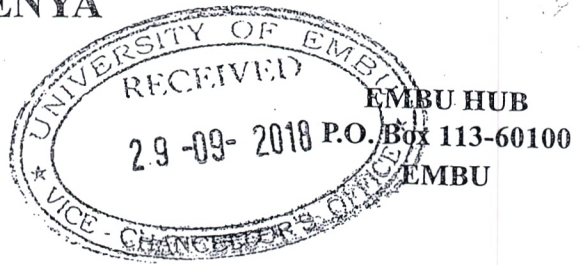


REPUBLIC OF KENYA

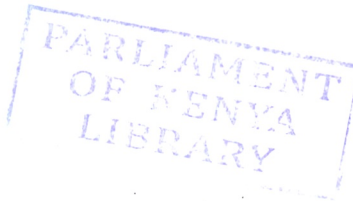
Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



OFFICE OF THE AUDITOR-GENERAL

EH/AUD/UoE/2017-2018/25

29 January, 2019



The Vice Chancellor
University of Embu
P. O. Box 6-60100
EMBU

Dear Sir

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF UNIVERSITY OF EMBU FOR THE YEAR ENDED 30 JUNE 2018

Enclosed herein please find one (1) copy of the report of the Auditor-General on the financial statements of University of Embu for the year-ended 30 June 2018 for your use and retention.

Please acknowledge receipt.

Yours faithfully,

T. N. Waweru
For: AUDITOR - GENERAL


THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 JUN 2019	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
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OFFICE OF THE AUDITOR-GENERAL



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REPORT

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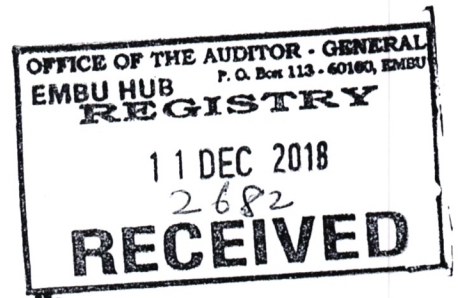
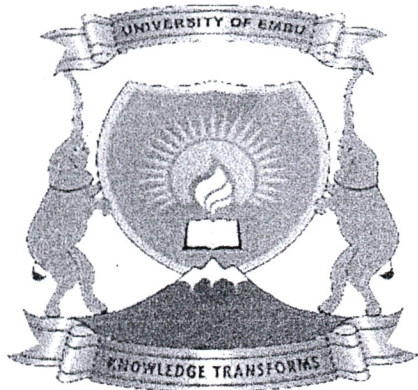
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
UNIVERSITY OF EMBU

FOR THE YEAR ENDED
30 JUNE 2018





UNIVERSITY OF EMBU

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

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

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

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KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

(i) Establishment

The University of Embu (UoEm) was established as Embu University College, a constituent college of the University of Nairobi, vide Legal Notice No. 65 of 17th June, 2011. The College was elevated to its current University status on 7th October, 2016, when it was awarded its Charter by the President of the Republic of Kenya, His Excellency, Uhuru Kenyatta.

(ii) Commencement of operations

The University College did not start operations immediately after establishment, because at that time, budget for the FY 2011/2012 had already been approved, and the College had not been factored in that budget. Operations therefore commenced, in the FY 2012/2013.

(iii) Student population

The first group of students was admitted in April, 2013 through Joint Admission Board. The pioneer group had only 120 students. With time, the Student population grew to 5464 in the 2017/18 financial year. The growth is mainly attributed to rigorous marketing of the University, and introduction of new academic programmes.

During the first year of existence, University offered mainly agricultural based academic programmes. Additional market-driven programmes were later introduced, including Business and Economics, Nursing and Education.

(b) Mandate of University of Embu

The Mandate of University of Embu, as contained in the Legal Notice No. 65 of the year 2011, includes:

- To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and skill to the life, work and welfare of citizens of Kenya,
- To participate in discovery, transmission, and preservation and enhancement of knowledge and to stimulate the intellectual participation of students in the economic, social, cultural, scientific and technological development of Kenya,
- To provide and advance university education and training to appropriately qualified candidates, leading to conferment of degrees and award of diplomas and certificates and such other qualifications as Council and the Senate shall from time to time determine and in so doing contribute to manpower needs,
- To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University,
- To examine and make proposals for new faculties, schools, institutes, departments, resource and research centres, study courses and subjects of study.

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

Vision

A dynamic epicentre of excellence in training and research for service to humanity.

Mission

To generate, advance and disseminate knowledge through training, research, and innovation for the development of humanity.

Philosophy

Enhancing human capacity through relevant education, research and training.

Core Values

Integrity
Innovativeness
Professionalism
Teamwork and
Customer focus

c) Key Management

University of Embu is run on day to day basis by the Management Board, which is headed by the Vice-Chancellor. The Management Board comprises of the Vice-Chancellor, two Deputy Vice-Chancellor, three Registrars and the Finance Officer.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2018 are:

Designation

- 1) Vice-Chancellor
- 2) Deputy Vice-Chancellor (Planning, Adm. & Finance)
- 3) Deputy Vice-Chancellor (ARE)
- 4) Registrar (Vice-Chancellor's Office)
- 5) Registrar (Planning, Adm. & Finance)
- 6) Registrar (Academic Research & Extension)
- 7) Head of Finance

Name

Prof. Daniel M. Njiru
Prof. Eucharika U. Kenya
Prof. Kotut Kiplagat
Mrs. Margaret Otolo
Dr. Paul Nthakanio
Dr. Jackson Wachira
Mr. Lawrence Kamonjo

e) Fiduciary oversight arrangements

The University has Audit, Risk and Compliance Management Committee of the University Council. The committee plays an oversight role in the University operations by independently reviewing financial and non-financial operations of the University and reports to the University Council on quarterly basis.

f) Head office/Registered Office

University of Embu
Meru-Nairobi Highway
P. O. Box 6-60100
Embu, Kenya

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
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g) University of Embu contacts

P.O. Box 6-60100 Embu, Kenya

Email: vc@embuni.ac.ke/info@embuni.ac.ke

Website: www.embuni.ac.ke

Tel: +254 20 244 4136

+254 727 933 950

+254 788 199 505

h) Bankers

(a) Barclays Bank of Kenya	-	Embu Branch
(b) KCB Bank Kenya Limited	-	Embu Branch
(c) Equity Bank	-	Embu Branch
(d) Cooperative Bank of Kenya	-	Embu Branch
(e) National Bank of Kenya	-	Embu Branch

i) Auditors





The University being a public entity is audited by the Auditor General. The office of the Auditor General is an independent office whose roles and responsibilities are defined under the Constitution of Kenya. The postal address and the physical location of the office of the Auditor General is given below:

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

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2018

University of Embu Council

During the year under review, the University Council comprised of nine members including the Vice-Chancellor, who is the Chief Executive Officer. Summaries of their profiles are given below:

 <p>Dr. Margaret Gikuhi – Council Chairperson</p>	<p>Date of Birth: 23rd February 1954</p> <p>Holds a Doctorate Degree in Philosophy of Education.</p> <p>Has a wide experience in academics and administration.</p> <p>Has held various leadership positions with the Teachers Service Commission. She is currently serving as a director in a consultancy firm.</p>
 <p>Mr. James Muchiri Ndung'u Principal Secretary Representative, Ministry of Ed. State Department for University Ed.</p>	<p>Date of Birth: 1973</p> <p>Holder of a master degree in Education Planning, and a Bachelor Degree in Education.</p> <p>Has wide experience in the education management.</p>
 <p>Mr. Samuel Kiiru - Cabinet Secretary Representative, National Treasury</p>	<p>Date of Birth: October 20, 1969</p> <p>He holds a Master Degree in Economics. He is currently working at the National Treasury as the Head of Budget Policy. Has a wealth of experience in policy review, fiscal analysis, Macro level planning, program and performance budgeting, project appraisal, monitoring and evaluation and is a trainer on programme and performance budgeting.</p>
 <p>Mr. Patrick R. Abelle – Member</p>	<p>Date of Birth: 1968</p> <p>Holds Master Degree in Business Administration from Nkumba University and Bachelor of Science in Biochemistry and Zoology from the University of Nairobi. Presently pursuing Doctorate studies in Business Administration at the University of Nairobi. Has a wealth of experience in sales and marketing of Pharmaceutical products and Vaccines.</p> <p>He is currently consulting for Exeter Pharaceuticals, UK.</p>





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 <p>Mr. James Njeru Kaburu – Member</p>	<p>Date of Birth: 2nd May, 1969</p> <p>He holds a Master in Business Administration, Strategic Management and a Bachelor in Business Administration (Accounting), both from the United States International University (USIU). Has a wealth of experience spanning over 20 years in Financial Management and Strategy in Financial Services sector. In addition, he is a full member of the Institute of Certified Public Accountants of Kenya.</p>
 <p>Dr. Jane Wanjiru Mugai – Member</p>	<p>Date of birth: 1953</p> <p>She holds a Doctorate degree in Special Needs Education from Mt. Kenya University, Masters in Guidance and Psychological Counselling from Kenyatta University, Bachelors’ degree in Special Education from Makerere University and a Diploma in Special Needs Education.</p>
 <p>Mr. Abdulhamid Saleh Said – Member</p>	<p>Date of birth: 21st April, 1964</p> <p>He holds a Masters of Public Health, Health Care Management from Emory University, USA, Masters of Science in Agricultural Economics, Postgraduate Diploma in Agricultural Economics, both from University of Aberdeen in UK and a Diploma in Agriculture Food Marketing from Egerton University.</p>
 <p>Ms. Beatrice Amolo Oluoch – Member</p>	<p>Date of birth: 6th February, 1962</p> <p>She holds a Masters of Business Administration from Daystar University, Bachelor of Laws from University of Nairobi, Diploma in Legal Education from Kenya School of Law, and a Diploma in Counselling from Amani Counselling Centre and Training. In addition, she is a Certified Public Secretary of Kenya.</p>
 <p>Prof. Daniel Mugendi – Council Secretary</p>	<p>Date of Birth: 8th September 1961</p> <p>Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University.</p> <p>Has vast experience spanning over 30 years in Administration, Academic & Research in Universities, s and Research Institutions.</p>




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UNIVERSITY MANAGEMENT BOARD

The following are the members who served in the University Management Board during the year under review:

 <p>Prof. Daniel Mugendi</p>	<p>Vice-Chancellor</p> <p>Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University.</p>
 <p>Prof. Eucharika U. Kenya</p>	<p>Deputy Vice-Chancellor (Planning Administration & Finance)</p> <p>Holds a PhD in Applied Entomology from River's State University of Science & Technology, Nigeria. In addition she has a Master Degree in Medical Parasitology and a Bachelor of Science in Zoology from University of Nigeria.</p>
 <p>Prof. Kiplagat Kotut</p>	<p>Deputy Vice-Chancellor (Academic Research & Extension)</p> <p>Holds a PhD in Phytoplankton Ecology, a Master of Science Degree in Plant Ecology, and a Bachelor of Education (Science)</p>
 <p>Mrs. Margaret Otolo</p>	<p>Registrar, Office of the Vice-chancellor</p> <p>Holds a Master of Business Administration Degree and B.Ed (Arts) Degree from Kenyatta University. Presently pursuing Doctorate studies in Entrepreneurship.</p>

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	<p>Registrar – Academic Research & Extension</p> <p>Holds a PhD in Chemistry, a Master of Science Degree in Chemistry and Bachelor of Education (Science) Degree, all from Kenyatta University.</p>
	<p>Registrar Planning, Administration and Finance</p> <p>Holds a PhD in Genetics and Plant Breeding from Zhejiang University, China. In addition, he has a Master of Science Degree in Genetics and Plant breeding, and a Bachelor Degree in Agronomy from Zhejiang Agricultural University.</p>
	<p>Head of Finance</p> <p>Holds a Master Degree in Finance, and a Bachelor of Education (Arts); both from Kenyatta University. In addition, he is a Certified Public Accountant of Kenya.</p>

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REPORT OF THE COUNCIL CHAIRMAN FOR THE PERIOD ENDED 30TH JUNE, 2018

Foreword

It is my great honor to present annual report of University of Embu (UoEm) for the period ended 30th June, 2018. During the year under review, UoEm recorded remarkable improvement in its financial and operational performance, owing to steadfast commitment and coordinated effort of all players.

Key activities during the financial year under review

The following are the key activities that took place at the UoEm during the FY 2017/2018:

- a) Certification audit by the Kenya Bureau of Standards on ISO 9001:2015 and ISO 27001: 2013 standards
- b) The first state of the University address by the University Chancellor was held.
- c) Peaceful elections of a new student government were held.
- d) The first University of Embu Council was appointed and sworn in. The Council that served before that had been appointed under Embu University College, the predecessor of the University.
- e) Held a very successful open day in November, 2017. The open day created a forum for interaction between various stakeholders, University Management and students. Staff and students showcased various activities that take place within the University.

