
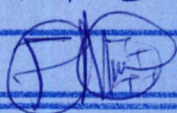


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 MAR 2019	DAY: TUESDAY
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OF KENYA  
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**REPORT**

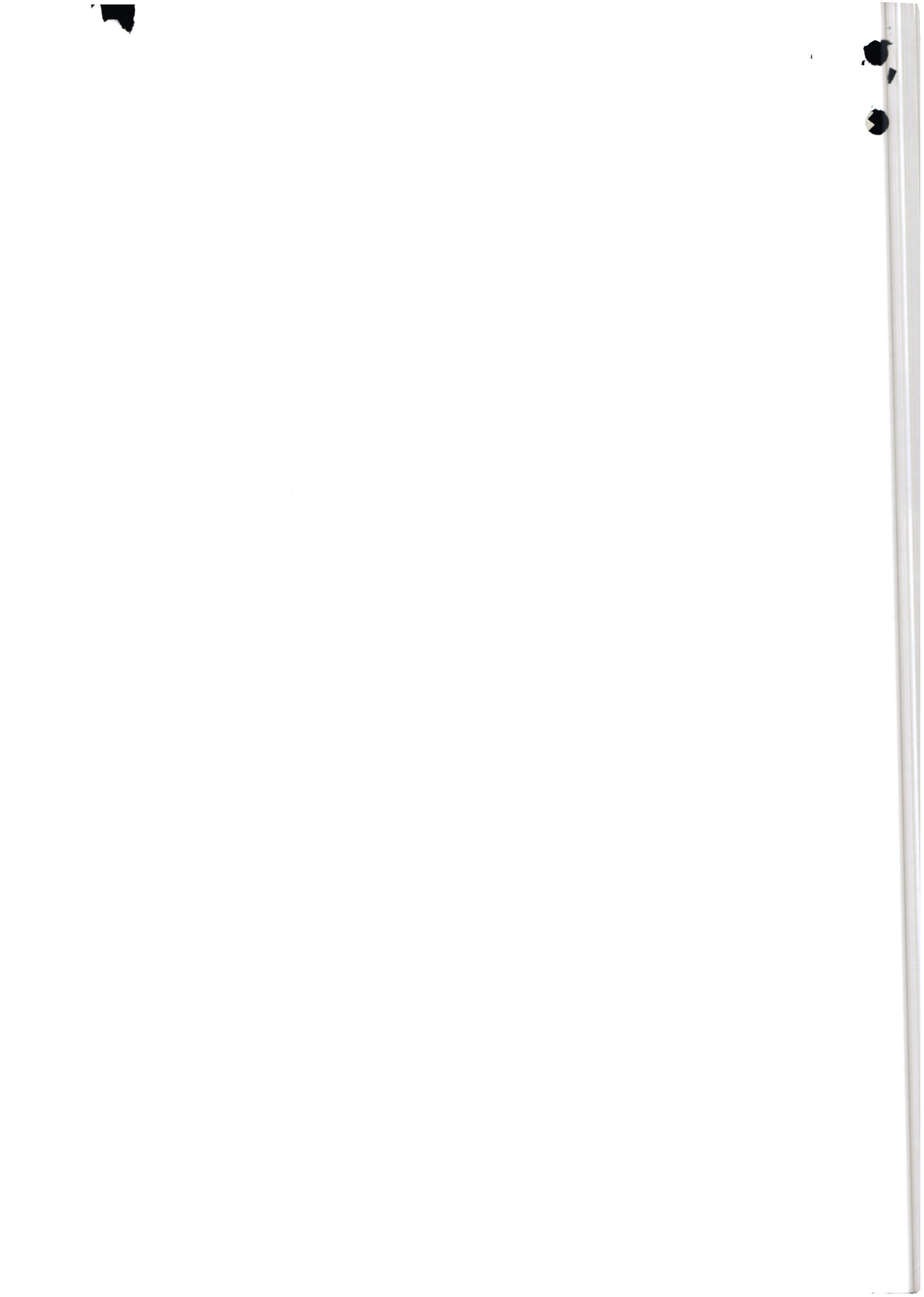
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
CHUKA UNIVERSITY**

**FOR THE YEAR  
ENDED 30 JUNE 2018**



CHUKA



UNIVERSITY

Telephone: 020 2310512  
0202310518

P.O. Box 109-60400,  
Chuka

**OFFICE OF THE VICE – CHANCELLOR**

Website [www.chuka.ac.ke](http://www.chuka.ac.ke): Email: [info@chuka.ac.ke](mailto:info@chuka.ac.ke)

Ref: CU/KENAO/17/18

9<sup>th</sup> December, 2018

The Auditor General  
Kenya National Audit  
P.O.Box 30084 - 0100  
NAIROBI.



Dear Sir,

**RE: SUBMISSION OF ANNUAL ACCOUNTS FOR 2017/2018 FINANCIAL YEAR**

The above subject refers.

Attached please find nine copies of 2017/2018 Financial Statements for Chuka University for your necessary action.

Thank You.

Yours Sincerely,

Prof. Erastus N. Njoka, Ph.D.  
**VICE – CHANCELLOR**

Chuka University is ISO 9001:2008 Certified





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**CHUKA**



**UNIVERSITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE, 30 2018**

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

## Table of Content

Key Entity Information And Management.....	3
The University Council.....	8
Management Team.....	11
Chairman’s Statement.....	14
Report of The Chief Executive Officer.....	15
Corporate Governance Statement.....	16
Management Discussion And Analysis.....	19
Corporate Social Responsibility Statement/Sustainability Reporting.....	21
Report of the Council.....	22
Statement of Councils’ Responsibilities.....	23
Statement of Financial Performance.....	25
Statement of Financial Position.....	26
Statement of Changes In Net Assets.....	27
Statement of Cash Flows.....	28
Statement of Comparison of Budget and actual amounts.....	30
Notes To The Financial Statements.....	34

## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Chuka University is an independent public entity established through a charter as per the Universities Act, 2012. It is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University. Chuka University has a variety of Academic programmes that are offered under the following five Faculties: Business Studies, Arts and Humanities, Education and Resources Development, Agriculture and Environmental Studies, Science, Engineering and Technology

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

The Mandate of the Chuka University as provided by the Chuka University Charter dated 8<sup>th</sup> January, 2013 is to:

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

### ***OUR MISSION***

To generate, preserve and share knowledge for effective leadership in higher education, training, research and outreach through nurturing an intellectual culture that integrates theory with practice and innovation.

### ***Vision***

To be a Premier University for the provision of quality education, training and research for sustainable national and global development

### ***Core Values***

The University is committed to the following set of core values:

- i) Passion for excellence and devotion to duty
- ii) Integrity, transparency and accountability
- iii) Social fairness
- iv) Professionalism
- v) Timeliness
- vi) Prudent use of resources
- vii) Corporate citizenship
- Customer focus
- viii) Teamwork
- ix) Confidentiality

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

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

- i) The Principal Secretary, Ministry of Education
- ii) The Council
- iii) The Management Board

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

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

<b>Designation</b>	<b>Name</b>
i) Vice – Chancellor/CEO	Prof. Erastus N. Njoka, Ph.D.
ii) Deputy Vice Chancellor - AFP&D (Ag)	Prof. Zachary Njogu Waita, Ph.D.
iii) Deputy Vice Chancellor (ARSA)	Prof. Dorcas K. Isutsa, Ph.D.
iv) Registrar – Administration (Ag)	John K. Nkanatha, MA.
v) Registrar (Academics)	Prof. Francis G. Nderitu, Ph.D.
vi) Finance Officer (Ag)	CPA John K. Thurania, MBA, CPA (K)

### **(e) Fiduciary Oversight Arrangements**

The key fiduciary oversight committee of the University for the Financial Year, 2017/2018 and their respective functions are outlined below:

#### **1. Finance, Farms, Enterprise Company and General Purpose Committee**

- i) To review and recommend approval of policies and conditions for sound management of the financial processes and operations.
- ii) To review and report to the Board on the annual audited accounts.
- iii) To review and recommend approval of policies and conditions for sound management of financial investments.
- iv) To formulate policies and conditions for sound management of University funds.
- v) To discuss and recommend to the council Annual and Quarterly Financial reports.

#### **2. Audit, Governance and Risk Management Committee**

- i) Assist in enhancing internal controls in order to improve efficiency, transparency and accountability in the management of University funds
- ii) Examine internal and external audit reports and recommendations after management response to ensure action is taken
- iii) Follow up to ensure action is taken to resolve Public Accounts Committee recommendations
- iv) Provide oversight on risk management processes
- v) Any other duty as set out in the Audit Committee Charter

#### **3. Human Resources Management Committee**

- i) To provide guidance and direction to compensation and benefits of employees as per the negotiated Collective Bargaining Agreements as well as negotiate for group health care benefits.

- ii) Implementation of employee training and development policy depending on competency needs assessment.
- iii) Carry out the organization employee needs assessment and recommend for recruitment of various categories of staff.
- iv) Handle and recommend to the council staff disciplinary matters and the appropriate action to be taken.

#### **4. Building, Planning and Development Committee**

- i) To oversee implementation of development projects in the University.
- ii) To consider and recommend to the Council building projects budget for the University.
- iii) To monitor and appraise development projects for the University.

#### **5. Grievances Handling and Appeals Committee**

- i) To hear any appeals related to staff and students discipline and recommend to the council for the necessary action.
- ii) To arbitrate the cases brought to the committee from various organs of the University.

#### **6. Sealing and Honorary Degree Committee**

- i) To make recommendations to the council on the award of Honorary Degrees to various personnel.
- ii) To recommend to the Council students due for graduation.
- iii) To propose to the Council, the graduation dates as proposed by the Senate.

