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THE AUDITOR-GENERAL

ON

SOUTH EASTERN KENYA UNIVERSITY

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



OFFICE OF THE AUDITOR GENERAL
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SOUTH EASTERN KENYA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

November, 2019

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

ACRONYMS

SEKU:	South Eastern Kenya University
JKUAT:	Jomo Kenyatta University of Agriculture and Technology
NBK:	National Bank of Kenya
BBK:	Barclays Bank of Kenya
KCB:	Kenya Commercial Bank
IGU:	Income Generating Units
CO-OP:	Co-operative Bank of Kenya
ASDSP:	Agricultural Sector Development Support Programme
ICRAF:	International Centre for Research in Agroforestry
IGADINWRM:	Intergovernmental Authority for Development Inland Water Resources Management Programme
TARC:	Trans disciplinary Applied Research Centre
GCFSI:	Global Centre for Food Systems Innovations
NACOSTI:	National Commission for Science Technology and Innovation
IPSASB:	International Public Sector Accounting Standards Board
A/C:	Account



SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

South Eastern Kenya University was established on 1st March, 2013 as a successor to South Eastern University College (SEUCO), which was established on 15th July, 2008 as a successor to Ukamba Agricultural Institute (UKAI).

At Cabinet level, the University is represented by the Cabinet Secretary for Education, Science and Technology, who is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The mandate of the University is teaching and learning, research and innovation, outreach and community service. To guide carrying out these activities, the University has developed clear vision and mission statements.

The Vision of the University is to be a globally competitive center of excellence in teaching, research and innovation for purposes of transforming human lives.

The Mission is to provide quality and transformative education through teaching, learning, research, extension, innovation and entrepreneurship with emphasis on dry land agriculture, natural resources and environmental management.

In order to achieve the vision and mission, the University is guided by the following core values:

- (i) **Professionalism:** In all actions and interactions, we maintain ethical behaviour, courtesy and professional etiquette.
- (ii) **Innovation:** Innovativeness is the hallmark of our business activities through fostering pro-activeness, creativity, and adaptability to change.
- (iii) **Integrity:** Transactions are done in honest, transparent and accountable ways.
- (iv) **Freedom of thought:** We promote and defend academic freedom.
- (v) **Teamwork:** We maintain a sense of unity and of common interests and responsibilities.
- (vi) **Respect for and conservation of the environment:** We strive to respect and protect the natural and working environment.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

(c) Key Management

The management of the University is undertaken by the following organs:

- (a) The University Council
- (b) The Senate
- (c) The South Eastern Kenya University Management Board

(d) Fiduciary Management

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

No	Designation	Name
1.	Vice Chancellor	Prof. Geoffrey M. Muluvi, Ph.D
2.	Deputy Vice Chancellor (Finance, Planning and Development)	Prof. Reuben M. Muasya, Ph.D
3.	Deputy Vice Chancellor (Academic, Research and Students Affairs)	Prof. Zipporah Ng'ang'a, Ph.D
4.	Deputy Vice Chancellor (Administration and Human Resources)	Prof. Francis N. Wachira, Ph.D
5.	Registrar (Administration and Human Resources)	Prof. Mary Mburu, Ph.D
6.	Registrar (Academic and Students Affairs)	Dr. John F. Koga, Ph.D
7.	Registrar (Resources Mobilization)	Dr. Samuel Mutukaa, Ph.D
8.	Ag. Finance Officer	CPA. Hosea Kiprop

(e) Fiduciary Oversight Arrangements

- (i) Finance and General Purpose Committee
- (ii) Building and Physical Development Committee
- (iii) Staff Terms and Conditions of Service Committee
- (iv) Audit Committee
- (v) Appeals Committee
- (vi) Appointments Committee
- (vii) Graduation and Sealing Committee

(f) Headquarters

South Eastern Kenya University
Main Campus
P.O. Box 170 – 90200
Kitui, Kenya

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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2019**

(g) Contacts

Telephone: 0748605996/0748605997

E-mail: info@seku.ac.ke

Website: www.seku.ac.ke

(h) Bankers

1. National Bank of Kenya Ltd.(SEKU Branch)
P.O Box 1656-90200
KITUI
2. Equity Bank of Kenya Ltd.(Kitui Branch)
P.O Box 1453-90200
KITUI
3. The Co-operative Bank of Kenya Ltd.(Kitui Branch)
P.O Box 1432-90200
KITUI
4. Barclays Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1206-90200
KITUI
5. Kenya Commercial Bank Ltd. (Kitui Branch)
P.O Box 683-90200
KITUI