Achievements

During the year under review, UoEm made various achievements in its performance, which include the following:

- (i) Development of requisite facilities and making them available for use in advancing knowledge.
- (ii) Transited from ISO 9001:2008 to ISO 9001:2015 and ISO 27001: 2013 standards.
- (iii) Growth of student population from 4330 students to 5464
- (iv) Commencement of Public Private Partnership (PPP) activities that will focus on the development of hostels at the University.
- (v) Good governance which made the university remain calm without any incidence of strike by students and/or staff.
- (vi) Having in place tight controls that helped in safeguarding university resources.
- (vii) Graduated 278 students during the second graduation ceremony of the University of Embu.

Key Challenges

- 1) Inadequate financial resources to develop required infrastructure. Of key concern is the inadequate budgetary allocation, and sometimes unexpected reduction of the allocated funds. During the FY 2017/2018, the University's development budget was reduced by 75%. This reduction adversely affected completion of the ongoing projects.
- 2) Increased competition from well-established Universities.
- 3) Escalating cost of operation against decreasing Government funding.
- 4) Inability to retain highly qualified academic staff to support academic programs.
- 5) Inability to achieve projected student numbers, due to reduced national catchment that mainly depends on performance in the KCSE examinations.

Future outlook

Kenya is emerging as one of the most attractive investment destinations in the continent, and is poised to be one of the fastest growing economies in East Africa. It is projected that the growth momentum will be sustained by a stable macroeconomic environment, rapid infrastructural investments and favourable business environment among other economic drivers. It is widely known that the Government of Kenya has given education top priority in its agenda as a vessel for spurring development and achievement of the big four agenda. This is evidenced by actualization of the free primary education, subsidized secondary education, and the enhanced higher education loans to students. Consequently, demand for

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higher education is on the rise, and is expected to grow exponentially. University of Embu is striving to expand its facilities and diversify its academic programs, to take advantage of this favourable situation.

Further, with the dwindling exchequer funding, the University Council is in the process of expanding and creating alternative income generating activities for self-sustainability.

Appreciation

I wish to express my sincere appreciation and deep gratitude to the Government of Kenya through the Ministry of Education, and the National Treasury, for the support accorded to the University of Embu during the year under review. Further, I wish to convey my appreciation to my colleagues who served in the University Council during the year, and the University Management for their invaluable contribution and dedication, in delivering success to the University.



.....
Dr. Margaret M. Gikuhi

CHAIRPERSON –UNIVERSITY OF EMBU COUNCIL

Date: 10th December, 2018

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

REPORT OF THE VICE-CHANCELLOR FOR THE PERIOD ENDED 30TH JUNE 2018

It is my pleasure to present the Annual Report and Financial Statements of the University of Embu (UoEm) for the financial year ended 30th June, 2018.

NON – FINANCIAL INFORMATION

(a) Academic schools and programmes

During the year under review, University of Embu had five academic schools, namely:

- 1) School of Pure and applied Sciences
- 2) School of Agriculture
- 3) School of Education and social sciences
- 4) School of Business and economics
- 5) School of Nursing

The number of departments and academic programmes existing per school, during the year under review, were as tabulated below:

School	Number of departments	Number of academic programmes on offer		
		Bachelor	Masters	Ph.D
School of Pure and applied Sciences	3	11	9	5
School of Agriculture	3	11	7	5
School of Education	1	2	4	1
School of Business	1	5	1	1
School of Nursing	4	2	0	0

The University is at a very advanced stage towards establishing the school of law and the school of medicine.

(b) Student population and student welfare

University of Embu admits both the Government sponsored (KUCCPS) and the Self sponsored (SSP) students. Up to the end of the financial year 2017/2018, the University College had a student population of 5464 students. The number is expected to rise to about 6500 students by the end of the FY 2018/2019. However, this will be achieved only if all the students that the UoEm was allocated by KUCCPS for the academic year 2018/2019, report as expected.

University of Embu has a vibrant democratically elected students, council (University of Embu Students Association) that that looks into the welfare of students in general. The council works closely with the University management to ensure that all student welfare issues are addressed in a satisfactory manner.

During the FY under review, the University held peaceful and successful UESA elections for the academic year 2018/2019, in March, 2018. The elected student leaders were sworn in the same month. The University Management is committed to working in collaboration with the UESA officials for enhanced student satisfaction.

(c) ISO certification

University of Embu became ISO 9001:2008 Certified in April, 2014. This certification led to improved internal operational efficiency, especially on retrieval of documents. During the year under review, the University embarked on transition from ISO 9001:2008 standards to ISO 9001:2015 and ISO

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27001:2013. I am pleased to report that the University met all the requirements towards ISO 9001:2015 and ISO 27001: 2013 certification. This was revealed after a rigorous certification audit that was conducted by the Kenya Bureau of Standards in May, 2018. The audit findings indicated that UoEm has put in place systems to support compliance with the relevant ISO standards, and adherence to the documented policies and procedures.

(d) Provision of requisite facilities

As a strategy towards increasing competitive advantage, the Management of the University continued to expand the existing facilities so as to attract and accommodate more students. During the FY under review, the following projects were undertaken:

Completed projects

- (i) New administration block
- (ii) Library (Phase 1)

Ongoing projects

Tuition Block

(e) Public Private Partnership

The University currently faces the challenge of inadequate facilities mainly because of financial constraint. The University's priority since inception has been provision of academic facilities to cater for the growing student population. Consequently, expansion of non-core facilities such as student hostel facilities has not been possible. The University currently has 747 accommodation spaces, against a population of 5464 students. To address this challenge, the University Council, is currently pursuing Public Private Partnership (PPP) option to fund construction of new hostels to accommodate the growing student population.

(f) Performance Contracting (PC)

At the commencement of the year under review, the University Council the 2017/18 Performance Contract with the Government of Kenya, represented by the Ministry of Education. The signed contract was cascaded to all staff by the University Management for implementation. The University Management remained committed during the financial year to ensuring that all operations are conducted within the stipulated legal framework. Owing to the commitment by all staff, the University has over the years recorded very impressive results in performance contracting activities, ranging from "very good" to "excellent" score. The performance of the UoEm in 2017/2018 performance contract will be determined after evaluation.

(g) Strategic Focus of UoEm

As a commitment towards realisation of its mandate, University of Embu during the year under review continued implementing its Strategic Plan for the period 2014 - 2018.

The strategic plan has the following key focus areas:

- i. Development & enhancement of Infrastructure
- ii. Promoting Leadership and Governance
- iii. Expanding capacity of operations and services
- iv. Recruitment and development of Human Resources
- v. Mainstreaming information and communication technology
- vi. Developing effective collaborations and partnerships
- vii. Responding to emerging issues affecting the University.

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viii. Resource mobilization and effective management

The University Management is in the process of preparing 2019 – 2020 strategic plan, after having successfully implemented the 2014 – 2018 Strategic Plan. The successes realised during the first 5 years is attributed mainly to team work among the University employees, and support from the University Council. As we move into the future, the Management will remain focused on the implementation of growth strategies, to be able to take advantage of emerging opportunities, for business growth, and sustainability.

FINANCIAL INFORMATION

j) Sources of University revenues

The main source of revenue for the University of Embu is the Government of Kenya, comprising of recurrent grants and development grants. To supplement the grants from the GoK, the University has internally generated revenues from sources such as fees, farm sales and the catering sales.

During the FY 2017/2018, University of Embu was granted a total of Ksh 675,294,141 from the Government of Kenya as follows:

Recurrent grants:	Ksh 512,346,055
Development grants:	Ksh 59,325,554
TOTAL	Ksh 571,671,609

Internally, the University generated revenue of Ksh 342,463,329 from its various sources. In addition to the above revenues, the University also recognized in the Statement of the Financial Performance, amortized grants worth 8,158,126.

(ii) Financial challenges

A major challenge that University has been facing since its inception is inadequate financial resources to develop requisite infrastructure. Of key concern is the inadequate budgetary allocation and sometimes unexpected reduction of the development funding by the exchequer. In the FY 2015/2016 the development budget was reduced by Ksh 116, 860,000, from the initial allocation of Ksh 313,720,000/= to Ksh 196,860,000. In the FY 2017/2018, development budget was reduced by 75% from the initial allocation of Ksh 237, 302,214 to 59,325,554. This reduction interrupted the work schedules that were in place, leading to delay in completion of the affected projects.

In addition to reduction in the development budget, revenue from internal sources has decreased, owing to inability to achieve projected student numbers, due to reduced national catchment that mainly depends on performance in the KCSE examinations. In the last two years, all students who scored a minimum of C+ in KCSE were absorbed by the Kenya Universities and Colleges Central Placement Services in private and public institutions. This implies that if the situation persists, the University will not be able to generate any revenue from module two programmes, popularly known as parallel courses. Further, the University is likely to face the risk of operating below its student capacity due to the reduced national catchment.

To address the financial challenge, the University Council, and the Management constantly appeals to the Government of Kenya through the Ministry of Education to boost budgetary allocation to the University. In addition, University Council is in the process of expanding and diversifying internally generated revenues for sustainability.

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Appreciation

I wish to express my sincere and deep gratitude to the Ministry of Education, the National Treasury and the University Council for their continued support and guidance to the University Management, without which the achievement so far made would not have been possible.

My special recognition and gratitude goes to the University Management and staff for the tireless effort and dedicated service, which led to exemplary performance in the academic, administrative and performance contracting activities.

To our valued students, esteemed customers and other stakeholders, we are grateful for choosing University of Embu. We appreciate your steadfast support and contribution towards the successes that we have so far made.



Prof. Daniel Mugendi Njiru, (Ph.D)
VICE-CHANCELLOR

Date: 10th December, 2018

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2018

CORPORATE GOVERNANCE

Introduction

University of Embu Council recognizes the importance of applying high standards of corporate governance as a key contributor to its long term success, value and prosperity. This enables effective and efficient decision making and creates a conducive atmosphere for the Council to discharge its duty to promote success, while taking into account the interest of various stakeholders. The University Council has established effective governance through a combination of strong processes and structures, underpinned by the right values and culture.

Corporate Governance Statement

Good corporate governance entails establishment and enhancement of sustainable value for the stakeholders, through adoption of ethically driven business structures, procedures and processes. The Council and the Management of University of Embu ensures that corporate governance guidelines and best practices are followed in the delivery of the University mandate, and that all corporate affairs are managed in a fair and transparent manner, and in compliance with the Mwangozo Code of Governance which was established by the Government of Kenya to provide guidance on effective leadership, governance and management of public resources.

Corporate Governance at the University of Embu Council

(i) Roles and functions

The University of Embu Council is at the centre of good governance practice, for protection of long-term interests of all the stakeholders. The Council provides leadership, oversight to management, integrity and good judgment in directing university operations in the best interest of the stakeholders for continued viability and sustainability. The University Council is vested with powers and authority by relevant laws of Kenya, to discharge its mandate, and to effectively fulfill its corporate governance responsibility towards stakeholders. The University Council ensures adoption of corporate governance best practices in support of the university vision and to provide world-class services that delight customers, create value for money and meet stakeholders' expectations. Detailed responsibilities of the University Council are provided in the University of Embu Statutes.

(ii) Appointment

The new Council was appointed by the Cabinet Secretary, Ministry of Education and appeared in the Kenya Gazette Notice No.7600 and 7601 dated 7th August, 2017, and inaugurated on 6th September 2017.

The members who served in the University Council during the year under review were appointed by the Cabinet Secretary, Ministry of Education. Positions in the Council were advertised on 4th May, 2017, and appointment done thereafter. The names of the Council were published in Kenya Gazette Vol. CXIX—No. 112, Gazette Notice number 7600 and 7601 of 7th August, 2017.

UNIVERSITY OF EMBU
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2018

(iii) Induction and capacity building for Council members

Members of the Council regularly attend trainings on corporate governance and other relevant fields, to equip them with the knowledge that is required to effectively discharge their responsibilities. Induction for new Council members is conducted to enhance their understanding of the University business and operations. During the year under review, Council members attended relevant trainings to help enhance their competencies.

(iv) Succession Plan

University of Embu runs University business through committees. As part of succession planning, Council members are assigned more than one committees, to expose them to various operations of the University. In addition, induction and other Council trainings are designed to cover a wide range of fields, relevant to the University governance.