#### **f) Entity Headquarters**

P.O. Box 109, 60400

Chuka Town

Kenya

#### **g) Entity Contacts**

Telephone: (254) 0202310512/

Cell phone 0715505858/0731620266

E-mail: [info@chuka.ac.ke](mailto:info@chuka.ac.ke)

**h) Entity Bankers**

Kenya Commercial Bank Ltd,  
P.O. Box 7014 - 60400  
Chuka

Cooperative Bank of Kenya  
P.O. Box 101 – 60400  
Chuka

Equity Bank Ltd  
P.O. Box 213 - 60400  
Chuka

Family Bank Ltd  
P.O Box 3092-60200  
Meru

Barclays bank of Kenya l td  
P.O.Box 88-60100  
Embu

Standard Chartered Bank Ltd  
P.O. Box 109-60200  
Meru



**i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O.Box 30084  
GOP 00100  
Nairobi, Kenya




**j) Principal Legal Advisor**

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

**I. THE UNIVERSITY COUNCIL**

<b>Name(s)</b>	<b>Concise Description</b>
 <p><b>Dr. Julius Tangusi Rotich</b> University council chairman</p>	<p>Dr Julius Rotich is the current chairman of Chuka University Council. He was born on 18<sup>th</sup> July, 1954. He holds a Ph. D degree in Operational Research from Lancaster University, MBA (UON) MSc (Sussex University), Bcom (UON). He is also a Certified Public Accountant of Kenya (CPAK). He is the immediate Director and Chief Executive Officer of the Kenya College of Communications Technology and the Secretary to the Board of the same College.</p>
 <p><b>Prof. Erastus N. Njoka - CEO</b> Vice - Chancellor &amp; Council Secretary</p>	<p>Professor Erastus N. Njoka was born on 31<sup>st</sup> October, 1959. He is a renowned Scholar and an administrator. He started working in Egerton University where he served as the Dean of the Faculty of Agriculture. He also served as a Director and Principal of Chuka University College before it was elevated to a full-fledged University. He holds PGD, MSc, Ph. D (Friendship University).</p>

 <p><b>Mr. Boniface Simba</b> Council Member</p>	<p>Boniface Simba was born in 1972. He holds BA in Public Administration and an MBA in Strategic Management from the University of Nairobi. He served in Provincial Administration and Central Government in various senior capacities before moving to the National Treasury as a senior administrator. He serves in the Council as a representative of the PS, National Treasury.</p>
 <p><b>Dr. George Kwedho</b> Council Member</p>	<p>Dr George Kwedho has over 35 years' successful experience in providing fiscal, strategic and operations leadership in public organizations. He holds a Ph.D. degree in environmental planning (University of Eldoret), and Msc. He is currently a managing consultant, FEPAN Global Agencies Company Ltd.</p>
 <p><b>Josephine Wambui Gitonga</b> Council Member</p>	<p>Josephine serves as a child protection specialist at save the Children International. She also served as the programmer manager at parenting in Africa network. She holds B.A and M.A degrees from the University of Nairobi.</p>


 <p><b>Hellen Kiende Mungania</b> Council Member</p>	<p>Hellen Kiende serves as a council member at Chuka University. She is an Advocate of the High Court of Kenya.</p>
 <p><b>Andrew Mwituu Mugambi</b> Council Member</p>	<p>Andrew Mwituu was born on 18<sup>th</sup> April, 1951. He is a full time consultant in Agribusiness and development in general. He also worked as a senior deputy director in charge of Development coordination in the Ministry of Agriculture. He holds Bsc and Msc degrees in Agricultural Economics from Colorado State University)</p>
 <p><b>Kennedy Morara Ontiti</b> Council Member</p>	<p>Ken Ontiti serves as a council member at Chuka university. He is an advocate of the High Court of Kenya.</p>





**Mr Elyas Abdi Jillaow**  
**Council Member**

Mr. Elyas Abdi Jillaow is the Director General in charge of the technical wing of the State Department of Early Learning and Basic Education responsible to the Principal Secretary, State Department of Early Learning and Basic Education. He holds a Master of Education degree (Planning and Economics of Education) from Kenyatta University.

## II. MANAGEMENT TEAM

Name of the Staff& Responsibility	Concise Description
 <p><b>Prof. Erastus N. Njoka, Ph.D.</b> <b>Chief Executive Officer/ Vice Chancellor</b></p>	<p>Professor Erastus N. Njoka was born on 31<sup>st</sup> October, 1959. He is a renowned Scholar and an administrator. He started working in Egerton University where he served as the Dean of the Faculty of Agriculture. He also served as a Director and Principal of Chuka University College before it was elevated to a full-fledged University. He holds PGD, MSc Ph. D (Friendship University).</p>

 <p><b>Prof. Zachary N Waita Ph.D.</b> <b>Deputy Vice Chancellor (AFP&amp;D) (Ag)</b></p>	<p>Professor Zachary N. Waita is associate professor of Literature and Media Studies. He served in Moi and Egerton Universities before joining Chuka University in 2009.</p>
 <p><b>Prof. Dorcas K. Isutsa, Ph.D.</b> <b>Deputy Vice Chancellor (ARSA)</b></p>	<p>Professor Dorcas Isutsa was born on 8<sup>th</sup> August, 1966. She served as the Deputy Principal of Chuka University College before it was elevated to a full fledged University. She is the DVC in charge of Academics, Research and Students Affairs. She holds a BSC(Egerton) and Ph.D from Cornell University in USA.</p>
 <p><b>Prof. Francis G. Nderitu, Ph.D.</b> <b>Registrar (Academics)</b></p>	<p>Professor Nderitu was born on 1<sup>st</sup> January, 1965 and served in Egerton University as a Deputy Registrar (Academic Affairs) and also as a Chairman Department of Physics and Computer Science. He is currently the registrar of Academics affairs in Chuka university. He is a Ph.D. holder in Condensed Matter Physics from (Egerton University), M.Sc. in Physics (Egerton University) B.Sc. in Physics, (University of Nairobi)</p>



**John K. Nkanatha, MA.  
Registrar (Administration) (Ag)**

John Nkanatha was born on 1<sup>st</sup> January, 1959. He served in Egerton University in various capacities before joining Chuka University. He holds a BA and MA in Kiswahili.



**John K. Thurania, MBA, CPA (K)  
Finance Officer (Ag)**

John K. Thurania was born on 31<sup>st</sup> December, 1974. He served in various Companies and institutions as an Accountant before moving to Constituencies Development Fund (CDF) as a Fund Manager. He holds BCOM, MBA, (Egerton), and CPA (K).

### III. CHAIRMAN'S STATEMENT

It is a great honour for me to present the Sixth Financial Statements of Chuka University for Financial Year, 2017/2018. This is the sixth time the statements are presented after the institution was elevated to a full-fledged University. I am delighted because of the milestones we have made as a University. The government's objective of establishing the University was to enhance access to quality and affordable education in the Eastern region and Kenya at large. The financial year 2017/18 was coupled with a number of challenges ranging from staff strikes to major changes in regulatory environment but am happy that Chuka University did not experience the turbulence.

Fixed assets of the University have grown significantly since the institution's inception and now stand at Ksh 3.6 billion. These assets which include buildings, plant and equipment, motor vehicles, computers and furniture and fixtures make the institution conducive for higher learning. I am happy to report that during the 2017/2018 FY Chuka University embarked on the construction of Administration Block and School of Law, Science Research Park and Food Technology Tuition Complex. This is in line with the University strategic plan.

I wish to thank the Government of Kenya and other stakeholders for funding our projects during the 2017/2018 financial year.

Lastly, my gratitude goes to my fellow Council Members, the Management Team, Staff and Students and all other Stakeholders of Chuka University for working indefatigably to ensure that the University succeeds in its vision and mission.

Thank you.



Dr. Julius Tangusi Rotich, Ph.D

COUNCIL CHAIRMAN

#### IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

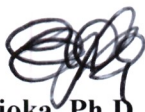
Despite political and macroeconomic uncertainties during the 2017/2018 FY, am happy to report that Chuka University remained resilient and delivered its core mandate. I am however happy to report that despite various concerns that happened within the Financial Year, we were able to manage the shifting economic landscape and regulatory environment.

I am delighted to present the Annual Report and Financial Statements of Chuka University for the year ended 30<sup>th</sup> June, 2018 as per the Chuka University Charter and Exchequer and Audit Act 2003. Chuka University maintained its high standards of teaching, training and research activities due to the peace and tranquillity that prevailed during the 2017/2018 Financial Year.

During the year under review, the University earned a surplus of Kshs. 753,368,972 compared to a surplus of Ksh 388,950,426 for the year 2016/2017. This is an increase of 93.6 % over the previous year due to increase in recurrent capitation from the Government and stringent policy on fees collection. During the same year, the University generated Kshs. 931,137,022 million as Appropriation in Aid which was used to fund purchase of equipment, support construction projects and other operations.

The net worth of the University grew by 18.7% from 4.2 billion to Ksh 5.03 billion in the same period. The current assets amounted to Ksh 1.38 billion whereas total current liabilities amounted to Ksh 247 million. This means that the University can be able to meet short term liabilities as and when they fall due. On behalf of Chuka University, I wish to take this opportunity to thank the Government and other stake holders for enabling us achieve these exemplary results. During the 2017/2018 FY, through prudent financial management the University managed to remit all statutory deductions. The institution did not have any pending bills within the financial period.

Thank you all.



**Prof. E.N. Njoka, Ph.D.**

**CEO/VICE – CHANCELLOR**

## V. CORPORATE GOVERNANCE STATEMENT

Chuka University is committed to exhibiting best practices in all aspects of corporate governance as guided by the University Charter and the Mwongozo Code of Governance. The Mwongozo Code was established by the Government to provide guidance on effective leadership, governance and management of public resources. The Charter requires the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

### **i) The Council**

This is the governing body of the university. The Council comprises nine members as disclosed in pages 9 to 11. The council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the Universities goals and objectives. The Council is appointed by the Cabinet Secretary for Education.

As the governing body of the University, the Council, have a responsibility of maintaining a sound system of internal controls that support the achievement of policies, aims and objectives, whilst safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012. In discharging its mandate, the Council is guided by the Charter to effectively fulfil its corporate governance responsibility towards its stakeholders. In addition, it has adopted Guidelines on Corporate Governance developed by the Commission for University Education. The University also embraces the Public Officers and Ethics Act and the Mwongozo Code for State Corporations.

The Council is also the executive governing body responsible for the academic policy and strategic direction of the University, including its external relations, and for the Administration of the University. The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

### **Meetings of the council**

The meetings of the council are held at least once every quarter in a Financial Year.

### **Council Committees**

To promote smooth running of its affairs, certain functions of the Council are delegated to its committees which report to the Council. These Committees include the following:

- i) Finance, Farm, Enterprise Company and General Purpose Council Committee.
- ii) Audit, Governance and Risk Management Council Committee.
- iii) Grievances Handling Appeals Council Committee.
- iv) Human Resources Management Council Committee.
- v) Building, Planning and Development Committee.
- vi) Sealing and Honorary Degree Council Committee.

All Committees of the Council have an appointed chairperson. The decisions and recommendations of these committees are formally reported to the Council.

### **Remuneration of the Council**

The members of the council, other than the Chief Executive Officer, do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Ksh. 20,000 per sitting. The Chairman and the Chancellor receives honoraria as stipulated in their appointment letters by the appointing authority. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University duties.

### **Corporate Governance Training**

During the financial year 2017/2018 a training on Corporate Governance for the Council Members and Management team was held at the Kenya School of Government, Matuga.

#### **ii) The Management Team**

Members of the management team are appointed by the Council through a competitive process. The membership consists of the CEO/Vice Chancellor, the Deputy Vice Chancellor (Administration, finance, Planning and Development), Deputy Vice Chancellor (Academics, Research and student Affairs) Finance Officer, Registrar (Academics) and Registrar (Administration and Planning).

### **iii) The Senate**

This is the academic authority of the University. It is composed of the Vice - chancellor, Deputy vice chancellors, Deans, Directors Heads and Chairmen of the academic Departments, two students' representatives, Finance Officer and Faculty representatives. Its role is to discuss and approve student results as well as students discipline. The Senate is chaired by the Vice - Chancellor.