(i) Independent Auditors

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

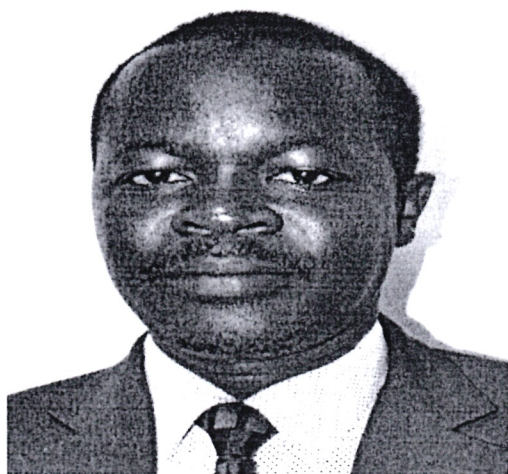
(j) Principal Legal Adviser on land matters

Mutula Kilonzo & Co. Advocates
P.O. Box 59839-00200 City Square
Nairobi, Kenya

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2019**

II. THE UNIVERSITY COUNCIL

 <p>1. Dr. Swabah Omar (Chairman of the Council)</p>	<p><i>Date of Birth:</i> 13th September 1966</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2002: London School of Hygiene & Tropic Medicine, Phd ii) 1995: University of Nairobi, M.Sc Biochemistry iii) 1990: University of Nairobi, B.Sc. Chemistry, Zoology <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2013-2015: County Executive Member (CEC incharge of Health- Kilifi County. ii) 2011-2013: Director of Centre for Geographics in KEMRI- Kilifi County iii) 2009-2013: Principal Research Officer /Head of Malaria Research Lab in KEMRI. iv) 2002-2009: Senior Research Officer in KEMRI
 <p>2. Dr. Tabby Mungai (Member Representing State Department for University Education and Research)</p>	<p><i>Date of Birth:</i> 20th January 1971</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2008 Kenya Institute of Management, Diploma in Project Management. ii) 2007 Kenyatta University, Master of Arts in Education Administration. iii) 1994 Moi University, Bachelor of Education <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2018 County Director of Education, Kitui County. ii) 2009-2018: Sub County Director of Education Kangema and Mwala Sub Counties. iii) 2008-2009: District Examination Officer, Nyeri South. iv) 7th June, 2018 to present: South Eastern Kenya University Council Membership



3. Dr. Kennedy Okong'o, Ph.D
(Member)

Date of Birth:

Date of Birth
16th April 1982

Key Qualifications:

- i) 2016: University of Cape Town, South Africa, Doctor of Philosophy degree in Information Systems.
- ii) 2014: University of Nairobi, MBA (Finance).
- iii) 2011: Jomo Kenyatta University of Agriculture and Technology, MSc. ICT Policy.
- iv) 2006: Jomo Kenyatta University of Agriculture and Technology, BSc.Eng.

Work Experience:

- i) 2017 to date: ICT4D Policy Expert-GSMA-DFID Partnership for Digital Economy.
- ii) 2014-2019: Boards/Council-CCK, Kakamega Revenue Agency & University of Embu.
- iii) 2006-2017: ICT Policy & Projects - Celtel, Orange, Rightel, Asiacell, United Nations.
- iv) 1st August, 2017 to date: South Eastern Kenya University Council.



4. Mr. Martin F. Kinoti
(Member)

Date of Birth:

14th December, 1963

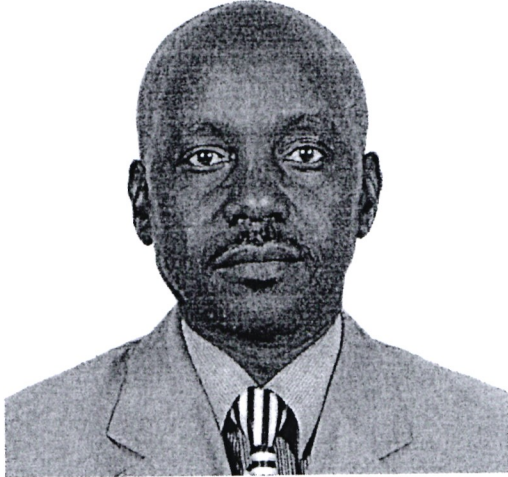

Key Qualifications:

- i) 1995 University of Nairobi, Master of Science degree in Applied Nutrition
- ii) 1990 Egerton University Bachelor of Science in Animal Production, Upper Second Class Honours.