(v) Meetings of the University Council

Dates for University Council meetings in the ensuing year are decided in advance and scheduled in an annual work plan. The Council holds its regular meetings on quarterly basis to transact planned business of the University. However, special meetings of the Council may be called when there is significant business to transact. During the FY 2017/2018, the Council held eleven regular and two special meetings. Members of the Council received adequate notices and detailed documents on issues to be discussed, in good time, to enable them prepare for the meetings. The table below gives a summary of the meetings held by the University Council and its committees:

Name of the Committee	Members	Meetings held	No. of meetings attended
Full Council	1. Dr. Margaret Gikuhi – Chairperson	13	13
	2. Prof. Daniel Mugendi – Secretary		13
	3. Mr. Samuel Kiiru		7
	4. Mr. James Muchiri		10
	5. Ms. Beatrice A. Oluoch		12
	6. Mr. James N. Kaburu		12
	7. Dr. Jane W. Mugai		12
	8. Mr. Patrick R. Abelle		13
	9. Mr. Abdulhamid A. Said		12
1) Finance, Resource Mobilization and General Purposes Committee	1. Mr. James N. Kaburu – Chairperson	6	5
	2. Prof. Daniel Mugendi – Secretary		5
	3. Mr. Samuel Kiiru		3
	4. Mr. James Muchiri		4
	5. Mr. Patrick R. Abelle		5
2) Building and Infrastructure Committee	1. Mr. Patrick R. Abelle – Chairperson	5	5
	2. Prof. Daniel Mugendi – Secretary		4
	3. Mr. Samuel Kiiru		4
	4. Mr. James Muchiri		4
	5. Dr. Jane W. Mugai		4
3) Audit, Risk & Compliance	1. Ms. Beatrice A. Oluoch – Chairperson	4	3
	2. Mr. Francis Ngure – Secretary		4
	3. Mr. Samuel Kiiru		2

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Management Committee	4. Mr. James Muchiri		3
	5. Mr. Abdulhamid A. Saleh		3
4) Human Resource Management Committee	1. Dr. Jane W. Mugai – Chairperson	2	2
	2. Prof. Daniel Mugendi – Secretary		2
	3. Mr. Samuel Kiiru		1
	4. Mr. James Muchiri		0
	5. Ms. Beatrice A. Oluoch		2

(vi) Conflict of interest

As a routine, “Conflict of interest” appears as an item in the agenda of each University Council meeting. The Council has a conflict of interest register for recording any declared conflict of interest. Each Council member indicates by signing, whether they are conflicted in any way. A conflicted member takes leave during deliberations of any issues that may lead to conflict of interest.

(viii) Remuneration of University of Embu Council

Council members are entitled to sitting allowance for every meeting attended. Each member also receives lunch allowance, accommodation allowance and mileage reimbursement where applicable, using the set rates for state corporations. In addition, the Chairman of the University Council is paid a monthly honorarium and telephone allowance, also at the rates approved for state corporations.

(ix) Ethical standards

University of Embu Council is committed to ensuring that members of the University Management and all employees, conduct themselves with integrity and professionalism in accordance with the approved Staff Code of Conduct, and holds them accountable for their conduct.

The University through the office of the Human Resources Manager, and the Integrity Committee, regularly conducts integrity awareness, training, corruption risk assessments and enforcements of corruption prevention measures. The University Management has established mechanisms for receiving complaints, and makes follow-ups on allegations and reported cases of unethical conduct. Analysis of reported cases is normally done objectively, and appropriate action instituted to control and discourage unethical behaviour.

University of Embu collaborates with Ethics and Anti-Corruption Commission to entrench a culture of ethics and integrity at the University.



.....
 Prof. Daniel Mugendi Njiru, (Ph.D)
 VICE-CHANCELLOR

Date: 10th December, 2018.....

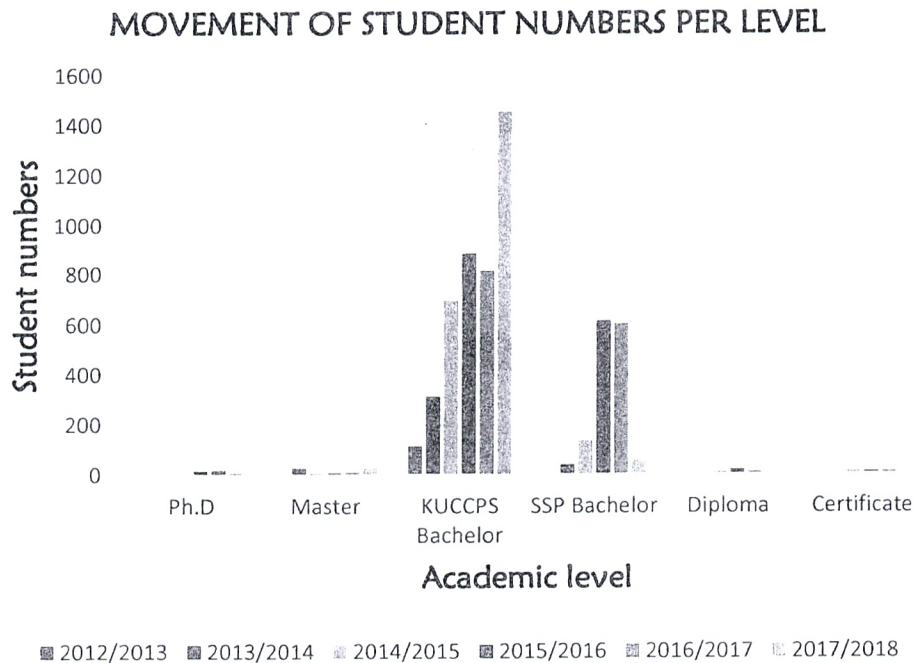
MANAGEMENT DISCUSSION AND ANALYSIS

k) Student statistics

UoEm had a student population of 5464 students by the close of the financial year under review. Details of growth in the student numbers since inception of the institution is displayed below in Table 1.

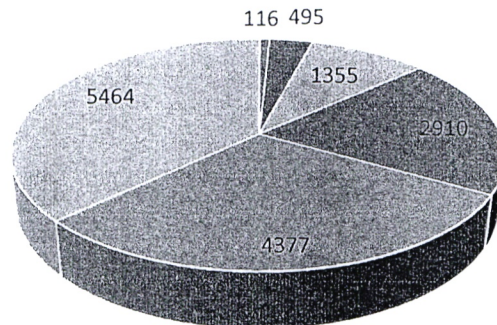
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Ph.D	0	0	2	17	20	7
Master	0	27	6	9	10	28
KUCCPS Bachelor	114	312	694	886	815	1044
SSP Bachelor	2	40	135	614	555	55
Diploma	0	0	10	19	10	0
Certificate	0	0	13	10	10	0
Total	116	379	860	1555	1420	1134
Cumulative total	116	495	1355	2910	4330	5464

Table 1: Student population since the inception



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Cumulative student population



■ 2012/2013 ■ 2013/2014 ■ 2014/2015 ■ 2015/2016 ■ 2016/2017 ■ 2017/2018

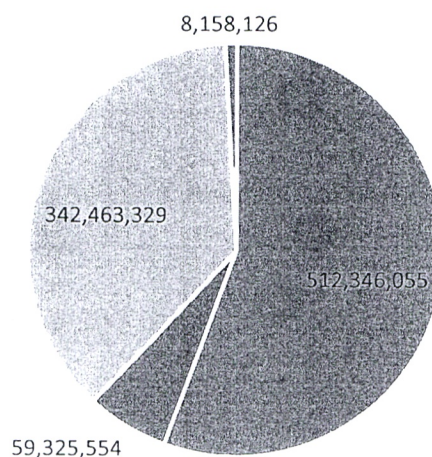
l) Sources of University revenues

During the FY 2017/2018, University of Embu received Ksh 571,671,609 from the Government of Kenya as follows:

Recurrent grants:	Ksh 512,346,055
Development grants:	Ksh 59,325,554
TOTAL	Ksh 571,671,609

Internally, the University generated revenue of Ksh 342,463,329 from its various sources.

SOURCES OF REVENUE



■ Recurrent grants ■ Development grants ■ Internally generated ■ Armotized grants

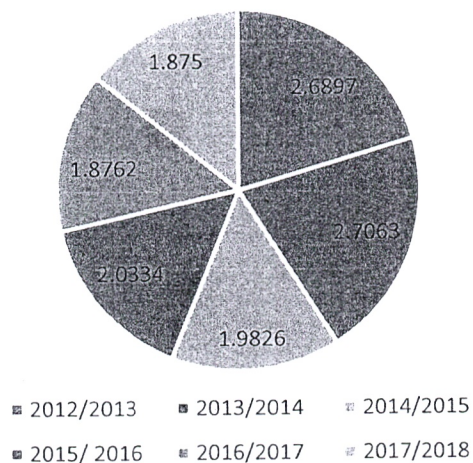
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m) Performance contracting

University of Embu has over the years since its inception recorded very impressive results in performance contracting activities, ranging from “very good” to “excellent” score, as shown below:

2012/2013	2013/2014	2014/2015	2015/ 2016 – Self assessment	2016/2017 Self- assessment	2017 – 2018 Self-assessment
2.6897 (Very good)	2.7063 (Very good)	1.9826 (Excellent)	2.0334 (Excellent)	1.8762 (Excellent)	1.875 (Excellent)

PERFORMANCE CONTRACT SCORES



n) Financial analysis

The overall financial performance of the University of Embu for the FY 2017/2018 was as follows in comparison to the FY 2016/2017:

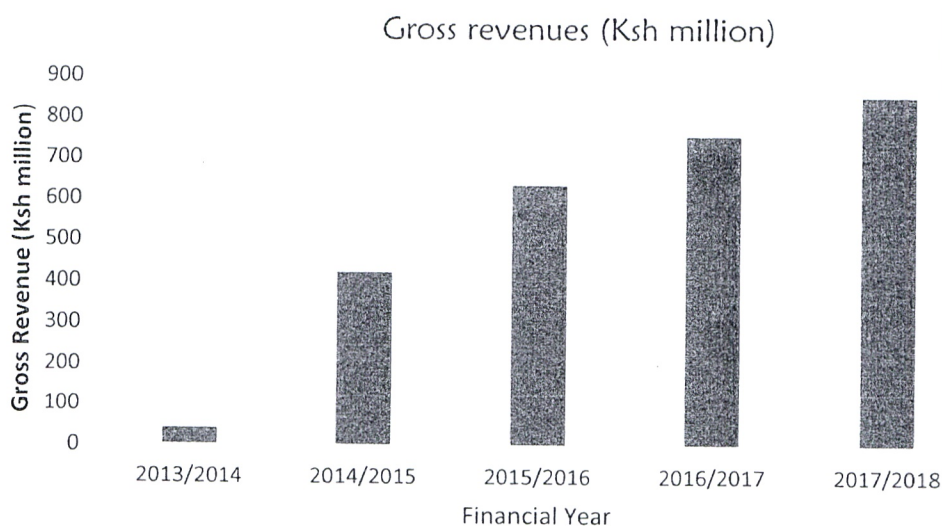
Total revenue increased by 12.5% from Ksh 767,360,820 in 2016/2017 to Ksh 862,967,510 in 2017/2018. Total expenditure increased by 25.3 % from Ksh 677,896,862 in 2016/2017 to Ksh 849,541,346 in 2017/2018, while the net surplus decreased by 83.58% from Ksh 90,442,442 in 2016/2017 to Ksh 14,848,164 in 2017/2018.

Current assets decreased by 56.16% from Ksh 237.1 million in 2016/2017 to Ksh 103.9 million in 2017/2018. The total assets increased by 1.0 % from Ksh 2.512 billion in 2016/2017 to Ksh 2.537 billion. Current liabilities decreased by 32.65 % from Ksh 132.7 million to 89.4 million, while the total liabilities increased by 0.97 % from 1.081 billion in 2016/2017 to 1091.8 billion in 2017/2018.

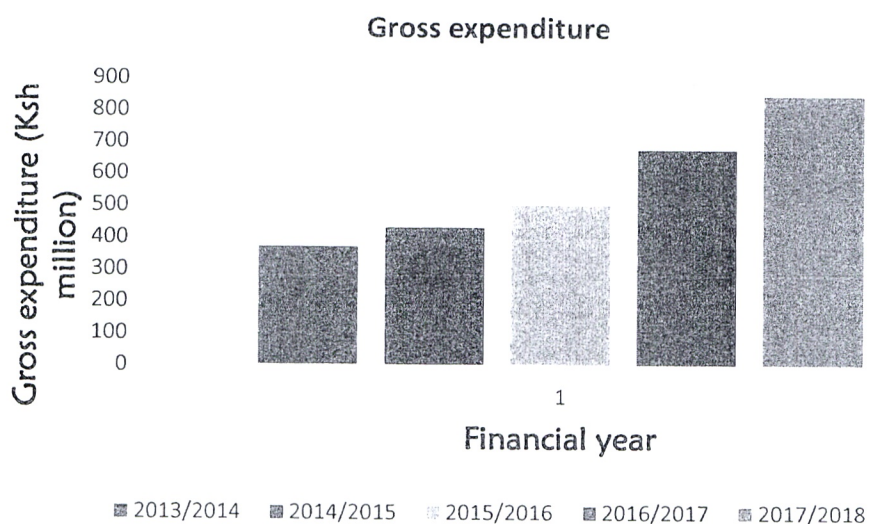
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Graphical presentation of the financial performance of University of Embu

(i) Gross revenues



(ii) Gross expenditure



o) Academic programmes

During the year under review, the University had five academic schools, namely:

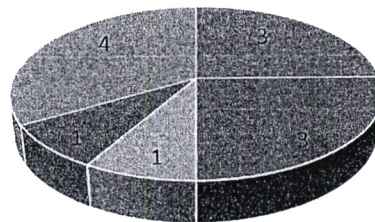
- a) School of Pure and applied Sciences
- b) School of Agriculture
- c) School of Education and social sciences
- d) School of Business and economics
- e) School of Nursing

The number of departments and academic programmes existing per school, during the year under review, were as tabulated below:

School	Number of departments	Number of academic programmes on offer		
		Bachelor	Masters	Ph.D
School of Pure and applied Sciences	3	11	9	5
School of Agriculture	3	11	7	5
School of Education	1	2	4	1
School of Business	1	5	1	1
School of Nursing	4	2	0	0

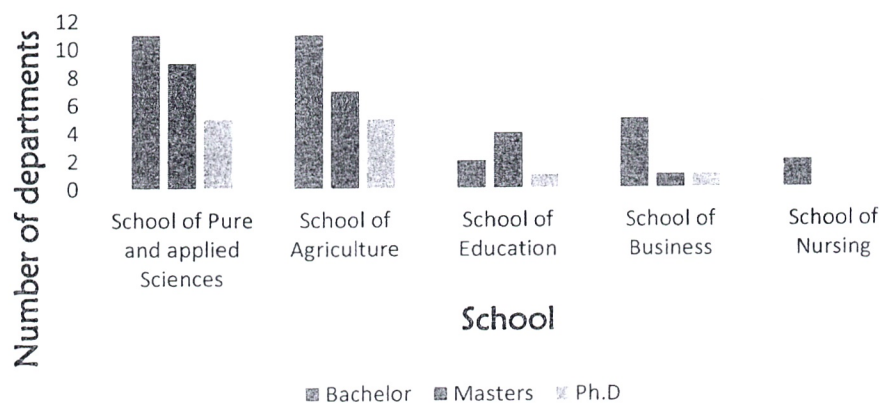
Table 2: Number of academic programmes per school

DEPARTMENTS PER SCHOOL



- School of Pure and applied Sciences
- School of Agriculture
- School of Education
- School of Business
- School of Nursing

Academic programmes per school



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CORPORATE SOCIAL RESPONSIBILITY

University of Embu integrates social and environmental concerns in its operations and interactions with its stakeholders. This encourages a positive relations, and impact on the environment, by the stakeholders who include students, other customers, employees, investors and the neighboring communities. The University Council and the Management is fully committed to maintaining a healthy relation with the University stakeholders at all times, for mutual benefit.

