

Material Arrears in statutory/Financial Obligations

During the year under review, the University reported pending bills amounting to Kes 31,685,167.00. Further to this, it also reported Kes 18,980,919.00 (Eighteen million nine hundred and eighty thousand four hundred ninety eight only) being project retention funds. The University anticipates honouring her financial obligations in good time to avoid any litigation in future. However, this commitment is dependent upon timely release of funds by government when the same falls due.

MANAGEMENT DISCUSSIONS AND ANALYSIS

The University started the year with cash and bank balance of Kes 31,005,669.00 (Thirty one million, five thousand, six hundred sixty nine only). During the year under review, the University generated Kes 186,350,250.00 (One eighty-six million three hundred and fifty thousand two hundred and fifty only) in A-in-A vide student tuition and other fees, and received Kes 314,629,286.00 (Three fourteen million six hundred twenty-nine thousand two hundred eighty-six only) from Government of Kenya for recurrent expenditure. The total expenditure amounted to Kes 522,690,797.00 (Five hundred twenty-two million six hundred ninety thousand seven hundred and ninety-seven only) resulting to a surplus of Kes 12,194,926.00 (Twelve million One Hundred Ninety four thousand Nine Hundred and Twenty six only). The University was allocated Kes 35,585,730.00 (Thirty-five million five hundred eighty five thousand seven hundred thirty only) under the Supplementary 11 of Budget 2018/2019 FY, but the amount was received on 9th July 2019. This amount has been recognized as receivable and hence included in the financial report.

Key Projects and Investment Decisions Kirinyaga University is planning / implementing

During the year under review, the University had two major projects as follows:

New Tuition Complex – This project entails construction of 5 floors modern tuition block with 2 lecture theatres and other lecture halls, 1 business centre – 3 floors, undergraduate school – 4 floors, post graduate schools – 4 floors, ICT centre – 3 floors, car park, landscaping and civil works. A contract of Kes 319,297,096.00 (Three hundred nineteen million two hundred ninety seven thousand ninety six only) being project cost for phase 1, was awarded to Corban Construction Ltd on 9th February 2017 with estimated project duration of 78 weeks.

Proposed Multi-Purpose Lecture Theatre - This project entails construction of 300 seater lecture theatre with requisite spaces and utilities, the auditorium which has a lower level and mezzanine space for audience. The tender of Kes 189,226,532.00 (One hundred eighty-nine million two hundred twenty-six thousand five hundred thirty two only) was awarded to High Point Agencies.

Kirinyaga University's Compliance with Statutory Requirements

The University governs her affairs within the legal framework provided by the Universities Act 2012 Cap 210 (b), Public Finance Management Act, 2012, Laws of Kenya, the Charter, and Statutes, and all other legal provisions and government circulars as issued from time to time. The University Statutes contain the fundamental governance provisions of the University and are developed and approved by the University Council. The University conducts quarterly legal audits to ensure compliance with all statutory obligations: remitting of; taxes, HELB deductions, NSSF, NHIF, NITA

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

The UMB is responsible for:

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

The University Senate has the mandate of:

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

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

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


Dr. Mechal Charles Muturi
Chairman of Council.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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



Prof. Mary Ndung'u

Vice Chancellor

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

The current student population is 3,354 and is expected to increase to 5,500 students in the year 2019/2020. Staff population stood at total 230 for both academic and non-academic divisions and it is expected to increase to 300 in the next financial year 2019/2010.

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

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

During the year under review, the University Senate focused on creating knowledge and delivery of accessible equitable, relevant and quality training to sustain an internationally competitive knowledge based economy. The Senates advises and makes recommendations to Council on academic matters, including creation of schools and development, approval and implementation of academic programmes in line with the country's skills priority agenda and taking cognizance of emerging global trends in education, science, technology and innovation.

VICE CHANCELLOR'S REPORT

Presented herein is the Annual Report and Financial Statements of Kirinyaga University for the year ended 30 June, 2019 as per requirements of the Universities Act, No. 42 of 2012 and Public Audit Act, 2015, Laws of Kenya.

Kirinyaga University was granted charter by His Excellency Hon. Uhuru Kenyatta the President of the republic of Kenya on 7th October 2016 with thirteen academic degree programmes then, and has since increased the number of academic degree programmes to thirty nine (39). The University is positioning itself to be a leader in offering courses geared towards producing employers and not employees in areas outlined by the Vision 2030.