The Principal academic and administrative officer of the University is the Vice Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

## **VII) MANAGEMENT DISCUSSION AND ANALYSIS**

Chuka University Management is delighted to present the financial performance of Chuka University for the year ended 30<sup>th</sup> June, 2018 as per the Chuka University Charter and Exchequer and Audit Act 2003. This is an indication of another successful year 2017/2018 where the University has achieved commendable growth given the prevailing macroeconomic environment.

### **Operational and Financial performance**

During the year under review, the University earned a surplus of Kshs. 753,368,972 compared to a surplus of Ksh 388,950,426 for the year 2016/2017. This is an increase of 93.6 % over the previous year due to increase in recurrent capitation from the Government and stringent policy on fees collection. During the same year, the University generated Kshs. 931,137,022 million as Appropriation in Aid which was used to fund purchase of equipment, support construction projects and other operations. The Government contributed a total of Kshs. 95 million to support capital projects and Kshs. 1.233 billion for recurrent expenditure.

The University has continued with its core business of teaching, training and research. The University had a student population of over 15,000 and is expected to increase in the next financial period. The staff population stood at 500 at the end of the year. The University implemented austerity measures with comprehensive cost management programmes recording an actual expenditure of Ksh 1.4 billion. This in turn helped the University finance all the budgeted activities without recourse to borrowing.

The net worth of the University grew by 18.7% from 4.2 billion to Ksh 5.03 billion in the same period. The current assets amounted to Ksh 1.38 billion whereas total current liabilities amounted to Ksh 247 million. This means that the University can be able to meet short term liabilities as and when they fall due. On behalf of Chuka University, I wish to take this opportunity to thank the Government and other stake holders for enabling us achieve these exemplary results.

### **Key Projects and Investments Decisions**

During the financial year 2017/2018 Construction of a Male hostel was still on-going. The University also began the construction of the Administration Block, Science Research Park

and Food Technology Tuition Complex. Other short term investment decisions included investment of cash in fixed deposit investments which generated an income of 54 million.

#### **Compliance with statutory requirements**

The university has complied with all the statutory rules and has not been penalised in any one instance. The University has ensured that all the taxes are paid at the right time and all the statutory deductions deducted from staff salaries are remitted to the relevant offices in good time.

#### **Major Risks**

Chuka University was not exposed to any major risk that can affect its operation.

**VIII) CORPORATE SOCIAL RESPONSIBILITY  
STATEMENT/SUSTAINABILITY REPORTING**

Chuka University is an acknowledged local leader on social responsibility issues. The goal of the university is to use knowledge and resources to make a positive and decisive difference to people, organisations and the community. The University has sphere headed Corporate Social Responsibility in the following areas.

**Environmental Conservation**

Chuka University has partnered with the local community in planting of trees in the surrounding Environment. The University also funded students and staff who conducted various research activities on environmental conservation through the faculty of Agriculture and Environmental studies, these facts have helped compact the climate changes in the surrounding environment.

**Promotion of Education**

The university offer bursaries and scholarships every year to the best performing students in each Faculty. The university also offer bursaries to staff dependants to support their education in other institutions of higher learning. Chuka University is also committed to growing its engagement with schools, colleges and charitable voluntary groups to promote higher education for the benefit of all, promoting equality of access and supporting diversity. During the financial year 2017/2018 Chuka university also supported the prize giving day for Tharaka Nithi County.

**Sports**

Despite hiring of qualified staff to coordinate sports activities in the university, Chuka University as continued sponsoring students to participate in games activities with other university and several trophies have been received from such competitions.

**Water and Sanitation Initiatives**

During the 2017/2018 FY the University engaged in supplying water at supplemented rate to the surrounding community for the benefit of our students and neighbours. Most of our students reside in houses built by the community members. During the financial year the university sold water totalling to kshs.804,582 at subsidised prices to the community during the dry spell of the year. The proceeds from the sale catered for repair and maintenance costs.

## VI. REPORT OF THE COUNCIL

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

### **Principal activities**

The principal activities of the University are to provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of citizens of Kenya.

### **Results**

The results of the entity for the year ended June 30, 2018 are set out on pages 25 to 30 for financial statements and pages 46 to 61 for the notes to the financial statements.

### **University Council**

The members of the Council who served during the year are shown on page 9 to 11 in accordance with the Universities Act, 2012.

### **Auditors**

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 38 & 39 of the Public Finance Management (PFM) Act, 2013, which empowers the Auditor General to carry out the audit of the University for the year ended June 30, 2018.

By Order of the University Council



**Prof. E.N. Njoka, Ph. D**

**VICE – CHANCELLOR/CEO**

## VII. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The council is 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.

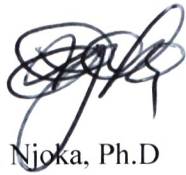
The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining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

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

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

**Approval of the financial statements**

The University's financial statements were approved by the Board on 27<sup>th</sup> September, 2018 and signed on its behalf by:



Prof. E.N. Njoka, Ph.D

**VICE –CHANCELLOR/CEO**



Dr. Julius Tangusi Rotich, Ph.D

**COUNCIL CHAIRMAN**

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Chuka University set out on pages 25 to 66 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Chuka University as at 30 June 2018 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, No 42 of 2012 of the Laws of Kenya.

#### Basis for Qualified Opinion

##### 1.0 Property, Plant and Equipment

##### 1.1 Ownership and Valuation of a Parcel of Land

As reported in the previous years, included in the property, plant and equipment balance of Kshs.3,643,723,615 as at 30 June 2018 is a parcel of land namely Karingani/Ndagani measuring 1.0 hectares valued at Kshs.8,500,000 (in 2016/2017 it was valued at Kshs.7,500,000). However, the respective title deed and revaluation report were not availed for audit verification.

In the circumstances, it has not been possible to confirm ownership status of the parcel of land and that the property, plant and equipment's balance of Kshs. 3,643,723,615 is fairly stated as at 30 June 2018.

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

## **1.2 Fully Depreciated Assets**

Note 31 to the financial statements reflected property, plant and equipment stated at a total cost price of Kshs.4,151,033,477 as at 30 June 2018. However, included in Kshs.4,151,033,477 were fully depreciated assets comprising of plant and equipment, furniture and fittings, computer hardware and software costing Kshs.42,148,634, Kshs.17,565,894, Kshs.31,471,334 and Kshs.13,749,639 respectively all totaling to Kshs.104,935,501. No explanation was availed as to why the fully depreciated assets had not been revalued or written off from the University's assets in line with International Public Sector Accounting Standard number 17 paragraph 44.

In the circumstances, the value of the depreciated assets stated at Kshs.4,151,033,477 as at 30 June 2018 could not be confirmed.

## **1.3 Net Book Value of Property, Plant and Equipment (PPE)**

Note 31 to the financial statements reflected property, plant and equipment with a net book value of Kshs.3,643,723,615 as at 30 June 2018. However, this balance did not include computer software with a net book value of Kshs.2,218,128. As a result, the Kshs.3,643,723,615 was understated by Kshs.2,218,128.

In the circumstances, the accuracy of the property, plant and equipment net book value of Kshs.3,643,723,615 as at 30 June 2018 could not be confirmed.

## **2.0 Irregular Expenditure**

Note 13 to the financial statements reflected Kshs.10,266,704 in respect to council expenses as at 30 June 2018 which included Kshs.1,534,493 incurred in the training of seven council members in Kenya School of Government (KSG) - Matuga for three (3) days - from 21 May to 23 May 2018. Included in the Kshs.1,534,493 was Kshs.39,600 paid the seven (7) council members being per diem for the three-days at Kshs.13,200 per day all totaling to Kshs.277,200. However, the training was full board catered for by the University and therefore the payment was irregular and not a proper charge to public funds.

In the circumstance, the value for money and the propriety of the Kshs.227,200 expenditure for the year ended 30 June 2018 could not be confirmed.

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

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in

the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## Other Matter

### Budget Performance

The statement of comparison of budget and actual amounts for the year under review reflected a revenue and expenditure budget of Kshs.2,326,228,755 respectively and an actual revenue and expenditure of Kshs.2,163,032,493 and Kshs.2,059,298,288 respectively as analyzed below;

	Approved Budget (Kshs.)	Actual (Kshs.)	Under/(over) Expenditure or Revenue	Rate (%)
<b>REVENUE</b>				
GOK Recurrent Capitation	985,800,000	1,233,932,369	(248,132,369)	25
GOK Capital Grants	328,900,000	95,799,971	233,100,029	29
Internally Generated Funds (A.I.A)	922,000,000	778,633,506	143,366,494	15
Interest from Investment	55,000,000	54,666,648	333,352	1
Savings from University	34,528,755	-	34,528,755	100
<b>Total</b>	<b>2,326,228,755</b>	<b>2,163,032,494</b>	<b>163,196,261</b>	<b>7</b>
<b>EXPENDITURE</b>				
Personnel Emoluments	932,000,000	931,023,791	976,209	0.1
Council Expenses	14,000,000	10,266,704	3,733,296	27
Teaching demonstration units	450,000	410,116	39,884	9
Repairs and Maintenance expenses	16,200,000	13,293,459	2,906,541	18
Academic expenses	175,776,155	163,976,512	11,799,643	7
Students and Alumni expenses	10,600,000	10,239,717	360,283	3
Staff Welfare & Development expenses	6,000,000	3,239,084	2,760,916	46
Finance costs expenses	1,400,000	1,341,709	58,291	4
Depreciation and Armotization	97,000,000	95,957,752	1,042,248	1
Audit fees	1,392,000	696,000	696,000	50
General Operating expenses	228,571,736	181,407,372	47,164,364	21
Provision for bad debts	67,500	36,493	31,007	46
Capital Structures	767,821,364	577,418,408	190,402,956	25
Purchase of plant & equipment	74,950,000	69,991,171	4,958,829	7
<b>Total</b>	<b>2,326,228,755</b>	<b>2,059,298,288</b>	<b>266,930,467</b>	<b>11</b>

From the analysis, Chuka University had a revenue shortfall of Kshs.163,196,261 or 7% of the budgeted revenue and an under expenditure of Kshs.266,930,467 or 11% of the budgeted expenditure for the year ended 30 June 2018. Further, the statement of financial performance reflected a total actual revenue of Kshs.2,165,257,681 while the statement of comparison of budget and actual amounts reflected a total actual revenue of Kshs.2,163,032,494 resulting to unexplained variance of Kshs.2,225,187.

In the circumstances, the under expenditure and revenue shortfall of Kshs.266,930,467 and Kshs.163,196,261 respectively could have affected the delivery of the services to the intended beneficiaries. Therefore, there is need for the University to relook at its budget making process with a view of focusing on areas of priority.