During the year under review, University of Embu undertook the following activities in the fulfilment of its corporate social responsibility objectives:

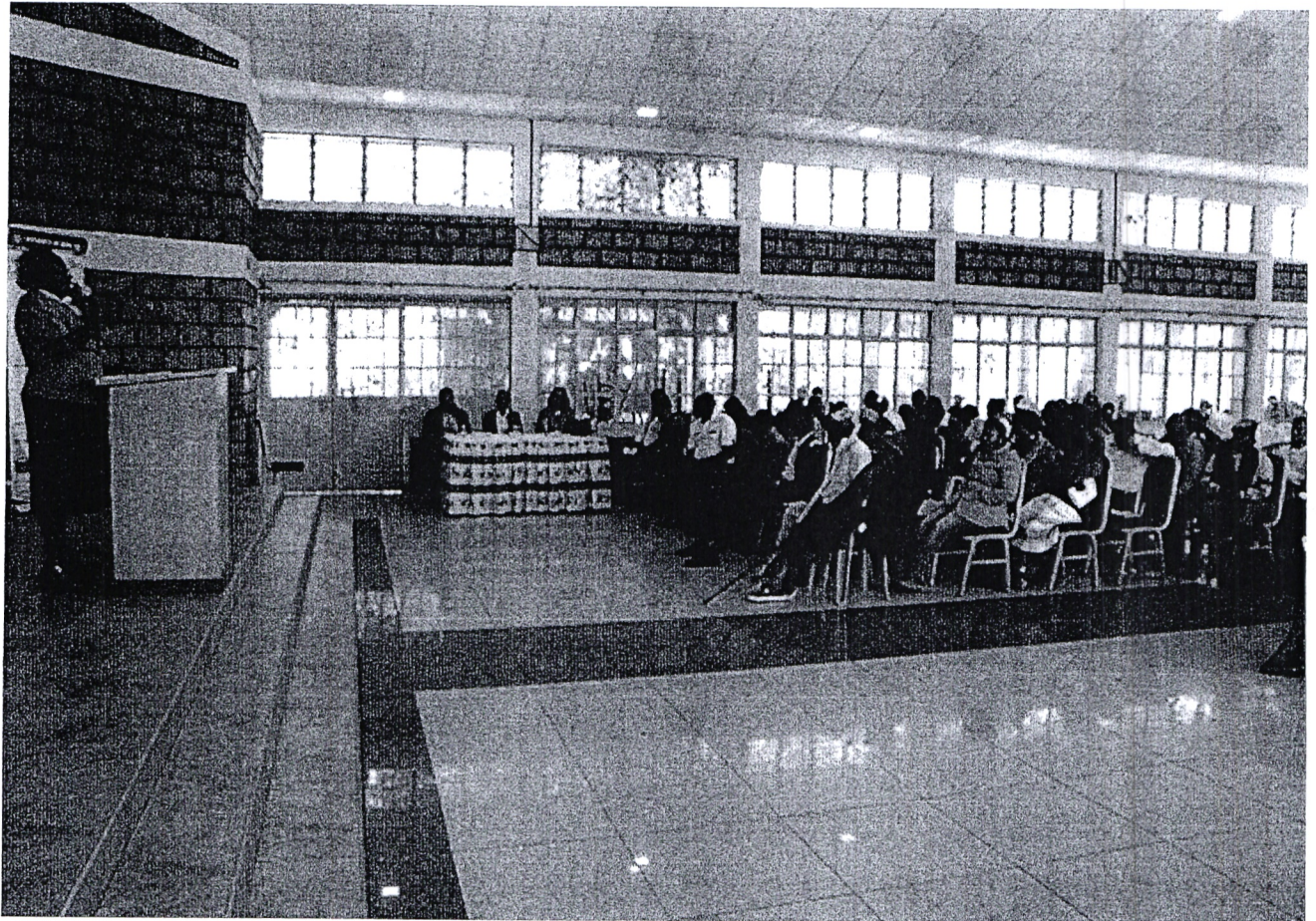
- 1) Offered research grants and 40% fee waivers to employees of the UoEm studying at the University of Embu.
- 2) Held HIV & AIDS Prevention Campaign and Wellness Clinics at the University, where the following services were offered to staff and their dependants:
 - (a) HIV counselling and testing
 - (b) Blood sugar checks
 - (b) BMI check plus nutritional guidance
 - (c) Blood pressure checks and guidance on lifestyle health issues.
- 3) Held a career day in March, 2018 that was organized to guide secondary school students on career choices. The event was attended by over 1500 students from over twenty schools from Embu and surrounding counties. The students were addressed by University staff and other invited professionals from diverse specializations.
- 4) Undertook Embu town clean-up of on 7th April, 2018, 26th May, 2018 and 5th June, 2018.
- 5) Participated in tree planting at Njukiri Forest on 24th March, 2018, and also at Irangi Forest on 12th May, 2018.
- 6) Held a farmers' exhibition in June, 2018 where farmers from the neighboring community were trained on modern farming technics.
- 7) Organized HIV and AIDS prevention campaign and wellness clinics for University employees and their families.
- 8) Participated in various activities such as prize giving and education forums for schools within Embu County.
- 9) Organised a workshop to sensitize women, youth and people living with disabilities, on Access to Government Procurement Opportunities, at the University of Embu.
- 10) Gave financial aid to support education of the needy students at the UoEm, in form of bursaries.
- 11) Hosted various schools, both secondary and primary, on educational visits and trained them on various issues in Agriculture.
- 12) Donated Christmas gifts to prisoners and staff of GK prison – Embu in December, 2017.
- 13) Offered library support services as follows:
 - (i) Helped Muvandori Secondary School to configure Library KOHA system and install the same in the school library. The school Librarian was trained on various aspects of the KOHA System.
 - (ii) Hosted teachers and students of St. Mary's Kiangima High School, and trained them on various library services, cataloguing and classification systems used in the libraries.

Corporate social responsibility pictorial



The Vice-Chancellor, Prof. Daniel Mugendi, ninth from right, accompanied by University Management, presenting gifts to staff and prisoners of the GK prison Embu.

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The Head of Procurement sensitizing women, youth and people living with disabilities, on Access to Government Procurement Opportunities (AGPO) in a workshop organized by the University of Embu.

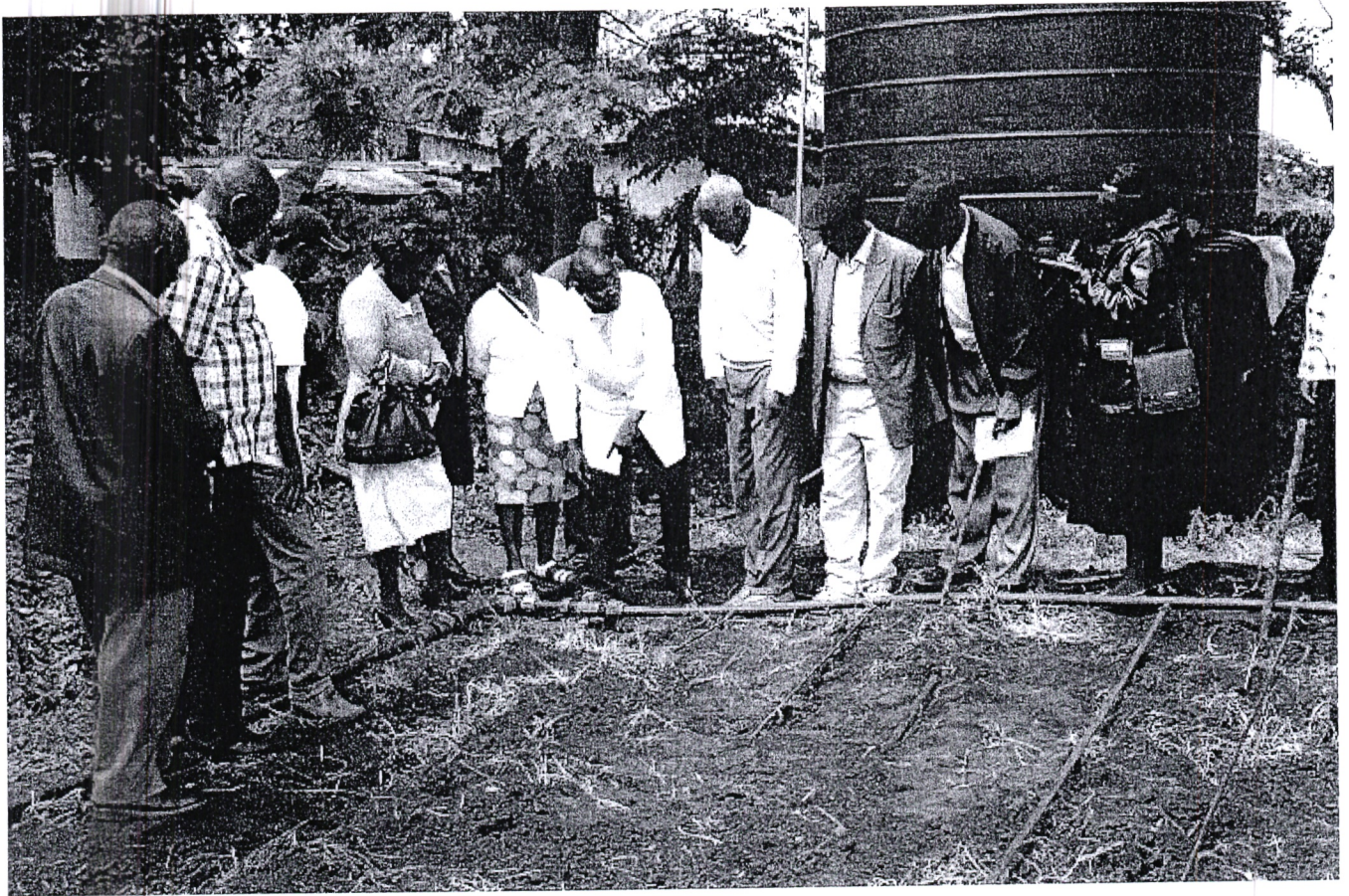


A member of University staff undergoing voluntary medical processes during the 3rd annual HIV & AIDS Prevention Campaign and Wellness week at the University of Embu.

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Deputy Vice-Chancellor (Academic Research and extension) Prof. Kiplagat Kotut addressing students from various schools who attended careers that was hosted by the University of Embu.



Farmers in a training session at the UoEm during farmers' exhibition in June, 2018 where were trained on modern farming technics.

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Employees and students of the UoEm participating in Embu town clean up exercise.



Employees and students of the UoEm in collaboration with Kenya Forestry Service officials, planting trees at Irangi forest, in Embu County.

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
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REPORT OF THE COUNCIL MEMBERS

University of Embu Council submits its report together with the financial statements for the period ended 30th June, 2018 which show the state of affairs of the University.

PRINCIPAL ACTIVITIES

The principal activity of the University of Embu is to generate, advance and disseminate knowledge through training, research and innovation and offer extension services to communities within Embu County, other parts of Kenya, and across the world.