Work Experience:

- i) 2006 to present: Managing Director, Nutrimix Limited
- ii) 1995-2006: Unga Farm Care East Africa ltd
- iii) 1990-1993: District Animal Production Officer/Extension Co-ordinator, Ministry of Livestock Development, Kitui
- iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership

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2019**

 <p>5. Dr. Indeje Wanyama (Member Representing National Treasury and Planning)</p>	<p><i>Date of Birth:</i> 10th July 1969</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2011 Shanghai University of Finance and Economics, Doctor of Philosophy – Management Science. ii) 2002 Addis Ababa University, MSc – Economic Policy Analysis iii) 1992 Bachelor of Arts Economics <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 2017 to date: Deputy Director- Financial and Sector Affairs Department, Ministry of Finance / Treasury (ii) 2015-2017: Deputy Chief Finance Officer / Senior Director of Budget; State Department for Livestock. (iii) 2009-2015: Assistant Director of Budget – Budget Supply Management; Ministry of Finance/ Treasury. (iv) 2004-2009 Senior Finance Officer, Ministry of Finance – Budget Supply Management (v) Currently a member of South Eastern Kenya University Council.
 <p>5. Mr. Luthers Mose Mokuia (Member)</p>	<p><i>Date of Birth:</i> 22nd May 1981</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2013 University of Nairobi, Master of Business Administration, Strategic Management. ii) 2005 University of Nairobi, Bachelor of Commerce Degree Finance option <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2018 to present: Corporate Relationship Manager NIC Bank of Kenya PLC. ii) 2012-2017: Corporate Sales Assistant Barclays Bank of Kenya iii) 2016 to present: C.E.O Wazito football club iv) 2007-2008: Bank Officer K-Rep Bank Ltd v) 1st August, 2017 to date: South Eastern Kenya University Council Membership

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6. Mrs. Anna N. Mwaure
(Member)

Date of Birth:

14th April 1959

Key Qualifications:

- i) 2005 Daystar University, Master of Arts in Communication
- ii) 1983 University of Nairobi, Diploma in Legal Education
- iii) 1981 University of Nairobi, Bachelor of Laws degree (LLB) Hons.

Work Experience:

- i) 1987 to present: Managing Partner, Mwaure & Mwaure Waihiga Advocates.
- ii) 1986-1987: Magistrate, Nairobi Law Courts.
- iii) 1983-1986: Magistrate, Makadara Law Courts.
- iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership



7. Ms. Lydia Mwikali Kaleli
(Member)

Date of Birth

19th July 1979

Key Qualifications:

- i) 2016 Uganda Christian University, Master of Public Health Leadership. 2004 Kenyatta University, Bachelor of Education.
- ii) 2014 Kenya Institute of Management Higher Diploma in Human Resource Management

Work Experience:

- i) 2011-To present: Human Resource Officer, Bible Translation and Literacy E.A.
- ii) 2015-2011: Teacher NPC Senior School.
- iii) 1st August, 2017 to present: South Eastern Kenya University Council Membership

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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2019



8. Prof. Geoffrey M. Muluvi, Ph.D
(Vice Chancellor and Secretary to the
Council)

Date of Birth:

6th June, 1963



Key Qualifications:

- i) 2012 Eastern and Southern Africa Management Institute, Arusha Tanzania. Master of Business Administration.
- ii) 1998 University of Dundee, U.K. Doctor of Philosophy (Plant Molecular Genetics), Department of Biological Sciences,
- iii) 1988 Moi University, Eldoret. Bachelor of Science, Second Class Honors (Upper Division),

Work Experience:

- (i) 20th May, 2013- to present: Vice Chancellor, South Eastern Kenya University.
- (ii) 1st March, 2013 up to 19th May 2013: Ag. Vice-Chancellor South Eastern Kenya University.
- (iii) 15th March 2010 to 29th February 2013: Principal South Eastern University College (SEUCO) a Constituent College of the University of Nairobi.
- (iv) 2007-2010 Deputy Vice Chancellor, Kenyatta University.