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the 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 Procurement of Sports Gear and Equipment

Note 31 to the financial statements reflected plant and equipment stated at a cost value/ book value of Kshs.148,371,883 which include Kshs.3,245,840 spent on procurement of sports gear and equipment. However, a review of the procurement process, revealed the following irregularities;

- i. The procurement plan showed that the procurement of sports gear and equipment was reserved for youth, women and persons with disabilities. However, the company which supplied the goods was not listed in the Access to Government Procurement Opportunity Listings maintained by the Public Procurement Oversight Authority. The firm could therefore not have been eligible to participate in the procurement.
- ii. The Local Purchase Order (LPO) was raised on 28/06/2017. This was contrary to the provision of regulation 51 (1) of Public Finance Management (National Government) Regulations, 2015 which prohibits commitment of funds after 31 May for any financial year.

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

## **2.0 Procurement of Legal Services**

Note 22 to the financial statements reflected Kshs.181,407,372 in respect to general operating expenses which included a total of Kshs.12,862,327 in respect to legal fees paid to three different private legal firms for provision of legal services to the University. However, the legal firms were procured and awarded the contract without the approval of the Attorney General contrary to Section 17(1) of the Office of the Attorney-General, Act 2012.

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

## **3.0 Short term Investment**

Note 24 to the financial statements reflected cash and cash equivalents balance of Kshs.1,296,496,584 as at 30 June 2018 which included Kshs.100,000,000 in respect to fixed deposit in Equity Bank. However, no documentary evidence/ authority for the investment was availed for audit verification. This was in contrary to University Act, 2012 Section 49(2) which stipulates that a public University may, subject to approval of the Treasury or any other authorized body place on deposit with such other bank or banks as the public University may determine, any monies not immediately required for the purposes of the University.

Further, in the previous financial year Kshs.500,000,000 was put into a short term investment as fixed deposit in the same bank.

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

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

## **REPORT ON 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, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective. The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

In preparing the financial statements, management is responsible for assessing the Chuka University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate Chuka 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 money is applied in an effective way.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

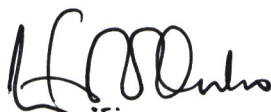
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 Chuka University's ability to continue offering 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 Chuka University to cease to continue offering services.

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

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

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



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

**Nairobi**

**15 February 2019**

**XI) STATEMENT OF FINANCIAL PERFORMANCE***Chuka University**Statement of financial performance**for the Year Ended June 30, 2018*

	Note	2017-2018 30th June 2018	2016-2017 30th June 2017
		Ksh	Ksh
<b>Revenue from non-exchange transactions</b>			
Exchequer Recurrent Grants	5	1,233,932,369	690,032,000
Other Revenue from Non-exchange transactions	7	<u>188,290</u>	244,008
<b>Sub-total</b>		<b>1,234,120,659</b>	<b>690,276,008</b>
<b>Revenue from exchange transactions</b>			
Tuition and Related Income	8	820,593,237	728,074,722
Income Generating Activities	9	21,358,620	14,762,330
Investment Income - Interest Income	10	54,666,648	27,644,795
Other Income	11	34,518,517	25,563,526
<b>Sub-total</b>		<b>931,137,022</b>	<b>796,045,373</b>
<b>Total Revenue (a)</b>		<b>2,165,257,681</b>	<b>1,486,321,381</b>
<b>Expenses</b>			
Employment expenses	12	931,023,791	675,729,511
Council expenses	13	10,266,704	9,318,759
Establishment expenses	14	410,116	-
Repairs and Maintenance expenses	15	13,293,459	15,785,434
Academic expenses	16	163,976,512	150,702,154
Students and Alumni expenses	17	10,239,717	7,730,526
Staff Welfare & Development expenses	18	3,239,084	4,996,800
Finance costs	19	1,341,709	644,380
Depreciation and Amortization	20	95,957,752	79,045,403
Audit Fees	21	696,000	660,000
General operating expenses	22	181,407,372	152,589,243
Increase/Decrease in Provision for Doubtful Debts	23	36,493	168,745
<b>Total Expenditure (b)</b>		<b>1,411,888,709</b>	<b>1,097,370,955</b>
<b>Surplus / Deficit (a-b)</b>		<b><u>753,368,972</u></b>	<b><u>388,950,426</u></b>



Prof. E.N. Njoka, Ph.D.  
**VICE –CHANCELLOR/CEO**



Dr. Julius Tangusi Rotich, Ph.D  
**COUNCIL CHAIRMAN**

VIII. STATEMENT OF FINANCIAL POSITION

*Chuka University*  
*Statement of Financial Position*  
*As at June 30, 2018*

	Note	30th June 2018 Ksh.	30th June 2017 Ksh.
<b>Assets</b>			
<b>Non- current Assets</b>			
Tangible assets -Property, Plant & Equipment	31	3,643,723,615	3,092,569,157
Intangible assets - Comp Software	32	1,975,899	2,218,128
Biological Assets	30	9,063,000	8,160,437
<b>Total</b>		<b>3,654,762,514</b>	<b>3,102,947,722</b>
<b>Current Assets</b>			
Cash & Cash equivalents	24	1,296,496,584	554,327,727
Short-Term investments	25	-	500,000,000
Receivables from exchange transactions	26	76,801,047	73,188,224
Inventory	27	8,043,912	11,511,964
<b>Total</b>		<b>1,381,341,543</b>	<b>1,139,027,915</b>
<b>Total Assets</b>		<b>5,036,104,057</b>	<b>4,241,975,637</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	28	198,657,119	196,157,565
Retention Work in Progress		48,994,060	130,287,278
<b>Total Liabilities</b>		<b>247,651,179</b>	<b>326,444,843</b>
<b>Equity Funds &amp; Reserves</b>			
Capital Funds		1,606,926,425	1,511,126,454
Accumulated Surplus		2,922,949,886	2,145,827,773
Revaluation Reserve PPE		258,576,567	258,576,567
<b>Total Equity &amp; Reserves</b>		<b>4,788,452,878</b>	<b>3,915,530,794</b>
<b>Total Equity &amp; Liabilities</b>		<b>5,036,104,057</b>	<b>4,241,975,637</b>

  
Prof. E.N. Njoka, Ph. D  
VICE –CHANCELLOR/CEO

  
Dr. Julius Tangusi Rotich, Ph. D  
COUNCIL CHAIRMAN

IX. STATEMENT OF CHANGES IN NET ASSETS

*Chuka university*

*Statement of Changes in Net Assets/Equity*

*for the Period ended June 30 , 2018*

	Note	Capital Fund	Revaluation		Total
			Reserves - PPE	Accumulated Surplus	
		Ksh	Ksh	Ksh	Ksh
<b>Balance as at 01/07/2016</b>		1,403,793,121	258,576,567	1,755,475,264	3,417,844,952
Surplus/Deficit for the year		-	-	388,950,426	388,950,426
Capital Grants	6	107,333,333	-	-	107,333,333
Gain on Insurance Compensation	33	-	-	1,402,083	1,402,083
<b>Balance as at 30/06/17</b>		<b>1,511,126,454</b>	<b>258,576,567</b>	<b>2,145,827,773</b>	<b>3,915,530,794</b>
Balance as at 01/07/2017		1,511,126,454	258,576,567	2,145,827,773	3,915,530,794
Adjustment for prior year retained earnings	34	-	-	23,753,141	23,753,141
Surplus/Deficit for the Year		-	-	753,368,972	753,368,972
Capital Grants	6	95,799,971	-	-	95,799,971
<b>Balance as at 30/06/2018</b>		<b>1,606,926,425</b>	<b>258,576,567</b>	<b>2,922,949,886</b>	<b>4,788,452,878</b>



Prof. E.N. Njoka, Ph. D  
VICE –CHANCELLOR/CEO



Dr. Julius Tangusi Rotich, Ph.D  
COUNCIL CHAIRMAN

IX) STATEMENT OF CASH FLOWS

*Chuka University*  
*Cash flow Statement*  
*for the period Ended June 30, 2018*

		2017/2018	2016/2017
	Note		
Surplus / (Deficit) from operations		753,368,972	388,950,426
<b>Adjustments for Non-cash items in the Income statement:</b>			
Depreciation and Amortization charge for the year	20	95,957,752	79,045,403
<b>Less: Non-operating income</b>			
Investment income received	10	(52,609,881)	(27,644,795)
		<b>796,716,843</b>	<b>440,351,034</b>
<b>Working Capital Adjustments</b>			
Increase/decrease in Receivables -Exchange transactions	26	15,305,752	(16,705,723)
Increase/Decrease in Inventory	27	3,468,052	(1,080,673)
Increase/Decrease in Payable from exchange transactions	28	(71,671,823)	62,783,293
<b>Net cash flows used in Operating activities (a)</b>		<b>743,818,824</b>	<b>485,347,931</b>
<b>Cash flows from investing activities</b>			
Investment Income received - Interest	10	52,609,881	27,644,795
Decrease/increase in Short-term Investments	25 30	500,000,000	(500,000,000)
Additions to Biological Assets		(902,563)	-
Acquisition Plant & Equipment	31	(18,146,033)	(19,990,813)
Acquisition Building	31	-	(61,017,730)
Acquisition of Furniture & fittings	31	(11,387,173)	(13,611,852)

Acquisition of Motor vehicles	31	(35,949,161)	-
Acquisition of Computer Hardware	31	(2,153,567)	(1,013,460)
Purchase of Library Books	31	(2,355,237)	(883,562)
Work in Progress paid	29	(577,418,408)	(220,597,734)
Computer software acquired	32	(1,747,677)	(1,452,166)
<b>Net cash flows used in Investing activities (b)</b>		<b>(97,449,938)</b>	<b>(790,922,522)</b>
<b>Cash flows from financing activities</b>			
Capital fund	6	95,799,971	107,333,333
<b>Net cash flows used in Financing activities (c)</b>		<b>95,799,971</b>	<b>107,333,333</b>
<b>Net increase/(decrease) in cash and cash</b>			
<b>equivalents(a+b+c)</b>		<b>742,168,857</b>	<b>(198,241,258)</b>
Cash and cash equivalents Bal b/f		554,327,727	752,568,985
<b>Cash and cash equivalents c/f</b>		<b>1,296,496,584</b>	<b>554,327,727</b>

## X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<b>Chuka University</b>					
<b>Statement of Comparison of Budget and Actual Amounts</b>					
<b>for the period ended June 30, 2018</b>					
	<b>BUDGETED</b>	<b>ACTUAL</b>	<b>Performance</b>		
	<b>AMOUNT</b>	<b>2017/2018</b>	<b>Difference</b>		
	<b>2017/2018</b>		<b>(Variance)</b>		
<b>INCOME</b>	<b>KES</b>	<b>KES</b>		<b>%</b>	<b>Note</b>
GOK Recurrent Capitation	985,800,000	1,233,932,369	248,132,369	125	Note (a)
GOK Capital Grants	328,900,000	95,799,971	(233,100,029)	29	
Internally Generated Funds	922,000,000	778,633,506	(143,366,494)	85	
Interest from Investment	55,000,000	54,666,648	(333,352)	99	
Savings from University	34,528,755	-	(34,528,755)	-	
<b>Total</b>	<b>2,326,228,755</b>	<b>2,163,032,494</b>	<b>(163,196,261)</b>	<b>93</b>	
<b>EXPENDITURE</b>					
Personnel Emoluments	932,000,000	931,023,791	976,209	99	
Transport Operating Expenses	5,900,000	5,418,858	481,142	92	
Travelling and Subsistence (General)	15,000,000	13,725,020	1,274,980	92	
Postage and Telephone Expenses	2,700,000	2,465,675	234,325	91	
Official Entertainment	1,000,000	974,572	25,428	97	
Council Expenses	14,000,000	10,266,704	3,733,296	73	Note (b)
Chancellor's expenses	500,000	159,000	341,000	32	Note (c)
Electricity Expenses	12,000,000	11,477,178	522,822	96	
Teaching Materials	5,000,000	4,689,496	310,504	94	
Newspapers, Library Journals	1,000,000	915,510	84,490	92	
Office Stationery	12,000,000	10,757,573	1,242,427	90	
Travelling and Subsistence (Part time lecturers)	35,000,000	31,900,763	3,099,237	91	
Advertisement & publicity	16,000,000	14,719,158	1,280,842	92	
Audit Fees	1,392,000	696,000	696,000	50	Note (d)
Bank Charges					