RESULTS

The results of the University of Embu for the period ended 30th June, 2018 are set out on pages 33 to 67

UNIVERSITY OF EMBU COUNCIL MEMBERS

The members of the Council who served during the year are shown on pages 4 to 5

AUDITORS

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

By Order of the University of Embu Council



Prof. Daniel Mugendi Njiru
VICE-CHANCELLOR

UNIVERSITY OF EMBU
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STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the University Council to prepare financial statements in respect of University, which give a true and fair view of the state of affairs of the University at the end of the financial year 2017/2018 and the operating results of the University for that year. The Council members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

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

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSASs), and in the manner required by the PFM Act and the State Corporations Act. The Council members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended 30th June, 2018, and of the University's financial position as at that date. The University Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The University's financial statements were approved by the University of Embu Council on 26th September, 2018 and signed on its behalf by:


.....

Dr. Margaret M. Gikuhi
CHAIRMAN


.....

Prof. Daniel Mugendi Njiru
SECRETARY

UNIVERSITY OF EMBU
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REPORT OF THE INDEPENDENT AUDITORS ON UNIVERSITY OF EMBU, FOR THE YEAR
ENDED 30TH JUNE, 2018

REPUBLIC OF KENYA

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NAIROBI HUB
P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of University of Embu set out on pages 33 to 67, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison 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 the University of Embu as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, No. 42 of 2012 of the Laws of Kenya.

Basis for Opinion

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

1.0 Budget

1.1 Budgetary Control and Performance

During the year under review, the University had an approved budget of Kshs.1,054,588,774 comprising of Kshs.863,299,333 and Kshs.191,289,441 for recurrent and development respectively.

Out of Kshs.863,299,333 and Kshs.191,289,441 expenditure budget of recurrent and development respectively, Kshs.874,275,720 (101%) for recurrent and Kshs.177,349,124 (93%) for development was spent as follows;

Revenue	Approved Budget (Kshs)	Actual (Kshs)	Variance (Kshs)	Under (Kshs)	Over (Kshs)
Government grants	512,382,207	512,346,055	(36,152)	(36,152)	-
Government devt grants	59,325,554	59,325,554	-	-	-
Researcher's grants	38,276,715	38,276,715	-	-	-
Accommodation fee	8,784,056	8,784,056	-	-	-
Surplus b/f	100,433,596	100,433,596	-	-	-
Tuition fee	251,247,737	251,247,737	-	-	-
Catering	22,577,143	22,577,143	-	-	-
Farm	7,618,871	7,799,028	180,157	-	180,157
Rent	6,682,800	6,682,800	-	-	-
Other income	45,527,927	45,527,927	-	-	-
Graduation fee	973,500	973,500	-	-	-
Annual conference	480,668	480,668	-	-	-
Total income	1,054,310,774	1,054,454,779	144,005	(36,152)	180,157
Expenditure					
Recurrent					
Compensation of employees	545,419,456	545,034,617	(384,839)	(384,839)	-
Operational & admn cost	251,262,325	259,484,652	8,222,327	-	8,222,327
Property, Plant & Equipment	51,622,252	53,118,782	1,496,530	-	1,496,530
Minor works	14,995,300	16,637,669	1,642,369	-	1,642,369
Sub Total	863,299,333	874,275,720	10,976,387	(384,839)	11,361,226
Development project	191,289,441	177,349,124	(13,940,317)	(13,940,317)	-
Total expenditure	1,054,588,774	1,051,624,844	(2,963,930)	(14,325,156)	11,361,226

From above analysis, the recurrent budget was overspent by Kshs.10,976,387 while development budget was under spent by Kshs.13,940,317.

However, no authority in form of a supplementary budget was made available for the Kshs.10,976,387 recurrent over expenditure as at 30 June 2018.

Further, the under expenditure of Kshs.13,940,317 in the development vote denied the community equivalent promised and expected services during the year under review.

1.2 Variation between Balances in the Combined Statement of Comparison of Budget and actual Amounts and Statement of Financial Performance

The statement of financial performance and the combined statement of comparison of budget and actual amounts reflected a revenue of Kshs.854,809,384 and Kshs.894,695,629 respectively resulting into an unreconciled variance of Kshs.39,886,245. The two statements further reflected an expenditure of Kshs.804,519,270 and Kshs.821,156,939 respectively resulting to an unreconciled variance of Kshs.16,637,669 as follows;

	Combined Statement of Comparison of Budget & Actuals (Kshs)	Statement of Fi- nancial Performance (Kshs)	Variance (Kshs)
Revenue			
Total Income	1,054,454,779	862,967,510	
Government Dev't Grants	(59,325,554)	-	
Surplus B/F	(100,433,596)	-	
Amortization of Grants	-	(8,158,126)	
Total	894,695,629	854,809,384	39,886,245
Expenditure			
Total Expenses	1,051,624,845	849,541,346	
Property, Plant & Equipment	(53,118,782)	-	
Development Projects	(177,349,124)	-	
Depreciation & Amortization Expenses	-	(45,022,076)	
Total	821,156,939	804,519,270	16,637,669

In the circumstances, the accuracy of the balances reflected in both the combined statement of comparison of budget and actual amounts and the statement of financial performance for the year under review could not be ascertained.

1.3 Budget Revision

During the year under review, the University had a revised approved budget of Kshs.1,054,588,774 comprising of Kshs.863,299,333 and Kshs.191,289,441 for recurrent and development respectively. However, the initial recurrent budget of Kshs.739,276,308 was revised upward by Kshs.123,745,025 to Kshs.863,021,333 while development was reduced by Kshs.157,370,470 from Kshs.348,659,911 to

Kshs.191,289,441 resulting to total revised budget of Kshs.33,625,445. However, the budget approval by the University was done retrospectively on 29 June 2018 when the expenditure had already been incurred.

Further, seven (7) expenditure items were each reviewed by 10% or more upwards by Kshs.74,141,608 from Kshs.601,826,308 to Kshs.675,967,916 while five (5) items were each reviewed by more than 10% downwards by Kshs.34,604,589 from Kshs.133,200,000 to Kshs.98,595,411 as follows;

Audit Components	Original Budget (Kshs.)	Re-allocations (Kshs.)	Variance	Revised Budget (Kshs.)
Recurrent Expenditure			%	
Revised 10% and Above Upward				
Personnel Emoluments & other benefits	494,579,308	50,840,148	10	545,419,456
Teaching, Research & Learning Materials	27,500,000	7,443,949	27	34,943,949
General Supplies	14,877,000	3,829,211	26	18,706,211
Foodstuff & Other Kitchen Supplies	29,300,000	6,433,836	22	35,733,836
Charges and Commission	320,000	119,446	37	439,446
Specialized services	29,250,000	3,984,018	14	33,234,018
Farm commercial Activities	6,000,000	1,491,000	25	7,491,000
	601,826,308	74,141,608		675,967,916
Revised 10% and Above downward				
Advertising, marketing and publicity	10,400,000	(1,296,080)	(12)	9,103,920
Contracted and professional services	12,100,000	(2,436,425)	(20)	9,663,575
Maintenance works & services	19,300,000	(6,089,636)	(32)	13,210,364
Equipment	72,400,000	(20,777,748)	(29)	51,622,252
Minor Works	19,000,000	(4,004,700)	(21)	14,995,300
	133,200,000	(34,604,589)		98,595,411

However, the above revision of budget was not forwarded to the line Ministry and the National Treasury for consideration contrary to Section 4.1 of Treasury Circular No.14/2016 dated 13 July 2016 which states that any budget revision exceeding 10% of the approved budget for revenue and expenditure must be submitted for review and approval by line Ministry and the National Treasury.

In the circumstances, the University's purported approval of the revised budget may have been null and void.

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 Irregular Expenditure

1.1 Teaching Practice

Note 16 to the financial statements reflects Kshs.2,066,073 in respect to teaching practice which include Kshs.1,907,478 paid to lecturers who participated in student's teaching practice placement and assessments comprising of Kshs.1,321,850; Kshs.582,128 and Kshs.3,500 for per diem allowances, mileage facilitation and airtime allowance respectively as at 30 June 2018.

However, the allowances were based on the May 2013 University of Embu Terms of Service for Academic Staff which was contrary to Article 230 (4)(a) of the Constitution of Kenya 2010 which empowers the Salaries and Remuneration Commission (SRC) to set and regularly review the remuneration and benefits of all state officers.

In the circumstance, the University was in breach of the law.

1.2 Payment of Per diem to University Staff

Note 16 to the financial statements reflects Kshs.11,503,253 in respect of travel and subsistence allowance which include Kshs.771,174 paid to staff as half (1/2) per diems while working outside the workstation as per the May 2013 University of Embu Terms of Service for Academic Staff.

However, the rates in the Terms of Service of the University were contrary to Article 230 (4)(a) of the Constitution of Kenya 2010 which empowers the Salaries and Remuneration Commission (SRC) to set and regularly review the remuneration and benefits of all state officers.

In the circumstance, 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether 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 sustaining services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the University 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 Responsibility for the Audit

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

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

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

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

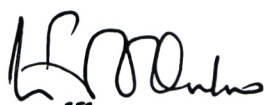
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 January 2019

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

UNIVERSITY OF EMBU				
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE, 2018				
STATEMENT OF FINANCIAL PERFORMANCE				
	Note	2017/2018	2016/2017	
		(Ksh)	(Ksh)	
Revenue from non-exchange transactions				
Recurrent grants	6	512,346,055	453,813,437	
Amortization of grants	37	8,158,126	9,705,945	
		520,504,181	463,519,382	
Revenue from exchange transactions				
Rendering of services	7	282,453,574	266,432,159	
Rental revenue	8	6,682,800	6,272,264	
Farm income	9	7,799,028	4,375,473	
Other incomes	10	45,527,927	26,761,542	
		342,463,329	303,841,438	
Total revenue		862,967,510	767,360,820	
Expenses				
Employee costs	11	545,034,617	380,436,141	
CBA arrears	12	-	32,570,887	
Remuneration of University Council	13	15,475,062	16,653,085	
Depreciation and amortization expense	24	45,022,076	44,168,900	
Repairs and maintenance	14	29,618,050	29,269,677	
Research expenses	15	22,188,394	13,320,194	
General expenses	16	192,203,146	161,477,979	
Total expenses		849,541,346	677,896,863	
Surplus /(Deficit) from operations		13,426,164	89,463,957	
Other gains/(losses)	17	1,422,000	978,500	
Surplus /(Deficit) for the period		14,848,164	90,442,458	


UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2018			
	Note	2017/2018	2016/2017
ASSETS		(Ksh)	Ksh
Current assets			
Cash and cash equivalents	18	74,793,328	143,738,683
Receivables from exchange transactions	19	4,564,795	43,423,345
Receivables from non-exchange transactions	20	13,767,981	39,942,934
Inventories	21	10,814,508	9,983,061
Total Current Assets		103,940,611	237,088,024
Non-current assets			
Property, plant and equipment	24	2,425,092,897	2,266,661,634
Biological assets	22	8,330,000	8,312,000
Total Non - current assets		2,433,422,897	2,274,973,634
Total assets		2,537,363,508	2,512,061,658
LIABILITIES			
Current liabilities			
Overdrawn bank account	25	25,575,494	-
Trade and other payables from exchange transactions	26	35,468,537	101,792,764
Payables from non-exchange transactions	27	23,166,019	11,581,403
Refundable deposits	28	750,950	764,900
Provision for audit fee	29	522,000	815,035
Payment received in advance	30	2,554,126	17,168,036
Students bursaries fund	31	1,326,575	571,305
Total current liabilities		89,363,701	132,693,443
Non-current liabilities			
Caution money	32	12,194,000	9,578,000
CBA refund	33	81,560,000	81,560,000
Deferred income	36	908,663,483	857,496,055
Total non-current liabilities		1,002,417,482	948,634,055
Total liabilities		1,091,781,183	1,081,327,498

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

Statement of Financial position (continuation)

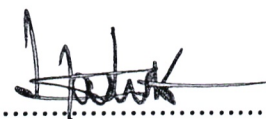
Equity and reserves			
Revaluation reserves	38	1,289,348,660	1,289,348,660
Revenue reserve	39	156,233,665	141,385,500
Total net assets		1,445,582,325	1,430,734,160
Total net assets and liabilities		2,537,363,508	2,512,061,658



.....
Dr. Margaret M. Gikuhi
CHAIRMAN



.....
Prof. Daniel Mugendi Njiru
SECRETARY



.....
Mr. Lawrence Kamonjo
HEAD OF FINANCE
ICPAK NUMBER: 7080

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

STATEMENT OF CHANGE IN NET ASSETS			
	Revaluation reserve	Revenue reserves	Total
	(Ksh)	(Ksh)	(Ksh)
Balance as at 1st July 2016	1,289,348,660	56,832,031	1,346,180,691
Prior year adjustment	-	(5,276,215)	(5,276,215)
Prior year adjustment	-	(612,773)	(612,773)
Surplus for the period	-	90,442,458	90,442,458
Balance as at 30th June, 2017	1,289,348,660	141,385,501	1,430,734,161
Balance as at 1st July 2017	1,289,348,660	141,385,501	1,430,734,160
Deficit/Surplus for the period	-	14,848,164	14,848,164
Development grant for the year	-	-	-
Balance as at 30th June , 2018	1,289,348,660	156,233,665	1,445,582,325

Note:

(i) Development Grants:

Previously, the University reported its Development Grants in the Statement of Change in Net Assets together with reserves. In recognizing the requirement of IPSAS 23, the grants have been re-classified as non-current liability, and reported as deferred income.