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

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

The University operations are guided by the core values:

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

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

CHAIRMAN'S REPORT

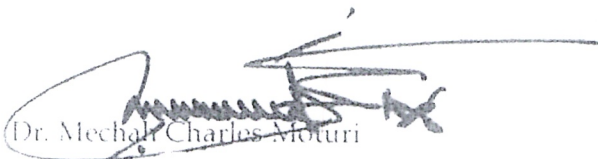
I am pleased to present the Annual report and Financial Statements of Kirinyaga University for the year ended 30 June, 2019.

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



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

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





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





Dr. Mechal Charles Moturi
Chairman of Council.

*Kirinyaga University
Annual Report and Financial Statements
For the year ended 30 June 2019*






	<p>Ms. Esther Wanjiru Ndirangu Procurement Officer</p>	<p>1988</p>	<p>Msc. Procurement & Logistics (JKUAT) BSc Procurement and Logistics (JKUAT)</p>	<p>6 Years</p>
	<p>Ms. Jane Wangechi Ndegwa Legal Officer</p>	<p>1987</p>	<p>Bachelor of Laws (LLB)-CUEA Diploma in Law- KSL</p>	<p>6 Years</p>

MANAGEMENT TEAM

Passport photo	Name & Title	Date of Birth	Qualifications	Experience
	Prof. Mary Wambui Ndung'u Vice Chancellor / Chairperson	1962	PhD- Chemistry (JKUAT), Msc- Chemistry (Kenyatta University), B.Ed. (Kenyatta University), EMBA (JKUAT)	33 Years
	Prof. Charles Omwandho Deputy Vice Chancellor (ASA)	1961	PhD- Reproductive Immunology (new Castle University ,Australia 1998),Msc, Biochemistry , 1991(UON),BSC Biochemistry and Zoology 1986 (UON),	29 Years
	Mr. Wallace Waruiru Kamau Registrar ASA	1982	MA Project Planning & Management (University of Nairobi), Bsc.- Environmental Studies (Kenyatta University)	14Years
	CPA Peter Mugo Kagika Finance Officer	1975	MBA – Strategic Management (DeKUT),BBA (Accounting & Finance) (KEMU), CPA(K)	19 Years

	Mr. Alister M Murimi	1972	M. Sc. Finance - UoN MBA(Construction & Real Estate), - UK BA (Land Econ.) – UoN	17Years
	Mr. Edward K. Wamweya (Rep. National Treasury)	1984	MBA Finance – UoN BCOM Finance- KU CPA(K) CIFA(K) PhD Finance (ongoing) – JKUAT	8 Years
	Mr. Archer Arina (Rep. Ministry of Education)	1967	MA Technology Economics & Management – Southwest Jiaotong University. BSC Agricultural Education & Extention - Egerton University	27 Years

MEMBERS OF THE UNIVERSITY COUNCIL

Passport photo	Name & Title	Date of Birth	Qualifications	Experience
	Dr. Mechah Moturi (Chairman of Council)	1953	PhD – Environmental Science BSc, MSc Chemistry	34 Years
	Prof. Mary Wambui Ndung'u (Vice Chancellor/ Secretary to council)	1962	PhD- Chemistry (JKUAT), Msc- Chemistry (Kenyatta University), B.Ed. (Kenyatta University), EMBA (JKUAT)	33 Years
	Julius Lawi Onyango	1946	Masters of Laws (LL.M) Degree, - UoN Bachelor of Laws (LLB) Degree – UoN	51 Years
	Dr. Naomi Njeri Kagone	1979	PhD (Entr), - JKUAT Msc (Entr.), - JKUAT BED (Science) – KU IBA – USIU	9 Years
	M/s Kibibi Ndope	1987	MBA (International Business) – USIU, Africa Bachelor of Laws (LLB) Degree – CUEA	8 Years

- 3) Co-operative Bank, Kutus Branch
P.O. Box 218 - 10304,
Kutus - Kenya.

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

- Audit & Risk management committee
- Academic and quality assurance committee
- Sealing committee

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

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiducial responsibility were:

Name	Designation
Senior Counsel Fred Ojiambo, MBS	Chancellor
Dr. Mechah Charles Moturi	Chairman of Council
Prof. Mary Ndung'u	Vice Chancellor

(e) Kirinyaga University Headquarters

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

(f) Kirinyaga University Contacts

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

(g) Kirinyaga University Bankers

- 1) Kenya Commercial Bank, Kerugoya Branch
P.O Box 405090 -10300,
Kerugoya-Kenya.
- 2) Equity Bank, Kerugoya Branch
P.O. Box 1056 - 10300,
Kerugoya-Kenya.

in life, work and welfare of the citizens of Kenya. The University aims to play a leading role in the development and expansion of the opportunities for higher education and research.