	1,400,000	1,341,709	58,291	96	
Provision bad debts	67,500	36,493	31,007	54	
Insurance-Property	2,000,000	1,815,286	184,714	91	
Repair of buildings	4,000,000	2,983,102	1,016,898	75	
Legal Charges	14,000,000	12,862,327	1,137,673	92	
Conferences/Seminars and Staff training	7,600,000	6,928,616	671,384	91	
Quality Assurance (CUE inspection fees)	16,000,000	14,221,000	1,779,000	89	
Staff Welfare Expenses	3,000,000	523,584	2,476,416	17	
Graduation Expenses	11,500,000	10,987,326	512,674	96	
Staff Education Fund	3,000,000	2,715,500	284,500	91	
Student Welfare Expenses	10,000,000	9,646,892	353,108	96	
Corporate social responsibility	1,500,000	1,466,218	33,782	98	
University committee expenses	5,000,000	2,307,056	2,692,944	46	Note (e)
Animal Production Materials (AI)	580,000	30,000	550,000	5	
Internet Expenses	19,000,000	17,202,042	1,797,958	91	
Part-time Lecturers Expenses	100,776,155	94,812,214	5,963,941	94	
Student work study expenses	600,000	592,825	7,175	99	
Exam supervision	3,500,000	3,357,030	142,970	96	
Hire of security services	12,500,000	11,626,343	873,657	93	
Hire of cleaning services	9,000,000	8,504,553	495,447	94	
Cleaning Materials	1,000,000	509,710	490,290	51	Note (f)
Water supply expenses	2,500,000	1,085,916	1,414,084	43	Note (g)
Honoraria	650,000	612,000	38,000	94	
Professional Services (Surveys & ISO)	3,000,000	2,825,892	174,108	94	
General Subscriptions	4,000,000	3,727,050	272,950	93	
Provision for depreciation	97,000,000	95,957,752	1,042,248	99	
External travelling	5,400,000	4,984,775	415,225	92	

Research Expenses	4,500,000	4,040,981	459,019	90	
Academic Trips	5,000,000	4,484,794	515,206	90	
Grounds maintenance	3,400,000	2,169,172	1,230,828	64	
Teaching Practice & Field attachment	10,500,000	9,703,908	796,092	92	
Repairs of plant of equipment	1,100,000	1,045,327	54,673	95	
Campuses' Expenses	7,450,000	5,735,262	1,714,738	77	
Purchase of staff Uniforms	500,000	447,556	52,444	90	
Repairs and Maintenance Furniture	1,300,000	1,202,000	98,000	92	
General Insurances	10,491,296	9,578,615	912,681	91	
Farm general expenses	1,850,000	1,700,205	149,795	92	
Property/Land rates	600,000	554,504	45,496	92	
KUCCPS Placement fees	6,000,000	4,681,000	1,319,000	78	Note (h)
Landscaping of University Grounds	3,700,000	3,321,746	378,254	90	
Tharaka campus expenses	26,950,000	2,786,739	24,163,261	10	
Printing & publishing	440	400	40	91	
Exhibitions and Local Shows	2,100,000	2,044,775	55,225	97	
Fuel, Oils Gas	500,000	475,000	25,000	95	
Teaching demonstration units	450,000	410,116	39,884	91	
Tagging of University assets	5,000,000	4,654,100	345,900	93	
Capital structures (Tharaka University College)	30,000,000	28,730,723	1,269,277	96	
Capital structures (Main)	737,821,364	548,687,685	189,133,679	74	
Purchase of plant and equipment	74,950,000	69,991,171	4,958,829	93	
	<b>2,326,228,755</b>	<b>2,059,298,288</b>	<b>266,930,467</b>	<b>90</b>	

## **Budget Notes**

### **1. Note (b) Council Expenses**

Council expenses cost relates to allowances paid to the University Council on official visits to the university and other official duties attended on behalf of the university. During year under review the political instability interrupted the activities since the university remained closed for several weeks to enable staff and students participate in the elections.

### **2. Note (c) Chancellor's expenses**

Chancellors' expenses cost relates to allowances paid to the University Chancellor on official visits to the university and other official duties attended on behalf of the university. During the year his term expired and the visits were few hence the value of the expense.

### **Note (d) Audit Fees**

The actual amount spent went below the budgeted value because the year's audit was concluded after the closure of the financial year after interruption by the political environment

### **Note (e) University committee expenses**

Due to the fact that the university activities were interrupted by the election period. Some of the committee's businesses was unfinished during the year hence a variance between the budget and the actual expenditure.

### **Note (f) Cleaning Materials**

Cleaning materials costs relate to expense paid for purchase of detergents and other accessories for maintaining hygiene within the university. During year under review the political instability interrupted the activities since the university remained closed for several weeks to enable staff and students participate in the elections hence the cost of such materials reduced substantially.

### **Note (g) Water supply expenses**

During year under review the political instability interrupted the normal business of the university and it remained closed for several weeks to enable staff and students participate in the elections hence the consumption of water reduced and its cost association.

### **Note (h) KUCCPS Placement fees**

This expense relates to payment to Kenya Universities and Colleges Central Placement Services for the students placed to Chuka University. The amount is based on the number of students accepting the

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Chuka University Financial Statements for the Year ended 30<sup>th</sup> June 2018

offer to study at Chuka university.it went below the budgeted amount since not all the students placed joined the university during the year.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Chuka University is a public university established in 2013, under the Universities Act No. 42 of 2012. The Public Financial Management Act 2012, and the Public Financial Management Regulations 2015, governs the financial management of Chuka University. The financial statements include only the operations of the University, which has no subsidiaries or interests in associates or jointly controlled entities.

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

Chuka University financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented. These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the PFM Act 2012, and PFM Regulation Act 2015.

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

### **3. ADOPTION OF NEW AND REVISED STANDARDS**

New and amended standards and interpretations in issue effective in the year ended 30 June, 2018 and 30 June 2018.

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b>	Applicable: 1 <sup>st</sup> January 2018
Employee Benefits	The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19.The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit

**Standard****Effective date and impact:**

scheme by doing away with the corridor approach.

**IPSAS 40: Public Sector Combinations**

**Applicable: 1<sup>st</sup> 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.

**i. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a) Revenue recognition**

Revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met.

**i) Revenue from non-exchange transactions****Penalties & fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from government grants**

Income from recurrent grants is accounted for during the period when it relates. Revenue from state grants is recognized as receivable only when there is sufficient evidence that the income was actually allocated and that the disbursement will be received at a later date. Otherwise, no such income is recognized as receivable in the financial statements.

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.

## **ii) Revenue from exchange transactions**

### **Rendering of services**

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

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

### **Interest income**

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

### **Rental income**

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

## **b) Budget information**

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

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

on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented on page 25 of these financial statements.

The amount estimated for recurrent government grants were Ksh. 985,800,000. During the year the University received a total of Kshs 1,233,932,369, this was higher than the budgeted amount. The difference of kshs 248,132,369 was due to the (2013-2017) Collective Bargaining Agreement entered into between the Government and the Universities Unions and was received during the year under review.

. Government capital grants were estimated at Ksh. 328,900,000. However, actual grants received during the year amounted to Ksh. 95,799,971 resulting to a deficit of Ksh233,100,029. Revenue from state grants is recognized as receivable only when there is sufficient evidence that the income was actually allocated and that the disbursement will be received at a later date. Otherwise, no such income is recognized as receivable in the financial statements.

Operations and maintenance expenses stood at Kshs 1,433,140,060 compared to an estimation of 1,497,252,415 resulting to a performance difference of Kshs 64,112,355 this difference was attributed to cost savings of operations.

### **c) Taxes**

#### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Income Tax Act 2012 provides a provision for the exemption of the income of certain entities upon satisfying the criterion that; it is established solely for purposes of the relief of poverty or distress of the public; or it is established for the advancement of religion or education. This is upon satisfying the commissioner that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya.

Chuka University is a public institution of higher learning, established under the Universities Act No. 42 of 2012. By the nature of its establishment and operations, Chuka University is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business. Therefore, no income taxes have been reported in the University's financial statements. Accordingly, no provision for income taxes is required.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment properties permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) 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 costs 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.

University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. The annual rates are:

Buildings	2.5%
Machinery and Equipment	20%
Furniture and Fittings	12.5%
Motor Vehicles	25%
Computer & Computer peripherals	30%
Library Books	20%

Assets are subjected to a full year's depreciation and amortization except those acquired within the last three months of the year.

A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those capital gains or losses are recognized in the statement of financial performance.

#### **f) Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on straight-line basis over the lease term.

#### **g) 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. Computer software is amortized on straight line basis at the rate of 30%.

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.

## **h) Financial instruments**

### ***i) Financial assets***

#### ***Initial recognition and measurement***

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

#### ***Loans and receivables***

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

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

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

#### ***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset or 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:

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

## ***ii) Financial liabilities***

### ***Initial recognition and measurement***

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

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

### ***Loans and borrowing***

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

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

## **i) 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:

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

## **j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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.

## **k) Provisions**

Provisions are recognized when the Entity 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. A provision of 1% of the total receivables has been provided to take care of receivables which may not be recovered in full.

## **l) Contingent assets and Contingent liabilities**

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

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

The University is a party to various legal actions and other claims in the ordinary course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

#### **m) Employee benefits**

##### **Retirement benefit plans**

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

*Defined benefit plans* are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

After University inherited the former Eastern Campus of Egerton University, the staff opted to remain in the Egerton University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 10% and 20% respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Ksh 200.00 per employee per month, while the employer contributes Ksh 200.00 per month.

##### **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**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**p) Related parties**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University operating and financial decisions or vice versa. The ultimate reporting entity is Chuka University. Related parties include Government of Kenya through the Ministry of Education, The Treasury, the University council and key management.