(ii) Other Grants

Previously, Other Grants were reported in the Statement of Change in Net Assets together with reserves. In recognizing the requirement of IPSAS 23, the grants have been re-classified as a non-current liability, and reported as as deferred income.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

STATEMENT OF CASHFLOWS			
	Note	2017/2018	2016/2017
Cash and cash equivalents at the beginning		143,738,683	144,468,769
Cash flows from operating activities			
Receipts			
Government recurrent grants	6	512,346,055	421,242,550
Rendering of services	2 & (i)	308,995,214	254,701,923
Rental income	8 & (ii)	6,668,850	6,376,764
Farm income	9	7,799,028	4,375,473
Other income	10 & (iii)	56,074,890	33,797,151
		891,884,037	720,493,861
Payments			
Employees Costs	11 & (iv)	544,422,694	379,871,319
University Council expenses	13	15,475,062	16,653,085
Repairs & maintenance	14	29,618,050	29,269,677
Research expenses	15	22,188,394	13,320,194
General expenses	16 & (v)	171,833,033	163,263,844
Trade creditors paid		2,867,472	27,737,532
Audit fee paid		815,035	-
		787,219,741	630,115,651
Net cash flows from operating activities		104,664,296	90,378,210
Cash flows from investing activities			
Property, plant, equipt and intangible assets	24 & (vi)	232,935,206	352,588,451
Net cash flows used in investing activities		232,935,206	352,588,451
Cash flows from financing activities			
Government development grants	36	59,325,554	261,480,155
Net cash flows from financing activities		59,325,554	261,480,155
Net increase/(decrease) in cash & cash equivalents		(68,945,356)	(730,086)
Cash and cash equivalent as at 30th June, 2018		74,793,327	143,738,683
Balance as per Financial Statements		74,793,328	143,738,683

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

CASHFLOW NOTES	2017/2018	2016/2017
(i) Rendering services	282,453,574	266,432,159
Add: Fees receivable b/f	43,423,345	16,969,400
Increase in caution money	2,616,000	3,088,000
Students' union subscription	-	1,053,215
Deferred fees c/f	2,554,126	17,168,036
Farm income receivable b/f	-	198,175
Rent income receivable b/f	-	18,946
Less: Deferred fees b/f	(17,168,036)	(6,444,062)
Fees receivable c/f	(4,540,000)	(43,423,345)
Unclaimed fees b/f	-	(358,600)
Decrease in Students' union subscription	(319,000)	-
Farm income receivable c/f	(24,795)	-
	308,995,214	254,701,923
(ii) Rental income	6,682,800	6,272,264
Increase/(decrease) in commercial rental deposit	(13,950)	104,500
	6,668,850	6,376,764
(iii) Other income	45,527,927	26,761,542
Less: Deferred research grants b/f	(9,392,781)	(2,466,847)
Less: Imprest recovery	(1,031,552)	(4,100)
Add: Deferred research grants c/f	21,066,011	9,392,781
Increase/(decrease): Student clubs	5,285	13,775
Increase/(decrease): Staff insurance	(100,000)	100,000
	56,074,890	33,797,151
(iv) Employee costs	545,034,617	380,436,141
Less: voluntary pay cut	(611,923)	(564,822)
	544,422,694	379,871,319
(v) General expenses	192,203,146	161,477,979
Add: Audit fee paid	-	(1,000,000)
Increase in staff imprests	6,395,934	6,861,891
Increase in inventory	831,447	-
Decrease in trade payables	-	(3,482,721)
Less: Provision for audit fee	(522,000)	(522,000)
Provision for bursaries	(1,500,000)	(71,305)
Overdrawn bank account (Note 25)	(25,575,494)	-
	171,833,033	163,263,844
(vi) Property, Plant and equipment	203,453,338	396,627,858
Less: Increase in retention	-	(32,257,741)
Add: Retention released	30,885,868	-
Donations	-	(11,781,667)
Bearer plants capitalised	(1,404,000)	-
	232,935,206	352,588,451

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

STATEMENT OF BUDGET AND ACTUAL COMPARISON								
	Budget	Actual	Budget	Budget	Actual	Budget	% of	Explanation of
	30 June, 2018	30 June,	utilization	Cumulative to	Cumulative to	utilisation	utilisation	Explanation of
	(Ksh)	2018 (Ksh)	difference	date (Ksh)	date (Ksh)	difference	difference	material variances
			(Ksh)			(Ksh)	to final	(above 10%)
REVENUE								
Government grants	512,382,207	512,346,055	(36,152)	512,382,207	512,346,055	(36,152.00)	(0.0)	Variance not above 10%
Government devt grants	59,325,554	59,325,554	-	59,325,554	59,325,554	-	-	Variance not above 10%
Researcher's grants	38,276,715	38,276,715	-	38,276,715	38,276,715	-	-	Variance not above 10%
Accommodation fee	8,784,056	8,784,056	-	8,784,056	8,784,056	-	-	Variance not above 10%
Surplus b/f	100,433,596	100,433,596	-	100,433,596	100,433,596	-	-	Variance not above 10%
Tuition fee	251,247,737	251,247,737	-	251,247,737	251,247,737	-	1.00	Variance not above 10%
Catering	22,577,143	22,577,143	-	22,577,143	22,577,143	-	-	Variance not above 10%
Farm	7,618,871	7,799,028	180,157	7,618,871	7,799,028	180,157.00	2.36	Variance not above 10%
Rent	6,682,800	6,682,800	-	6,682,800	6,682,800	-	-	Variance not above 10%
Other income	45,527,927	45,527,927	-	45,527,927	45,527,927	-	-	Variance not above 10%
Graduation fee	973,500	973,500	-	973,500	973,500	-	-	Variance not above 10%
Annual conference	480,668	480,668	-	480,668	480,668	-	-	Variance not above 10%
Total income	1,054,310,774	1,054,454,779	144,005	1,054,310,774	1,054,454,779	144,004.90		
PAYMENTS								
Compensation of employees	545,419,456	545,034,617	384,839	545,419,456	545,034,617	(384,839)	(0.07)	Variance not above 10%
Operational & admn cost	251,262,325	259,484,652	(8,222,327)	251,262,325	259,484,652	8,222,327	3.27	Variance not above 10%
Property, Plant & Equipment	51,622,252	53,118,782	(1,496,530)	51,622,252	53,118,782	1,496,530	2.90	Variance not above 10%
Minor works	14,995,300	16,637,669	(1,642,369)	14,995,300	16,637,669	1,642,369	9.95	Variance not above 10%
Development project/retention	191,289,441	177,349,124	13,940,317	191,289,441	177,349,124	(13,940,317)	(7.29)	Variance not above 10%
Total expenditure	1,054,588,774	1,051,624,845	2,963,930	1,054,588,774	1,051,624,845	(2,963,930)		
Surplus for the period	-	2,829,935	(2,819,925)	(278,000)	2,829,935	3,107,934		

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

University of Embu was established by and derives its authority and accountability from the Embu University College Legal Order of 17th June, 2011, under the University of Nairobi Act (Cap 210), legal notice No. 65 of 17th June 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to generate, advance and disseminate knowledge through training, research, and innovation for the development of humanity.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) University of Embu adopted IPSAS in the year ended 30 June, 2014 and therefore provisions for first time adoption of accrual basis does not apply to it.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) The University of Embu does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) The entity does not have investments in associates or joint ventures and therefore the standard does not apply
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) The entity does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in other entities	(Effective for annual periods beginning on or January 1, 2017) The entity does not have an interests in other entities and therefore the standard does not apply

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January, 2018 Employee benefits for University of Embu relate payment of salaries, wages and pension. The University didn't have any pending liability relating to employee benefits at the end of the FY under review.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii) Early adoption of standards

University of Embu did not early – adopt any new or amended standards in the year 2017/2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

(a) 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.

(b) Development grants

University of Embu recognizes development grants received as a deferred income. Upon completion and commissioning of the project funded through the grants, the grants relating to the project are amortized using the applicable depreciation rate, by reducing the carrying amount of the liability and recognizing an equal amount as an income, in the Statement of Financial Performance. As the asset gets depreciated, an equivalent amount is used to reduce the carrying amount of the deferred income.

(c) Donated Assets

Donated assets are initially recognized as deferred income, and subsequently amortized using the applicable depreciation rates, by reducing the carrying amount of the liability and recognizing an equal amount as an income, in the Statement of Financial Performance.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
2018

Interest income

Interest income is recognized when earned, and accrued using the effective yield method.

Rental income

Rental income arising from operating leases on rental property is recognized on occupancy of the property and included in revenue.

b) Budget information

The Universities' 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.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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. The depreciation is calculated on the reducing balance to write down the cost of each asset to its residual value over its estimated useful life using the following rates:

Land	0%
Buildings	2.5%
Motor Vehicles	25%
Furniture & Fittings	12.5%
Computer & Printers	30%
Plant & Equipment	12.5%
Library books	20%
Bearer plants	10%

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Research and development costs

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

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

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

f) Financial instruments

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

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Financial liabilities

Initial recognition and measurement

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

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

g) 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:

- a) Raw materials: purchase cost using the weighted average cost method
- b) 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.

h) Provisions

Provisions are recognized when the University of Embu has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Contingent liabilities

University of Embu 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.

j) Contingent assets

University of Embu 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.

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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.

k) Nature and purpose of reserves

University of Embu maintains the following the following reserves in terms of specific requirements.

(a) Accumulated surplus

The accumulated surplus is used to absorb retained earnings reported at the end of the year in the statement of financial performance.

(b) Revaluation reserve

The revaluation reserve arose from revaluation of property plant, and equipment. When revalued property and equipment are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to the Accumulated Surplus.

l) Changes in accounting policies and estimates

University of Embu 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) Employee benefits

The University of Embu provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which University pays fixed contributions into a separate Pension Scheme 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.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

University of Embu has never taken any from a financial institution.

p) Related parties

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

q) Service concession arrangements

University of Embu has didn't have any concession arrangements with another entity or individual.

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r) Cash and cash equivalents

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

s) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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 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 University of Embu. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

(i) 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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset.

(ii) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes 24 & 28

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. Three provisions have been made in this financial statements as follows:

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a) Provision for depreciation

This caters for reduction in the value of an asset with the passage of time, due to wear and tear. University of Embu uses reducing balance method to depreciate its assets. The applicable rates of depreciation are given in note 4(c) of this financial statements.

b) Provision for audit fee

Provision for audit fee is based on the invoice for the last financial year. The actual charge for audit services will be determined after the actual audit by the Auditor General.

c) Provision for bursaries.

This is a transfer to the bursaries kitty based on the amount provided in the budget. Actual expenditure is determined after the actual disbursement of bursaries.

(iii) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE, 2018		
	2017/2018	2016/2017
	(Ksh)	(Ksh)
Note 6: Transfer from Ministry of Education		
Recurrent grants	512,346,055	453,813,437
Total	512,346,055	453,813,437
Note 7: Rendering of services		
Tuition - KUCCPS	129,556,894	113,450,505
Tuition - SSP	121,535,481	126,654,565
Accommodation	8,784,056	8,771,140
	259,876,431	248,876,210
Catering	22,577,143	17,555,949
Total	282,453,574	266,432,159
Note 8: Rental revenue		
Residential and commercial	6,608,700	6,219,264
Hostel accommodation - Shimoni Guest Hse	74,100	53,000
Total	6,682,800	6,272,264
Note 9: Farm revenue		
	7,799,028	4,375,473
Note 10: Other incomes		
Tender application forms	106,000	25,000
Research income	31,581,175	12,796,075
Administrative fee - research grants	929,841	1,482,349
Bank interest	9,537,846	9,388,559
Hire of Facilities	599,967	1,720,504
Health Unit fee	259,910	141,500
Miscellaneous income	493,538	152,164
Disposal of obsolete items	31,324	12,936
Graduation fee	973,500	546,443
Library fine	109,458	26,040
Conferences & Seminars income	480,668	258,067
Supp' examination fee	424,700	60,600
Surcharge	-	151,305
Total	45,527,927	26,761,542

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

Notes to the Financial Statements (continued)

	2017/2018	2016/2017
	(Ksh)	(Ksh)
Note 11: Employee costs		
Basic Salary	235,664,766	146,999,918
Responsibility allowance	40,868,276	33,291,614
Commuter allowance	40,187,982	29,555,308
Leave allowance	2,887,046	1,872,648
House allowance	132,365,323	89,930,107
Part time teaching	31,555,246	30,562,305
Temporary employees	13,560,982	14,439,681
Pension	40,045,297	28,133,417
NSSF	4,456,080	3,222,140
Interns honoraria	2,051,571	1,459,564
External examiners	955,301	969,440
National Ind' Training Authority	436,747	-
Total	545,034,617	380,436,141
Note 12: CBA arrears	-	32,570,887
Note 13: Remuneration of Council		
Chancellor's honoraria	1,044,000	880,645
Chairman's honoraria	1,200,000	1,044,000
University Council's emoluments	13,231,062	14,728,440
Total	15,475,062	16,653,085
Note 14: Repairs and maintenance		
Maintenance of buildings	9,068,512	9,972,557
Maintenance of equipment	910,558	1,352,628
Maintenance of grounds	3,001,311	1,021,459
Minor works	16,637,669	16,923,033
Total	29,618,050	29,269,677
Note 15: Research expenses		
University grants	-	524,119
Donor grants	22,188,394	12,796,075
Total	22,188,394	13,320,194