III. MANAGEMENT TEAM

<p>1. Prof. Geoffrey M. Muluvi (Vice Chancellor)</p>	<p>Refer to page (11)</p>
<div style="text-align: center;">  </div> <p>2. Prof. Reuben M. Muasya, Ph.D Deputy Vice Chancellor (Finance, Planning and Development)</p>	<p><i>Date of Birth</i> 12th September 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2001 Wageningen Agricultural University, Netherlands. Doctor of Philosophy (ii) 1996 Moi University, Eldoret. Master of Philosophy, (iii) 1992 University of Eastern Africa Baraton, Bachelor of Science in Agriculture. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) November 2013 to present: Deputy Vice Chancellor, Finance Planning and Development South Eastern Kenya University. (ii) 14th July 2011 up to October 2013: Director, Kitui Town Campus, SEKU.
<div style="text-align: center;">  </div> <p>3. Prof. Zipporah Ng'ang'a, Ph.D Deputy Vice Chancellor (Academic, Research and Students Affairs)</p>	<p><i>Date of Birth</i> 3rd February 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2012 JKUAT, Executive Master of Business Administration. (ii) 1998 Kenyatta University Doctor of Philosophy. (iii) 1988 University of Nairobi, Master of Science in Parasitology. (iv) 1984 University of Nairobi, Bachelor of Science, Second Class Honors (Upper Division) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 2nd December 2013 to present, Deputy Vice Chancellor, Academic, Research and Student Affairs South Eastern Kenya University (ii)

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019



4. Prof. Francis N. Wachira, Ph.D
Deputy Vice Chancellor (Administration and Human Resources Management)

Date of birth:

20th March 1963

Key qualification:

- (i) 1996 Dundee University, the United Kingdom, Doctor of Philosophy degree.
- (ii) 1990 Kenyatta University, Kenya Master of science.
- (iii) 1986 Kenyatta University, Bachelor of Education (Science)



Work Experience

- (iii) January 2017 – present: Deputy Vice-Chancellor, Administration & Human Resources Management South Eastern Kenya University
- (i) February 2015-December 2016: Executive Secretary, ASARECA, Uganda
- (ii) August 2012 – February 2015: Deputy Executive Director, ASARECA, Uganda
- (iii) November 2009-July 2012: Director, CEO Tea Research Foundation of Kenya



Membership:

- (i) February 2015-December 2016: Member of Board of Directors, Forum for Agricultural Research in Africa (FARA), Ghana
- (ii) May 2014-December 2016; Member, Independent Advisory Committee, ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), India
- (iii) April 2014-December 2016; Member, Steering Committee, Pan African Research Alliance (PASIRA), Uganda
- (iv) March 2011-September 2012: Member, Kenya Highlands Evangelical University Council, Kenya

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

 <p>5. Prof. Mary Mburu, Ph.D Registrar (Administration and Human Resources Management)</p>	<p><i>Date of Birth</i> 16th August, 1959</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 1996 University of Reading, Doctor of Philosophy degree. (ii) 1986 University of California, Davis USA, Master of Agronomy. (iii) 1983 University of Nairobi, Bachelor of Science in Agriculture. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 7th March 2012 up to 3rd April, 2013 Acting Director, Directorate for Research, Innovation and Technology South Eastern University College (ii) 3rd April, 2013 to 14th November, 2013 Acting registrar, AHRM South Eastern Kenya University (iii) 14th November, 2013 to present, Registrar, Administration and Human Resources Management.
 <p>6. Dr. John F. Koga, Ph.D Registrar (Academic and Students Affairs)</p>	<p><i>Date of Birth</i> 1st October, 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 1994 The University of Leeds, Doctor of Philosophy degree. (ii) 1988 Kenyatta University, Master of Science. (iii) 1985 University of Nairobi, Bachelor of Education, Second Class Honours (Upper Division) (iv) 1981 Kenya Science Teachers College, Certificate of Teacher Education (S1) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 1st November, 2010 to present: Registrar, Academics and Students Affairs, South Eastern Kenya University

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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2019**

 <p>7. Dr. Samuel Mutukaa, Ph.D (Registrar, Resource Mobilization)</p>	<p><i>Date of birth:</i> 3rd April 1972</p> <p><i>Key qualification:</i></p> <ul style="list-style-type: none"> i) 2015 University of KwaZulu-Natal, Doctor of Philosophy, Public Administration. ii) 2011 Moi University, Master of Science in Development Studies. iii) 2007 Kenyatta University, Master of Business Administration iv) 1997 University of Nairobi ,Bachelor of Science <p><i>Work Experience</i></p> <ul style="list-style-type: none"> i) 1st February, 2017 to present: Registrar, Resource mobilization, South Eastern Kenya University. ii) 2013-2017: Senior Lecturer, Africa Nazarene University. iii) 2011-2013: Regional Development Advisor – Action Aid Denmark iv) 2009-2010: Development Consultant – UNICEF, IUCN, Oxfam, WWF, Action Aid, Concern Worldwide, World vision, Heifer International
 <p>8. CPA Hosea Kiprop (Ag. Finance Officer)</p>	<p><i>Date of Birth</i> 25th July 1980</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2016: Moi University, Master of Business Management 2016(Finance). (ii) 2003: Kenyatta University, Bachelor of Commerce (Accounting Option) (iii)2007: ICPAK-CPA(K) (iv)2017: CIFA <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) August 2019, to present, Deputy Finance Officer South Eastern Kenya University. (ii) 2012-2019, Accountant/Senior Accountant University of Kabianga 2007-2012, Assistant Accountant, Moi University.