Decisions and policies made by the Government of Kenya may have a great influence in the operations. The government funding comprises the major proportion of university funding. During the year the university received Ksh. 1,233,932,369 and 95,799,971 as grants from Government recurrent and capital grants respectively as disclosed in notes 5 and 6 respectively. There was a deficit of Ksh. 233, 100,029 for the capital grants. Revenue from state grants is recognized as receivable only when there is sufficient evidence that the income was actually allocated and that the disbursement will be received at a later date. However, since there was no objective indication that the grants would be received, the said grants were not accrued during the year. Cuts in government funding can seriously impact university's spending in day to day operations and development projects.

The governing body of the University is the council. The council is responsible for all university resources and their decisions have vast impact in the university operations. During the year transactions relating to the council members include council expenses amounting to Ksh.10,266,704 spent towards sitting and lunch allowance, accommodation and mileage as shown in note 13. Disclosures relating to members of Council and Key management are set

out on pages 66 and 67. The University Top Management includes the Vice Chancellor and the Deputy Vice Chancellors. They are appointed on a five-year contract and earn monthly salaries.

**q) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash at 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. Cash and cash equivalents are shown in note 25.

**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.

**t) 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.

**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

State all judgements, estimates and assumptions made:

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24. 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. Chuka university management has provided for a provision for bad debts at the rate of 1% of the Receivables.

## OTHER NOTES TO THE FINANCIAL STATEMENTS

REVENUE FROM NON-EXCHANGE TRANSACTIONS	2017-2018	2016-2017
<b>Note 5: Exchequer Recurrent Grants</b>		<b>Ksh</b>
<b>Ministry of Education</b>		
July	229,504,334	57,502,667
Aug	82,150,150	57,502,667
Sept	82,150,148	57,502,666
October	82,150,150	57,502,666
November	82,150,150	57,502,666
December	122,538,342	57,502,666
January	88,881,516	57,502,666
February	88,881,516	57,502,666
March	87,214,847	57,502,666
April	90,548,183	57,502,666
May	88,881,516	57,502,666
June	88,881,515	57,502,673
Tharaka University college	20,000,002	-
<b>Total</b>	<b><u>1,233,932,369</u></b>	<b><u>690,032,000</u></b>
<b>Note 6: Exchequer Capital Grants</b>		
<b>Ministry of Education</b>		
1st Disbursement	92,548,971	36,833,333
2nd Disbursement	3,251,000	53,666,666
3rd Disbursement	-	16,833,334
<b>Total</b>	<b><u>95,799,971</u></b>	<b><u>107,333,333</u></b>
<b>Note 7: Other Revenue from Non-exchange transactions</b>		
Penalty for Lecturers' Claims	-	54,113
Fines for Student Damages	-	20,900

Surcharges & Fines	188,290	168,995
<b>Total</b>	<b>188,290</b>	<b>244,008</b>
<b>Total Revenue from non-exchange transactions</b>	<b><u>1,329,920,630</u></b>	<b><u>797,609,341</u></b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		
<b>Note 8: Tuition and Related Income</b>		
Income from Diploma & Certificates courses	148,740,564	74,899,744
Income from Government sponsored students	330,488,832	272,759,590
Income from Self Sponsored Undergraduate Students	369,940,963	387,405,666
Income from Bridging Courses	1,857,500	4,007,000
Income from Self Sponsored Postgraduate students	39,978,030	47,555,100
May intake 2017 apportionment	4,943,751	4,259,000
<b>Total Income Earned</b>	<b><u>895,949,640</u></b>	<b><u>790,886,100</u></b>
<b>Less: Non tuition income included in the income Earned</b>		
Caution money	(8,060,000)	(7,712,000)
Medical fees	(17,656,000)	(16,454,000)
Accommodation Charges	(4,994,000)	(4,816,500)
Application fees	(5,272,800)	-
Fines for Damages	(188,290)	(20,900)
Student Union	(5,081,700)	(4,115,000)
Alumni collections	(2,352,000)	(1,664,000)
<b>Less:</b>		
Tuition Fees prepaid	(88,116,444)	(86,326,346)
May intake tuition fees apportionment (July & August 2018 fees)	(7,098,750)	(4,943,751)
Tuition Fees refund	(1,431,200)	(189,500)
<b>Add:</b>	<b>(140,251,184)</b>	<b>(126,241,997)</b>
Tuition Fees receivable	64,894,781	63,430,619
<b>Total Tuition &amp; related income for the year</b>	<b><u>820,593,237</u></b>	<b><u>728,074,722</u></b>

<b>Note 9: Income Generating Activities</b>		
IGU Income Catering	3,050,982	220,183
IGU Income Medical	14,456,915	13,960,963
IGU Income Farm	171,781	581,184
Hillside Hotel	3,678,942	-
<b>Total</b>	<b><u>21,358,620</u></b>	<b><u>14,762,330</u></b>
<b>Note 10: Investments Income</b>		
Interest earned on Family Bank fixed deposits	7,302,548	15,048,493
Interest earned on Equity fixed deposits	36,712,319	4,562,055
Interest earned on Co-op fixed deposits	10,651,781	8,034,247
<b>Total</b>	<b><u>54,666,648</u></b>	<b><u>27,644,795</u></b>
<b>Note 11: Other miscellaneous income from exchange transactions</b>		
Wear and Tear	188,375	368,050
Hire of facilities	1,998,760	956,550
Disposal of miscellaneous items	84,670	71,480
Accommodation Charges	4,994,000	4,816,500
Application fees	5,272,800	-
Charges for A.I. Services	5,000	13,000
Sale of branded T-shirts	-	5,000
Conferences & Seminars	155,500	214,000
Library Subscription	1,200	-
General income	-	188,360
Research funds	8,089,018	535,566
Insurance compensation (staff)	-	150,000
Insurance compensation (motor vehicle)	-	4,000,000

Rental Income	12,924,612	14,095,020
Sale of Water	804,582	150,000
<b>Total</b>	<b><u>34,518,517</u></b>	<b><u>25,563,526</u></b>
<b>Note 12: Employment Expenses</b>		
<b>Personnel Emoluments:</b>		
July	204,240,295	51,212,866
August	68,417,051	51,345,110
September	61,855,450	52,653,781
October	61,487,746	53,561,310
November	63,238,517	54,660,381
December	63,429,469	54,014,287
January	67,980,127	60,085,084
February	63,455,863	54,848,439
March	63,169,291	54,879,173
April	62,717,043	54,817,059
May	62,895,846	55,590,109
June	62,750,123	55,436,888
<b>Total</b>	<b><u>905,636,821</u></b>	<b><u>653,104,487</u></b>
Casual Labour Expenses	7,394,686	6,843,929
Gratuity expense	12,112,090	11,904,539
Hospitalization & Medical Expenses	5,880,194	3,876,556
<b>Total employment expenses</b>	<b><u>931,023,791</u></b>	<b><u>675,729,511</u></b>
<b>Note 13: Council Expenses</b>		
Sitting Allowance, Lunch Accommodation & Mileage	10,266,704	9,318,759
<b>Total</b>	<b><u>10,266,704</u></b>	<b><u>9,318,759</u></b>
<b>Note 14 : Establishment Expenses</b>		
Electricity Upgrading expenses	-	-

Lath house		-
Teaching Demonstration and watering units	410,116	-
<b>Total</b>	<b>410,116</b>	<b>-</b>
<b>Note 15: Repairs and Maintenance Expenses</b>		
Vehicle repairs/transport operating expenses	5,418,858	4,846,325
Fuel & oils-generator	475,000	935,600
Grounds maintenance	2,169,172	842,020
Computer maintenance	-	417,760
Plant & equipment	1,045,327	2,450,859
Furniture	1,202,000	668,590
Buildings	2,983,102	5,624,280
<b>Total</b>	<b>13,293,459</b>	<b>15,785,434</b>
<b>Note 16: Academic Expenses</b>		
External Examiners expenses		-
Part- Time Lect. Expenses	94,812,214	82,147,429
Graduation Expenses	10,987,326	10,926,573
Teaching Practice & Field Attachment All.	9,703,908	13,074,387
Academic Field Trips	4,484,794	5,127,637
Teaching materials	4,689,496	2,681,159
Lab materials		179,200
Exam supervision	3,357,030	2,120,000
Travelling & Subsistence (part time lecturers)	31,900,763	28,705,700
Other Research Expenses	4,040,981	5,740,069
<b>Total Academic Expenses</b>	<b>163,976,512</b>	<b>150,702,154</b>
<b>Note 17: Students and Alumni expenses</b>		
Student Welfare Expenses	9,646,892	7,194,285

Student Work Study Expenses	592,825	509,431
Alumni Expenses	-	26,810
<b>Total</b>	<b><u>10,239,717</u></b>	<b><u>7,730,526</u></b>
<b>Note 18: Staff Welfare &amp; Development expenses</b>		
Staff Development -	-	38,000
Staff welfare expenses	523,584	102,000
Staff Education Fund-tuition waiver	2,715,500	4,856,800
<b>Total</b>	<b><u>3,239,084</u></b>	<b><u>4,996,800</u></b>
<b>Note 19: Finance Cost</b>		
Bank charges interest	1,341,709	644,380
<b>Total Finance Cost</b>	<b><u>1,341,709</u></b>	<b><u>644,380</u></b>
<b>Note 20: Depreciation and Amortization</b>		
Buildings	41,160,013	24,322,374
Plant & Equipment	19,498,225	26,043,410
Motor Vehicles	15,136,790	18,118,272
Furniture & Fittings	8,085,864	9,053,975
Computer Hardware	8,460,019	304,038
Library Books	1,880,319	252,708
Amortization of Computer Software	1,736,522	950,626
<b>Total Dep &amp; Amortization</b>	<b><u>95,957,752</u></b>	<b><u>79,045,403</u></b>
<b>Note 21: Audit fees</b>		
Audit Fees	696,000	660,000
<b>Total Audit fees</b>	<b><u>696,000</u></b>	<b><u>660,000</u></b>
<b>Note 22: General Operating Expenses</b>		
General Insurances	9,578,615	8,411,617
Property Insurances	1,815,286	2,259,077
Travelling & Subs. Staff	13,725,020	18,212,428

External travelling	4,984,775	11,644,392
University Committees' Expenses	2,307,056	1,986,098
Animal breeding Expenses	30,000	105,000
Postage & Telephone	2,465,675	3,407,335
Electricity Expenses	11,477,178	8,565,116
Honorarium	612,000	1,862,800
Water Supply and Sewerage Expenses	1,085,916	2,298,602
Staff Uniforms	447,556	-
Newspapers Journals & Videos	915,510	991,405
Printing & publishing	400	-
Office Stationery	10,757,573	9,705,959
Subscriptions to Nursing council	-	743,950
General Subscription	3,727,050	363,696
Campuses expenses	5,735,262	5,298,799
Professional Services- ISO	2,825,892	242,233
Hire of Security Services	11,626,343	9,922,722
Hire of Cleaning services	8,504,553	5,324,621
Internet Expenses	17,202,042	16,430,346
Legal Fees	12,862,327	3,809,207
Chancellor's expenses	159,000	434,538
Professional Services	-	25,500
Water Upgrading Expenses	-	53,300
Official Entertainment	974,572	527,721
Conferences & Seminars	6,928,616	8,545,237
Cleaning Materials	509,710	882,341
Corporate Social Responsibility	1,466,218	470,640