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

Notes to the Financial Statements (continued)

	2017/2018	2016/2017
Note 16: General expenses	(Ksh)	(Ksh)
Academic board & Senate	2,020,801	2,267,723
Advertisement and publicity	4,885,141	3,612,517
Audit fees	522,000	522,000
Bank charges	439,446	337,184
Celebration & ceremonies	7,053,314	7,009,531
Charter award expenses	-	10,249,886
Cleaning materials	4,441,024	2,420,264
Conferences & seminars	2,366,157	1,771,814
Electricity	6,414,118	7,261,800
Farm activities (Commercial)	7,491,086	4,640,799
Farm activities (research)	75,347	61,340
Field course	1,137,531	528,115
Food stuff & kitchen supplies	34,991,016	25,437,764
Fuel and oil	1,617,824	1,487,520
Funeral	141,800	163,500
Games & sports	2,869,084	3,033,900
Hire of security	4,196,714	4,059,663
HIV, AIDS & disability	218,975	77,000
Honors and award	18,770	
ICT expenses	932,541	573,655
General insurance	4,902,998	4,816,034
Internet expenses	3,451,911	2,334,776
ISO expenses	6,645,813	1,639,335
Kitchenware/cutlery	742,829	416,776
Legal expenses	570,800	342,125
Library expenses	898,217	7,315,332
Local exhibition	888,328	73,400
Management board	2,443,228	1,507,462
Medical expenses	18,625,367	11,138,194
Membership subscription	320,728	325,345
Non-pharmaceuticals	822,328	274,765
Other office expenses	1,570,630	1,082,067
Pharmaceuticals	3,151,366	1,817,183
Postage	101,363	99,685
Printing and publishing	1,491,289	2,026,235
Professional/consultancy services	2,164,593	1,179,463
Sanitary services	1,595,705	1,539,540
Staff uniform	5,000	371,300
Stationery expenses	8,258,209	7,620,020
Statutory payment	5,035,000	1,629,760
Provision for bursary	1,500,000	680,000
Student welfare & mentorship	1,737,290	1,035,570
Teaching materials	925,174	2,421,086

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

Notes to the Financial Statements (continued)

	2017/2018	2016/2017
	(Ksh)	(Ksh)
Teaching practice	2,066,073	2,295,897
Telephone	430,970	468,379
Transport operating	6,995,462	5,518,546
Water & conservancy	3,353,419	3,656,534
Internal roads	230,000	1,992,000
Programme accreditation	1,320,688	920,684
Programme development cost	814,740	-
Protective gear	115,287	158,287
Public relations	827,397	303,500
Staff Scholarship	-	1,451,644
Staff training & development	3,094,633	735,428
Travel and subsistence allowance	11,503,253	11,854,812
External travel	2,974,789	2,327,222
Quality assurance	61,500	12,350
Detergent-making materials	149,980	112,520
Direct marketing	1,011,800	970,550
Examination stationery	4,136,077	-
Performance management	1,948,496	1,498,200
Team building	1,487,727	-
Total general expenses	192,203,146	161,477,979
Note 17: Other gain/loss	1,422,000	978,500
This represents the difference between the value of the biological assets at the beginning and at the end of the financial year.		
Note 18: Cash and cash equivalents		
Current accounts	74,303,619	143,585,840
Student Paybill - A/C 418888	416,328	151,883
Call deposit	-	-
Cash in hand	-	961
Farm Paybill 414444	73,381	-
Total	74,793,328	143,738,683
Detailed analysis of cash and cash equivalents		
a) Current accounts		
Financial institution		
KCB Fees - A/C 1140846019	890,816	1,044,363
KCB Dollar - A/C 1146975716	4,604,473	1,491,616
KCB Salary - A/C 1141890933	-	77,779,876
Equity Fees - A/C 0190260737294	67,743,619	63,079,971
Barclay Fees A/C 2027527410	109,833	96,167
NBK Fees - A/C 01001081259300	788,252	89,976
Co-op Fees - A/C 01129408325000	166,626	3,871
Sub- total	74,303,619	143,585,840

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,
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Notes to the Financial Statements (continued)

	2017/2018	2016/2017
	(Ksh)	(Ksh)
b) Others		
Cash in hand	-	961
Student Paybill	416,328	151,883
Call deposit	-	-
Farm Paybill	73,381	-
Sub- total	489,709	152,844
GRAND TOTAL	74,793,328	143,738,683
Note 19: Receivables from exchange transactions		
Fees receivable	4,540,000	43,423,345
Farm income receivable	24,795	-
	4,564,795	43,423,345
Note 20: Receivables from non-exchange transactions		
Government recurrent grant	-	32,570,887
Staff debtors (imprests)	13,767,981	7,372,047
Total current receivables from non-exchange transactions	13,767,981	39,942,934
	18,332,776	83,366,279
Note 21: Inventories		
Stationery	1,285,387	1,587,728
Hardware	3,351,241	3,487,295
Farm	198,765	205,955
Food store	705,207	796,914
Health Unit	1,090,637	1,617,957
Accommodation	225,736	95,227
Laboratory	3,957,535	2,191,985
Total	10,814,508	9,983,061
Note 22: Biological assets		
Cows	3,890,000	2,747,500
Chicken	700,000	602,500
Goats	135,000	156,000
Pigs	1,045,000	586,500
Coffee stumps	-	2,328,000
Bananas	1,060,000	630,000
Avocados	-	108,000
Mangoes	-	16,000
Maize	660,000	330,000
Water Melon	-	200,000
Tomatoes	-	90,000

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

Notes to the Financial Statements (continued)

Macadamia	-	79,500	
Sweet potatoes	240,000	300,000	
Kales	100,000	62,000	
Cabbages	200,000	64,000	
Bulb onion	-	10,000	
Fish	-	2,000	
Napier grass	250,000	-	
Pumpkin	50,000	-	
Sub-total	8,330,000	8,312,000	
(ii) Bearer plants			
Avocados	162,000	-	
Mangoes	48,000	-	
Macadamia	84,000	-	
Coffee stumps	1,110,000	-	
Sub-total	1,404,000	-	
TOTAL	9,734,000	8,312,000	
Bearer plants are living plants used in the production or supply of agricultural produce and are expected to bear produce for more than one financial year and has a remote likelihood of being sold as agricultural produce. Bearer plants are accounted for as property, plant and equipment and depreciated at the rate of 10% with effect from FY 2017/2018.			
Note 23: Investments			
As at the end of FY, the University did not have any investments in treasury bills/bonds, investments in any bank or any equity investment.			

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

Notes to the Financial Statements (continued)

Note 24: Property, plant and equipment									
	Land and Building	Motor Vehicle	Furniture & Fittings	Computer & hardware	Library books	Plant and Equipment	Bearer plants	Capital In Progress	TOTAL
Cost	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)
As at 1st July, 2016	1,344,330,329	48,556,905	32,260,307	49,805,941	44,642,934	25,735,957	-	483,275,984	2,028,608,357
Additions	64,169,474	21,129,621	8,129,480	12,674,009	2,940,008	28,562,668	-	259,022,598	396,627,858
At 30 June, 2017	1,408,499,803	69,686,526	40,389,787	62,479,950	47,582,942	54,298,625	-	742,298,582	2,425,236,215
Additions	-	9,117,860	10,630,727	7,076,978	3,554,183	21,499,524	1,404,000	150,170,066	203,453,338
At 30th June 2018	1,408,499,803	78,804,386	51,020,514	69,556,928	51,137,125	75,798,149	1,404,000	892,468,648	2,628,689,553
Depreciation and impairment									
Depreciation rate	2.50%	25.00%	12.50%	30.00%	20.00%	12.50%	10.00%	-	
At 1 July, 2016	24,025,551	28,946,667	10,534,575	26,213,059	16,876,040	7,809,789	-	-	114,405,681
Depreciation charge	7,419,481	10,184,965	3,731,902	10,880,067	6,141,380	5,811,104	-	-	44,168,899
At 30th June, 2017	31,445,032	39,131,632	14,266,477	37,093,126	23,017,420	13,620,893	-	-	158,574,580
Depreciation charge	7,233,994	9,918,189	4,594,255	9,739,141	5,623,941	7,772,157	140,400	-	45,022,076
At 30th June, 2018	38,679,026	49,049,821	18,860,732	46,832,267	28,641,361	21,393,050	140,400	-	203,596,656
Net book values									
At 30th June, 2018	1,369,820,777	29,754,566	32,159,782	22,724,661	22,495,764	54,405,099	1,263,600	892,468,648	2,425,092,897
At 30th June, 2017	1,377,054,770	30,554,894	26,123,311	25,386,823	24,565,522	40,677,731	-	742,298,582	2,266,661,634

Note:

The reported value for Land and Buildings comprises of:

(a) Land	1,087,695,000
(b) Buildings	282,125,777
	<u>1,369,820,777</u>

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

Notes to the Financial Statements (continued)

	2017/2018	2016/2017	
	(Ksh)	(Ksh)	
Note 25: Overdrawn bank account	25,575,494	-	
University of Embu operates various fee collection bank accounts, and one operations account. Revenue collected through collection accounts is regularly transferred to operations accounts (account number 1141890933) for purposes of making payments. By the close of the year under review, transfer of funds from the fee collection accounts was in progress. However, the cheques that had been issued by that time were of greater value than the available cash book balance. This resulted to the the noted overdrawn account in the cash book. This was anomaly later automatically corrected after the transfer was effected.			
Note 26: Trade and other payables from exchange transactions			
Trade payables	615,249	3,482,721	
Retention on constructions work	34,853,288	65,739,156	
CBA arrears payable	-	32,570,887	
	35,468,537	101,792,764	
Note 27: Payables from non-exchange transactions			
Deffered donor research grants	21,066,011	9,392,781	
Vice-Chancellor's Fund	611,923	564,822	
Student Union subscription - UESA	1,191,025	1,510,025	
Students' clubs	19,060	13,775	
Staff insurance claim	-	100,000	
Alumni Association	278,000	-	
Total	23,166,019	11,581,403	
Note 28: Refundable deposits from customers			
Rental deposits	750,950	764,900	
Note 29: Provision for audit fee			
Balance b/f	815,035	1,293,035	
Add: Provision for the year	522,000	522,000	
Less: Payments	(815,035)	(1,000,000)	
	522,000	815,035	
Note 30: Payment received in advance			
Deferred fee income	2,554,126	17,168,036	
Note 31: Bursary fund	1,326,575	571,305	
This is a fund from which bursaries to the needy students are drawn.			
Note 32: Caution Money	12,194,000	9,578,000	
These are refundable funds received from new students to cater for any loss/damage to University property.			

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Notes to the Financial Statements (continued)

	2017/2018	2016/2017	
	(Ksh)	(Ksh)	
Note 33: CBA Refund	81,560,000	81,560,000	
CBA refund represents the balance of Ksh 106 million received in the FYs 2012/2013 and 2013/2014 for CBA implementation. At that time the University was new and did not have CBA arrears to pay. The amount was reallocated to other University votes, and spent. The Ministry of Ed. later directed that the money be refunded to other Universities. Ksh 24.44 million was refunded, leaving the above balance.			
Note 34: Borrowings			
The University did not have any borrowing during the FY under review.			
Note 35: Cash generated from operations	(Ksh)	(Ksh)	
Surplus/(deficit) for the year before tax	14,848,164	90,442,458	
Adjusted for:			
CBA grants received	-	(32,570,887)	
Depreciation	45,022,076	44,168,900	
Government grant arrears received	-	(40,000,000)	
Creditors paid	-	27,737,532	
Non-cash grants received	-	11,781,667	
Provision for bursary	1,500,000	680,000	
Provision for audit fee	522,000	-	
Audit fee paid	(815,035)	(1,000,000)	
Amortized grant	(8,158,126)	(9,705,945)	
	38,070,915	1,091,266	
Working Capital adjustments:			
Increase in biological assets	(1,422,000)	(978,500)	
Increase in inventory	(831,447)	(2,404,093)	
Decrease/(increase) in receivables	65,033,503	(18,762,161)	
Increase/(decrease) in deferred fee income	(14,613,910)	10,723,974	
Increase/(decrease) in bursary fund	755,270	71,305	
Increase in caution money	2,616,000	3,088,000	
Increase in payables	(25,353,743)	7,838,061	
Decrease provision for audit fee	-	(478,000)	
Increase/(decrease) in refundable deposits	(13,950)	(254,100)	
Increase/(Decrease) in overdrawn account	25,575,494	-	
	51,745,217	(1,155,514)	
Net cash flow from operating activities	104,664,296	90,378,210	