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

Kirinyaga University will pursue strategic objectives in the following: policy, human resource management, library, fund mobilization, physical infrastructure development, information and communication technology (ICT), academic programmes, research, innovation, technology transfer and extension services.

(b) Principal Activities

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

(c) Key Management

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

(d) Fiduciary Oversight

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

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

- The Finance, Human resource and General purpose committee,

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kirinyaga University is a fully chartered Public University, granted charter by His Excellency Hon. Uhuru Kenyatta the President of the republic of Kenya on 7th October 2016 and is owned by the government of Kenya. The mandate of the University is derived from the Universities Act No. 42 of 2012. Kirinyaga University aims at becoming a world class University of science and technology specializing in industry oriented teaching, research, innovation and entrepreneurship in engineering, science, technology and ICT.

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



Vision

To be a leading University in quality training, strategic research, innovation and technology development and transfer.

Mission

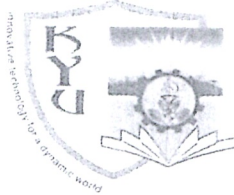
To train and develop human resource equipped with innovative skills to inspire enterprise in the disciplines of engineering, science, health and technology, to meet the demands of a dynamic world.

Objective of the University

The main objective of the University is to provide, directly or indirectly through collaboration with other institutions of higher learning, university education including scientific and professional education, and technology transfer for effective application of knowledge and skills

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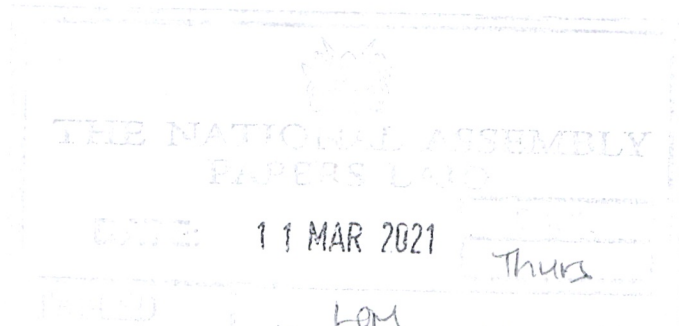
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Kirinyaga University

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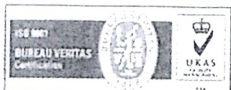
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019



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

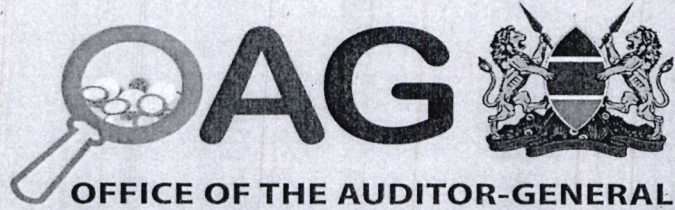
LOM
Hon. Amos Kimani
Moses Lemuna



KyU is ISO 9001:2015 certified

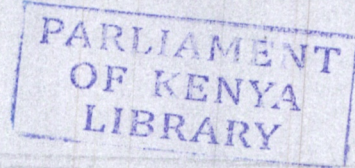
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PO. Box: 143-10300 Kerugoya
Email: vc@kyu.ac.ke
Website: www.kyu.ac.ke

REPUBLIC OF KENYA

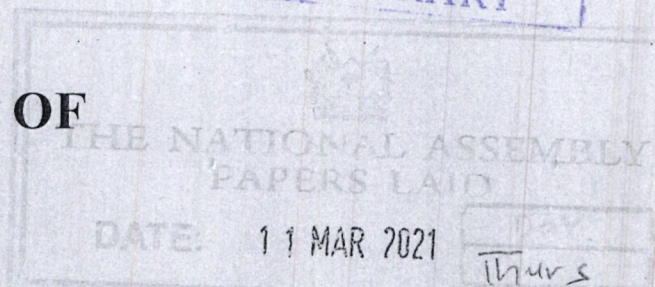


Enhancing Accountability

REPORT



OF



THE AUDITOR-GENERAL

LOM
Hon. Amos Kimunya
Moses Lemana

ON

KIRINYAGA UNIVERSITY

FOR THE YEAR ENDED

30 JUNE, 2019