Quality Assurance fees -CUE Subscription	14,221,000	300,000
Farm general expenses	1,700,205	1,360,091
Advertisement & Publicity	14,719,158	17,558,451
Exhibitions and Local Shows	2,044,775	1,591,781
Property/Land rates	554,504	411,500
KUCCPS Placement fees	4,681,000	8,791,500
Landscaping of University Grounds	3,321,746	23,740
General property Acquisition expense	-	27,500
Tharaka University College Expenses	2,786,739	-
Tagging of University Assets	4,654,100	-
<b>Total</b>	<b><u>181,407,372</u></b>	<b><u>152,589,243</u></b>
<b>Note 23: Provisions for Doubtful Debts</b>		
Bal b/f 1st July 2016	739,275	570,530
Increase/Decrease during the year period	36,493	168,745
<b>Balance as at 30th June 2017</b>	<b><u>775,768</u></b>	<b><u>739,275</u></b>
<b>Note 24: Cash &amp; Cash Equivalents</b>		
KCB - Fees Collection A/C - 1103755439	151,646,688	12,458,469
KCB - Operations A/C 1113791985	66,146,010	33,439,016
Equity IGU a/c 0293981713	6,268,817	4,728,744
Equity - Catering Dept. A/C 0210298189098	5,122,692	2,177,389
Equity fees collection A/C 0210261453469	518,088,698	229,992,957
Equity Research Fund-KEPAP 0210262271525	228,956	937,881
Equity TOWA A/C 0210298770822	7,214,439	232,032
Cooperative Bank -Development A/C 01120058189900	10,761,859	9,891,944
Cooperative- Fees Collection A/C 01129058189900	94,672,304	190,271,710

Family Bank- Fees Collection A/C 054000002641	175,443,832	17,417,294
Barclays Bank A/C 2035727666	13,752,882	3,366,094
Standard Chartered Bank A/C 0102024755200	11,088,708	3,338,286
Equity Operations A/C 0210261453459	31,610,500	21,985,965
Equity Gratuity 0210263739640	31,702,398	16,055,418
Equity Retention 0210263739666	72,747,801	8,034,528
Equity Fixed deposit	100,000,000	-
<b>Total</b>	<b>1,296,496,584</b>	<b>554,327,727</b>
<b>Note 25: Short-Term Investments</b>		
Fixed Deposit Account K.C.B.	-	-
Fixed Deposit Account Cooperative Bank	-	-
Fixed Deposit Account Equity Bank	-	500,000,000
<b>Total</b>	<b>-</b>	<b>500,000,000</b>
<b>Note 26: Receivable from Exchange Transactions</b>		
Students Fees Receivable	64,894,781	63,430,619
IGU: Catering	383,755	196,897
Farm	-	542,938
Hill side hotel	51,640	-
Imprest Debtors	6,803,085	5,958,981
Rental Income receivable	2,886,787	2,592,448
Insurance Income receivable	500,000	500,000
<b>Total Receivables</b>	<b>75,520,048</b>	<b>73,221,883</b>
<b>Add:</b> Investment income receivable	2,056,767	705,616
<b>Total Receivables from exchange transactions</b>	<b>77,576,815</b>	<b>73,927,499</b>
Less: Impairment/Provision for Doubtful Debts	(775,768)	(739,275)
<b>Net Receivables from Exchange Transactions</b>	<b>76,801,047</b>	<b>73,188,224</b>

<b>Note 27: Inventory</b>		
Main Stores	6,866,247	10,482,420
Medical supplies	787,819	638,981
Farm supplies & consumables	33,300	50,350
Hill side Hotel Supplies and consumables	71,781	-
Catering supplies & consumables	284,765	340,213
<b>Total</b>	<b><u>8,043,912</u></b>	<b><u>11,511,964</u></b>
<b>Note 28: Payables / Accruals from exchange transactions</b>		
Accruals from General Creditors	12,059,509	6,994,982
Part-time Lecturers-wages & salaries accrued	20,985,934	37,405,179
Part-time Lecturers-travel cost accrued	11,316,836	12,675,750
Student Caution Money Payable	31,610,500	26,328,000
Audit Fees Payable	2,088,000	1,392,000
Staff Gratuity Payable	31,702,399	25,035,308
Prepaid Tuition income	65,140,200	86,326,346
	<b><u>174,903,378</u></b>	<b><u>196,157,565</u></b>
<b>Add</b>		
Retention for W.I.P payable	72,747,801	130,287,278
<b>Total</b>	<b><u>247,651,179</u></b>	<b><u>326,444,843</u></b>
<b>Note 29: Work in Progress as at 30th June 2017</b>		
Male hostel	162,763,354	140,181,378
Professional fees - Male hostel	22,471,364	32,443,870
Pavilion Extension		128,409
Perimeter Fence Phase III	640,402	3,612,220
Perimeter Fence Phase IV-Sec I	-	263,010
Perimeter Fence Phase IV-Sec II	-	615,268

Perimeter Fence Phase IV- Sec III	-	806,821
Science Complex -Remodeling	1,744,620	6,109,160
Renovation of Instruments Lab	312,851	634,556
Research Office at Kairini	-	952,685
Kairini Farm Master Plan	1,382,000	-
Reinforced Concrete Water Tank - Kairini	13,099,940	-
Kairini Dispensary	-	2,731,900
Students' Recreation Centre	10,278,916	-
Data cabling in Media School	2,056,900	873,632
Television and Radio Broadcasting studio	5,174,175	-
Professional fees Administration Block	53,566,629	-
Professional fees Science Research Park	24,355,580	-
Administration Block	117,613,378	-
Food Technology Block	25,709,042	-
Science Research Park	88,038,372	-
Perimeter Fence Phase IV- Sec IV	2,041,152	-
Office Partitioning	3,509,718	9,811,541
Construction of water tank Kairini	-	1,106,850
Cow Demonstration Units	-	923,974
Tharaka University College	28,730,723	-
Installation of Lifts	13,929,292	4,725,720
<b>Total</b>	<b>577,418,408</b>	<b>205,920,994</b>

**Note 30: Biological assets**

Item	Unit	Qty	Cost/unit	2017/2018	Qty	Cost/unit	2016/2017
<b>Crops:</b>							<b>Ksh</b>
Maize	Plots	-	-	-	35	2,500	87,500

Coffee	Tree	500	55	27,500	531	55	29,207
Bananas	Sucker	200	250	50,000	101	250	25,250
Trees	plants	3,100	100	310,000	3,100	100	310,000
Cow peas	Plots	12	4,000	48,000	12	4,000	48,000
Green grams	Plots	13	8,000	104,000	15	8,000	120,000
Napier grass	Pick ups	40	3,000	120,000	15	3,000	45,000
Boma Rhodes	Tons	40	6,000	240,000	3	6,000	18,000
Beans	plots	-	-				
<b>Vegetables:</b>							
Arrow Roots	Plots	-			7	220,000	1,540,000
Spinach	Plots	1	2,000	2,000	2	30,000	60,000
Tomatoes	Plots	2	1,000	2,000	2	230,000	460,000
Kale	Plots	2	1,000	2,000	-	-	-
<b>LIVESTOCK</b>							
Exotics Cattle:							
Cows (Exotic)	Number	13	220,000	2,860,000	2	60,000	120,000
Calves	Number	3	30,000	90,000	-	-	-
Pedigree Heifers	Number	1	230,000	230,000	-	-	-
Cow in Milk	Number	5	70,000	350,000	-	-	-
Mature cow	Number	5	70,000	350,000			
Steer	Number	1	80,000	80,000	10	40,000	400,000
Bull	Number	1	60,000	60,000	59	55,000	3,245,000
Young Heifer	Number	3	40,000	120,000	6	15,000	90,000
Young Bull	Number	2	30,000	60,000	4	20,000	80,000
Calf -Heifer	Number	1	70,000	70,000			
Indigenous Cattle:							
Males	Number	4	60,000	240,000	2	30,000	60,000
Females	Number	35	55,000	1,925,000	11	6,000	66,000
Calves	Number	3	30,000	90,000	9	1,000	9,000
<b>PIGS:</b>							
Boars	Number	1	30,000	30,000	57	4,000	228,000
Sows	Number	4	30,000	120,000	156	4,000	624,000
Wearers	Number	13	3,500	45,500	22	1,000	22,000
Piglets	Number	9	3,000	27,000	25	1,000	25,000
<b>GOATS:</b>							
Males	Number	5	5,000	25,000	2	4,000	8,000
Females	Number	112	5,000	560,000	1	2,000	2,000
Young goats - Males	Number	120	3,000	360,000	2	1,000	2,000

-Females	Number	15	1,000	15,000	1	1,500	1,500
Sheep:					2	1,000	1,980
Sheep	Number	4	3,000	12,000			
Lambs	Number	3	1,000	3,000	11	3,000	33,000
Llama:					-	-	-
<b>Llama -Males</b>	Number	1	100,000	100,000			100,000
-Females	Number	2	100,000	200,000	-	-	200,000
-Creoles	Number	3	45,000	135,000	1	100,000	70,000
Total				<b>9,063,000</b>			<b>8,160,437</b>