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Note 36: Deferred Income

	Development grants from the GoK (Ksh)	Other Grants		Total (Ksh)
		Equipment (Ksh)	Library books (Ksh)	
Balance as at 1st July 2016	600,708,178	12,013,667	33,000,000	645,721,845
Additions	221,480,155	-	-	221,480,155
Amortization for the year	(1,604,237)	(1,501,708)	(6,600,000)	(9,705,945)
Balance as at 30th June 2017	820,584,096	10,511,959	26,400,000	857,496,055
Balance as at 1st July 2017	820,584,096	10,511,959	26,400,000	857,496,055
Additions	59,325,554	-	-	59,325,554
Amortization for the year	(1,564,131)	(1,313,995)	(5,280,000)	(8,158,126)
Balance as at 30th June 2018	878,345,519	9,197,964	21,120,000	908,663,483

Note 37: Amortization of deferred income

Description	Development grants from the GoK (Ksh)	Other Grants		TOTAL (Ksh)
		Equipment (Ksh)	Library books (Ksh)	
Cost				
As at 1st July, 2016	64,169,474	232,000	33,000,000	97,401,474
Additions	-	11,781,667	-	11,781,667
As at 30th June, 2017	64,169,474	12,013,667	33,000,000	109,183,141
Additions	-	-	-	-
As at 30th June, 2018	64,169,474	12,013,667	33,000,000	109,183,141
Amortization rate	2.50%	12.50%	20%	
As at 1st July, 2016	-	-	-	-
Add: amortization for the year	1,604,237	1,501,708	6,600,000	9,705,945
As at 30th June, 2017	1,604,237	1,501,708	6,600,000	9,705,945
Add: amortization for the year	1,564,131	1,313,995	5,280,000	8,158,126
As at 30th June, 2018	3,168,368	2,815,703	11,880,000	17,864,071
Balance as at 30th June 2017	62,565,237	10,511,959	26,400,000	99,477,196
Balance as at 30th June 2018	61,001,106	9,197,964	21,120,000	91,319,070

Note:

(i) Amortization of deferred Development Grants:

Government grants are funds received from the GoK for construction of capital projects. Previously, the University reported its Development Grants in the Statement of Change in Net Assets together with reserves. In recognizing the requirement of IPSAS 23, the grants have been re-classified as non-current liability, and reported as deferred income. Grants relating to completed projects have been amortized using the applicable depreciation rate and recognized in the Statement of Financial Performance.

(ii) Amortization of Other Grants

Other grants comprise of Library books and equipment that were donated to the University. Previously, Other Grants were reported in the Statement of Change in Net Assets together with reserves. In recognizing the requirement of IPSAS 23, the grants have been re-classified as a non-current liability, and reported as as "Deferred income". Since the donated assets have already been put into use, the grants have been amortized using the applicable depreciation rates, and recognized in the Statement of Financial Performance.

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Note 38: Revaluation Reserve	1,289,348,660	1,289,348,660
Note 39: Revenue reserves		
Balance b/f	141,385,501	56,832,031
Prior year adjustment	-	(5,276,215)
Current surplus	14,848,164	90,442,458
Bad debts w/o	-	(612,773)
Balance c/f	156,233,665	141,385,501

Note 40: Contingent Liability

Plaintiff	Estimated contingent liability (Ksh)
Mrs. Lilian Njagi	Dependent on the outcome of the case.
Mrs. Catherine Wanja Difatha	Dependent on the determination of the cost by the plaintiff

(i) Mrs. Lilian Njagi sued University of Embu for alleged wrongful termination of employment, and is seeking reinstatement. If the outcome of the case will be in her favour, she may sue for damages. The case was filed in Nyeri Labour Court.

(ii) Catherine Wanja Difatha, is an employee of the UoEm. A report from the Internal Auditor implicated her for misuse of housekeeping materials. She was subjected to the existing disciplinary processes of the University, and surcharged Ksh 151,305/=, which was recovered from her salary through the payroll. She sued the University in Nyeri Labour Court, challenging the surcharge. The cost to the UoEm if any, will be determined after the judgement.

Note 41: Financial Risk management

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

In management of risks, University of Embu Management has put in place an internal audit function to assist it in assessing risks faced by the University on an ongoing basis, and also in evaluating and testing the design and effectiveness of existing internal accounting and operational controls. The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations when due, resulting to financial loss to the University. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables, and; available for sale financial investments.

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University's credit risk is primarily attributable to its fee revenue receivable. The amount presented in the Statement of Financial Position is gross amount expected from students. No provision has been made for doubtful debts. This is mainly because the Higher Education Loans Board (HELB) has been financing majority of our student through loans, with tuition component of the loans being remitted directly to the University bank account, resulting to no bad debts. The credit risk on liquid funds with financial institutions is low, because UoEm banks its monies with reputable banks.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up of the following:

As at 30th June, 2017	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
CBA arrears	32,570,887	-	-	32,570,887
Cash & bank balance	143,738,683	-	-	143,738,683
Fee receivable	-	43,423,345	-	43,423,345
Staff debtors	3,422,792	3,914,955	34,300	7,372,047
Total	179,732,362	47,990,123	34,300	226,952,119
As at 30th June, 2018				
Fee receivable	-	4,540,000	-	4,540,000
Cash & bank balance	49,217,833	-	-	49,217,833
Staff debtors	13,767,981	-	-	13,767,981
Total	62,985,814	4,540,000	-	67,525,814

University's fee payment policy requires payment of fees within the first three weeks of a semester. Where the student is not able to pay fee within the first three weeks of the semester, they are required to either call off the semester, or apply for phased fee payment, where fee is paid in three instalments. No student is allowed to sit for examination with a fee balance, unless with a written commitment to pay by a specified date. Consequently, students' receivables are categorized as past due. Past due amounts are those beyond the maximum established credit period and represent slow, but paying students.

(ii) Concentration risk

The reported receivables from fees wholly relate to balances due from the students who are unrelated, thus there is no concentration risk.

(iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Management, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding, and liquidity management requirements. University of Embu manages liquidity risk by maintaining banking facilities and through continuous forecasts and monitoring of actual cash flows. Prudent liquidity risk management includes maintaining sufficient cash to meet the University's obligations. University of Embu management reviews its cash forecasts regularly and determines the University's cash requirement. However, the University as a government funded institution, faces the risk of inadequate and/or delayed funding

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by the National Treasury. This implies that sometimes the University operates with insufficient cash to cater for operational costs and obligations, on timely basis.

The table that follows analyses the University's financial liabilities, into relevant maturity groupings, based on the remaining period at the end of the financial year to the contractual maturity. The reported balances equal their carrying amounts, as the impact of discounting is not significant.

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Note 42: Liquidity risk management

The table below analyses the University's financial liabilities into relevant maturity groupings, as at 30th June, 2018

	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30th June, 2017				
Trade payables	-	-	3,482,721	3,482,721
CBA arrears payable	32,570,887	-	-	32,570,887
Retention on constructions	-	-	65,739,156	65,739,156
Deferred Research grants	-	9,392,781	-	9,392,781
Students' clubs	-	-	13,775	13,775
UESA Subscription	-	-	1,510,025	1,510,025
Vice-Chancellor's Fund	-	-	564,822	564,822
Staff insurance claim	-	100,000	-	100,000
Rental deposits	-	-	764,900	764,900
Provision for audit fees	-	-	815,035	815,035
Deferred fee income	-	-	17,168,036	17,168,036
Students' bursary fund	-	-	571,305	571,305
Caution Money	-	-	9,578,000	9,578,000
CBA refund	-	-	81,560,000	81,560,000
Deferred income	-	-	857,496,055	857,496,055
Total	32,570,887	9,492,781	1,039,263,830	1,081,327,498
As at 30th June 2018	Less than 1 month	Between 1-3 months	Over 3 months	Total
Overdrawn bank account	25,575,494	-	-	25,575,494
Trade payables	615,249	-	-	615,249
Retention on constructions	-	-	34,853,288	34,853,288
CBA arrears payable	-	-	-	-
PAYE payable	-	-	-	-
Pension payable	-	-	-	-
Withholding tax payable	-	-	-	-
Deferred Research grants	-	-	21,066,011	21,066,011
Students' clubs	19,060	-	-	19,060
Allumni association	-	-	278,000	278,000
UESA Subscription	-	-	1,191,025	1,191,025
Vice-Chancellor's Fund	-	-	611,923	611,923
Rental deposits	-	-	750,950	750,950
Provision for audit fees	-	-	522,000	522,000
Deferred fee income	-	-	2,554,126	2,554,126
Students' bursary fund	-	-	1,326,575	1,326,575
Caution Money	-	-	12,194,000	12,194,000
CBA refund	-	-	81,560,000	81,560,000
Deferred income	-	-	908,663,483	908,663,483
Total	26,209,803	-	1,065,571,380	1,091,781,183

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(iv) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. Internal Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

University of Embu has transactional currency exposures. Such exposures arise through purchase of goods and services that are done in foreign currencies. Invoices denominated in foreign currencies are paid within 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	(Ksh)	Other currencies (USD)	Total (Ksh)
At 30 June, 2018			
Financial assets (investments, cash ,debtors)		45,491	4,604,473
Net foreign currency asset/(liability)	Nil	Nil	Nil

Price risk

Embu University does not holds quoted shares that would be subjected to price risk.

Interest rate risk

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

Management of interest rate risk

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

Capital risk management

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

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	2017-2018	2016-2017
	(Ksh)	(Ksh)
Revaluation reserve	1,289,348,660	1,289,348,660
Retained earnings	156,208,870	141,385,501
Total funds	1,445,557,530	1,424,328,906
Total borrowings	Nil	Nil
Less: Cash and bank balances	49,217,833	143,738,684
Net debt/(excess cash and cash equivalents)	49,217,833	143,738,684
Gearing	Nil	Nil

Note 43: Related party disclosures

Entities and other parties related to the UoEm include parties who have ability to exercise control or significant influence over UoEm's operating and financial decisions. The following are the related parties that UoEm dealt with during the year under review:

- 1) Government of Kenya
- 2) University Chancellor
- 3) University Council
- 4) University Management

Related party transactions

(i) Government of Kenya

Transaction with the Government of Kenya

Nature of transaction	Amount in 2017/2018	Amount in 2016/2017
Transfer from the GoK	571,671,604	675,293,590
Transfer to the GoK	Nil	Nil

(ii) University Council and the Management Board.

During the year under review, the University Chancellor and the Council Chairperson, received remuneration on full-time equivalent basis. Details of their remuneration are displayed below:

S/no.	Category	Number of people	Amount
1.	University Chancellor	1	1,200,000
2.	University Council expenses	9	13,231,062
3.	Council member on full time equivalent	1	1,044,000
4.	Management Board - Salaries & Allowances	7	53,575,333
	TOTAL		62,160,996

(iii) Due from related parties

Nature of transaction	Amount in 2017/2018 (Ksh)	Amount in 2016/2017 (Ksh)
Due from the MoEST	Nil	32,570,887

(iv) Due to related party

Nature of transaction	Amount in 2017/2018 (Ksh)	Amount in 2016/2017 (Ksh)
Due to the MoEST	Nil	Nil

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Note 44: Segment reporting

University of Embu does not have operations in different geographical regions. All operations are conducted in the registered office.

Note 45: Capital commitments

UoEm did not have any commitments at the end of the year under review, which were carried forward to the next financial year.

Note 46: Ultimate and Holding entity

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

Note 47: Currency

The financial statements are presented in Kenya Shilling (Ksh).

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PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

There are no pending issues from the auditors. During the FY 2016/2017, UoEm got an unqualified audit report, with no pending matters to be addressed in the year 2017/2018.



.....
Dr. Margaret M. Gikuhi
CHAIRMAN



.....
Prof. Daniel Mugendi Njiru
SECRETARY

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APPENDIX 1: PROJECTS IMPLEMENTED BY THE UNIVERSITY OF EMBU

(i) Projects implemented by the University of Embu funded by the development partners
 University of Embu does not have any project that is funded by the development partners.
 All its projects are funded by the GoK through exchequer.

(ii) Status of projects completion

S/No.	Project	Total project Cost (Ksh)	Total expended to date (Ksh)	Completion % to date	Budget (Ksh)	Actual per quarter (Ksh)	Source(s)
1.	Administration block	546,478,215	555,131,577=	95%	80,934,267	20,233,566	GoK
2.	Tuition block	870,000,000	77,002,902=	10%	79,905,126	19,976,281	GoK

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APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	19/07/2017	Recurrent	35,640,395	✓					35,640,395
	01/08/2017	Recurrent	36,097,218	✓					36,097,218
	04/09/2017	Recurrent	36,097,218	✓					36,097,218
	13/09/2017	Development	59,325,554		✓				59,325,554
	03/10/2017	Recurrent	36,097,218	✓					36,097,218
	03/11/2017	Recurrent	36,097,218	✓					36,097,218
	01/12/2017	Recurrent	36,097,218	✓					36,097,218
	01/12/2017	Recurrent	18,141,271	✓					18,141,271
	02/01/2018	Recurrent	39,725,471	✓					39,725,471
	08/02/2018	Recurrent	39,725,471	✓					39,725,471
	13/03/2018	Recurrent	39,725,471	✓					39,725,471
	06/04/2018	Recurrent	39,725,471	✓					39,725,471
	02/05/2018	Recurrent	39,725,471	✓					39,725,471
	11/06/2018	Recurrent	39,725,471	✓					39,725,471
28/06/2018	Recurrent	39,725,471	✓					39,725,471	
Total			571,671,609						571,671,609