<b>Note 31: PPE Schedule (Kshs)</b>										
Particulars	Land	Buildings	Plant & Equipment	Motor Vehicle	Furniture & Fittings	Comp Hardware	Comp Software	Library Books	Work In Progress	Totals
<b>Cost/Value 2016/2017</b>										
Cost/Value as at 1.7.16	220,950,000	972,894,953	110,235,037	72,473,088	61,829,468	72,865,671	1,716,588	21,911,274	1,676,783,578	3,211,659,657
Additions	-	61,017,730	19,990,813	-	13,611,852	1,013,460	1,452,166	883,562	219,781,690	317,751,273
W.I.P Capitalized	-	531,990,408	-	-	-	-	-	-	-531,990,408	-
<b>Cost At 30th June 2017</b>	<b>220,950,000</b>	<b>1,565,903,091</b>	<b>130,225,850</b>	<b>72,473,088</b>	<b>75,441,320</b>	<b>73,879,131</b>	<b>3,168,754</b>	<b>22,794,836</b>	<b>1,364,574,860</b>	<b>3,529,410,930</b>
<b>Depreciation and impairment</b>										
Acc. Depreciation At July 1 2016	-	108,116,888	96,988,270	25,708,689	32,205,578	72,865,671	-	21,911,274	-	357,796,370
Depreciation charge for the year	-	24,322,374	26,043,410	18,118,272	9,053,975	304,038	950,626	252,708	-	79,045,403
<b>Depreciation as at 30 June 2017</b>	<b>-</b>	<b>132,439,262</b>	<b>123,031,680</b>	<b>43,826,961</b>	<b>41,259,553</b>	<b>73,169,709</b>	<b>950,626</b>	<b>22,163,982</b>	<b>-</b>	<b>436,841,773</b>
<b>Net Book Value as at 30th June 2017</b>	<b>220,950,000</b>	<b>1,433,463,829</b>	<b>7,194,170</b>	<b>28,646,127</b>	<b>34,181,767</b>	<b>709,422</b>	<b>2,218,128</b>	<b>630,854</b>	<b>1,364,574,860</b>	<b>3,092,569,157</b>
<b>Net Book Value as at 30th June 2016</b>	<b>220,950,000</b>	<b>864,778,065</b>	<b>13,246,767</b>	<b>46,764,399</b>	<b>29,623,890</b>	<b>-</b>	<b>-</b>	<b>964,538</b>	<b>1,676,783,578</b>	<b>2,853,111,237</b>
<b>Cost/Value 2017/2018</b>										
Cost/Value as at 1.7.17	220,950,000	1,565,903,091	130,225,850	72,473,088	75,441,320	73,879,131	-	22,794,836	1,364,574,860	3,526,242,176
Additions	-	18,146,033	-	35,949,161	11,387,173	2,153,567	-	2,355,237	548,687,685	618,678,856
W.I.P Capitalized	-	100,647,592	-	-	-	-	-	-	(100,647,592)	-
W.I.P Tharaka University College	-	-	-	-	-	-	-	-	28,730,723	28,730,723
Adjustment	-	(20,400,150)	-	-	-	-	(2,218,128)	-	-	(22,618,278)
<b>Cost At 30th June 2018</b>	<b>220,950,000</b>	<b>1,646,150,533</b>	<b>148,371,883</b>	<b>108,422,249</b>	<b>86,828,493</b>	<b>76,032,698</b>	<b>(2,218,128)</b>	<b>25,150,073</b>	<b>1,841,345,676</b>	<b>4,151,033,477</b>
<b>Depreciation and impairment</b>										
Acc. Depreciation At 1 July 2017	-	132,439,262	123,031,680	43,826,961	41,259,553	73,169,709	950,626	22,163,982	-	436,841,773
Adjustment accum. Depr prior year	-	19,046,118	(29,574,474)	4,071,127	(2,764,090)	(9,975,407)	(950,626)	(3,605,789)	-	(23,753,141)
Depreciation charge for the year	-	41,160,013	19,498,225	15,136,790	8,085,864	8,460,019	-	1,880,319	-	94,221,230
<b>Depreciation as at 30 June 2018</b>	<b>-</b>	<b>192,645,393</b>	<b>112,955,431</b>	<b>63,034,878</b>	<b>46,581,327</b>	<b>71,654,321</b>	<b>-</b>	<b>20,438,512</b>	<b>-</b>	<b>507,309,862</b>
<b>Net Book Value as at 30th June 2018</b>	<b>220,950,000</b>	<b>1,453,505,140</b>	<b>35,416,452</b>	<b>45,387,371</b>	<b>40,247,166</b>	<b>4,378,377</b>	<b>(2,218,128)</b>	<b>4,711,561</b>	<b>1,841,345,676</b>	<b>3,643,723,615</b>
<b>Net Book Value as at 30th June 2017</b>	<b>220,950,000</b>	<b>1,433,463,829</b>	<b>7,194,170</b>	<b>28,646,127</b>	<b>34,181,767</b>	<b>709,422</b>	<b>2,218,128</b>	<b>630,854</b>	<b>1,364,574,860</b>	<b>3,092,569,157</b>

<b>Note 32: Computer Software Schedule for 2017/18</b>	
<b>Cost/Value</b>	<b>Ksh.</b>
<b>Year 2016/2017</b>	
Cost/Value at 1/7/2016	1,716,588
Additions/adjustments	1,452,166
<b>Cost/Value at 30/06/2016</b>	<b><u>3,168,754</u></b>
<b>Year 2016/2017</b>	
Accumulated Amortization 1/07/2016	Nil
Amortization Charge for the Period	950,626
Accumulated Amortization 30/06/2017	<b>950,626</b>
<b>Carrying amount as at 30 June 2017</b>	<b>2,218,128</b>
<b>Carrying amount as at 30 June 2016</b>	<b>1,716,588</b>
<b>Year 2017/2018</b>	
Cost/Value at 1/7/2017	3,168,754
Additions/adjustments	1,747,677
Previous years Adjustments	13,749,639
<b>Cost/Value at 30/06/2018</b>	<b><u>18,666,070</u></b>
<b>Year 2017/2018</b>	
Accumulated Amortization 1/07/2017	950,626
Amortization Charge for the Period	1,736,522
Previous years Depreciation Adjustments	14,003,023
Accumulated Amortization 30/06/2018	<b>16,690,171</b>
<b>Carrying amount as at 30 June 2018</b>	<b>1,975,899</b>
<b>Carrying amount as at 30 June 2017</b>	<b>2,218,128</b>

## **Prior Year Adjustments**

### **Note 33: Adjustment of 20,400,150**

The correct amount for adjustment is kshs. 20, 400,150 which was erroneously indicated as 20,150,150. (see attached). The property rate amounting to kshs. 20,400,150 was to be capitalized under Nairobi Elimu Plaza but was erroneously capitalized to Chuka University Hill Side hotel. An adjustment of similar amount was made to correct overstatement in the 2017/2018 Financial Statements. The error was adjusted as follows.

Dr: Elimu Plaza account Kshs. 20,400,150

Cr: Buildings account Kshs. 20,400,150

### **Note 33: Adjustment for accumulated depreciation**

The overstatement/understatement of depreciation affected both the retained earnings and the accumulated depreciation. The following adjustments were made to collect the error.

Dr: Retained earnings Kshs. 23,753,141

Cr: Accumulated depreciation Kshs. 23,753,141

## **Financial Risk Management**

Chuka University has a financial risk management policy in place. The primary objective of this Policy is to maximize revenue, promote safety and liquidity as well as minimize potential adverse effects of financial risks on the university resources available to fund its activities.

In addition, the university has established an Audit Governance and risk management committee which meets once in every quarter, to review the risk status and internal controls of the university processes. The risk management processes continue to identify and manage the major financial risks to the University.

The university is exposed to Financial Risks classified as Credit risk, Liquidity risk and Market risk as follows:

### **h) Credit risk**

This is the possibility that third parties may not pay amounts due to the university;

The university operates imprest system of financing some of its activities. The management gives guidelines that establish the imprest authorization procedures and limits the amount of imprest that can be given to any staff, and includes minimum credit quality requirements.

The university investment guidelines require that the university to bank and place investment with high credit rated and financial institutions such as listed commercial banks. The cash and

cash equivalents are distributed among leading commercial banks with huge asset base to diversify credit risk. Approved investments are limited to fixed income of Government instruments and of the high credit rating commercial banks. As at year end, there were no university investments held by any financial institution or the Government. The University had cash balances held on deposit with a major financial institution as indicated below:

For government and other grants, the financial regulations of university require that expenses be incurred after receipt of funds or when there is sufficient assurance that the funds have been disbursed, thereby significantly reducing the credit risk relating to grants receivable.

For Tuition income, students will not be allowed to attend classes or undertake any academic program without clearing the fees balances and getting authorization documents from the student finance section.

In addition, a large portion of the receivables is due from governments and tuition income which do not have significant credit risk. The university evaluates for impairment of receivables with respect to bad and doubtful debts at each reporting date. Impairment arises when there is adequate evidence that university will not collect the full amount due. As at year end, the university had no impaired receivables, however, it is a university tradition to make a provision for doubtful debts.

### **iii) Liquidity risk**

This is the possibility that the university might not have adequate funds to meet its obligations as they fall due. The University does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. In addition, the University's investment policy ensures that its investments are held primarily in liquid short-term deposits.

Before investments are made, an evaluation of liquidity requirements is carried out to determine the immediate cash needs. University Investments are made with due consideration to the cash requirements of for operating cash flow purposes. The investment approach of the university includes different investment maturity periods that consider the timing of future cash flow funding needs of the organization. The largest portion of the university investments is in short-term deposits and most of its current assets are held as cash and cash equivalents with a maturity of three months or less.

**iv) Market risk**

Market risk is the possibility that the institution might incur financial losses owing to unfavourable changes in interest rates, foreign currency exchange rates and/or prices of investment assets. The University does a market survey of various products before a budget is made to caution against market risk.

**v) Interest rate risk**

The university is to a limited extent exposed to the risk of falling interest rates, since only small per cent of its activities is financed from revenue derived from interest income. However, this risk is reducing by investing in fixed deposits which interest is negotiated prior to investing and is constant throughout the investment period.

In addition, the university places its investments with the qualifying commercial banks that quote the highest interest rate over a given period. Significant portion of the investment portfolio of the university was in relatively short maturity periods and with minimal market fluctuations at the end of the financial year, all investments had matured. As a result, changes in interest rates do not have an impact on the carrying amounts of the assets.

**vi) Foreign exchange risk**

The currency exposure to the university transactions is mitigated as receipts and payment are made in local currency. The University receives revenue from fees, grants and other sources and incurs expenses in functional currency and not any other currencies. All the assets of the University were denominated in Kenya shillings. Therefore, for the year ended June 2016, Currency exposure has minimal impact on financial status of the university.

**RELATED PARTY BALANCES**

**a) Nature of related party relationships**

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

The entity is related to

**i) The National Government;**

Chuka University gets funding from the national government through the national treasury of Kenya. The funding is separated in to two: Recurrent grant and capital grant which is used to finance part of the university budget.

**ii) The Principal Secretary, Ministry of Education;**

Chuka University is an independent public entity established through a charter as per the Universities Act, 2012. It is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University

**iii) The University management;**

The University management is mandated to make the day to day decisions on behalf of the University. They have a significant influence over the operating and financial decision.

**iv) The Council Members;**

As the governing body of the University, the Council, have a responsibility of maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012. The Council is also the executive governing body responsible for the academic policy and strategic direction of the University, including its external relations, and for the Administration of the University. The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

**v) The University Senate;**

This is the academic authority of the University. It is composed of the Vice - chancellor, Deputy vice chancellors, Deans, Directors Heads and Chairmen of the academic Departments, two students representatives Finance Officer and Faculty representatives. Its role is to discuss and approve student results as well as students' discipline. The Senate is chaired by the Vice - Chancellor.

**b) Related party transactions**

	<b>2017/2018</b>	<b>2016/2017</b>
Transfers from related parties'		
Recurrent	1,233,932,369	690,032,000

Capital	95,799,971	107,333,333
Transfers to related parties	-	-
<b>Totals</b>	<b><u>1,329,732,340</u></b>	<b><u>797,365,333</u></b>

**c) Key management remuneration**

	<b>2017/2018</b>	<b>2016/2017</b>
University Council	10,266,704	9,318,759
Key management compensation	27,981,096	-
<b>Totals</b>	<b><u>38,247,800</u></b>	<b><u>9,318,759</u></b>

**1. Events after the reporting period**

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

**2. Ultimate and Holding Entity**

The entity is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**3. Currency**

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