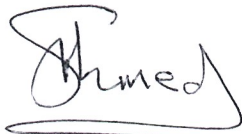
IV. CHAIRMAN'S STATEMENT

On behalf of the Council, I am delighted to present the South Eastern Kenya University Annual Report and Financial Statements for the financial year ended 30th June 2019.

During the year under review, the University realized significant achievements, notwithstanding long standing financial and operational challenges occasioned by budget cuts by the National Treasury. Notable, among the achievements included holding of the University's sixth graduation ceremony whereupon one thousand seven hundred and sixty seven graduates were conferred with degrees and awarded with diplomas.

I take this opportunity to reaffirm the commitment of the Council in providing effective leadership for the growth of the University. In this regard, the Council will continue to maintain a policy direction which facilitates management and staff to work together and engage stakeholders in accordance with the spirit of participation enshrined in our Constitution.

In conclusion, I commend the Management and staff for working tirelessly to achieve the level of growth that we witnessed during the year. I also thank the community and other stakeholders for their continuous contribution and support in various ways.



DR. SWABAH OMAR, Ph.D
CHAIRMAN OF COUNCIL

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the Annual Report and Financial Statement of the South Eastern Kenya University for the year ended 30th June 2019. During the year under review, the University realized tremendous growth in all areas of operation.

Notably, revenue collection amounted to Kshs.1.09 billion. Collections from appropriation in Aid amounted to Kshs.312.72 million which translated to 29% of the total revenue collection for the year. The University received Kshs.245.59 million from the Government as capital grant to finance various infrastructure projects. It also received Kshs. 756.04 million as recurrent grant in support of recurrent expenditure.

As part of its strategy to achieve operational sustainability, the University continued to rationalize and manage costs. Total expenditure, inclusive of assets impairment and amortization, amounted to Kshs.1.13 billion with employee costs accounting for Kshs.833.53 million or 74.5%.

Through capital grants received from the Government, the University continued to implement key projects included in its Strategic Plan 2019-2023. These included construction of College of Humanities, Wote and Kitui campuses. Further the University focused on enhancing its capacity to deliver services by procuring furniture and computers for both students and staff. As a result, the asset base grew from Kshs.2.79 billion to Kshs.2.88 billion.

Lastly, I wish to recognize the great contribution of all our stakeholders in making sure that the University achieves its goals and objectives. I sincerely thank all of them and look forward to their continued support.

Thank you.



PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR

VI. CORPORATE GOVERNANCE STATEMENT

The University derives its authority and accountability from the Universities Act of 2012, the South Eastern Kenya University Charter and the South Eastern Kenya University Statutes which outline the commitment required of members of the Council to discharge their mandate.

These instruments guarantee effectiveness of each member contribution in the governance of the University by ensuring there is independent judgment, where professional competence and ethical standards are highly observed in decision making.

The University is also guided by its core values namely: professionalism, innovation, integrity, freedom of thought, teamwork and respect for and conservation of the environment which, serve as a basis for sound decision making.

The University is in compliance with MWONGOZO Code of Governance for state corporations and underlying principles of good governance. In addition, the University is fully compliant with provisions of, inter alia, the following Acts and regulations; Public Procurement and Disposal Act 2015, Public Finance Management Act 2012 and Regulations 2015. Further, the University attained ISO 9001-2015 Quality Management System certification.

1. Chancellor

Section 12 of the Charter provides that there shall be a University Chancellor who is appointed by the President.

2. Council

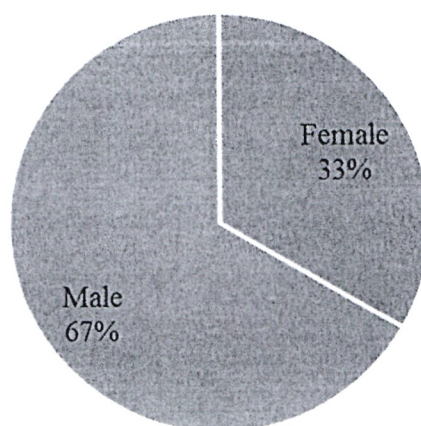
Section 18 of the Charter provides that there shall be a University Council. During the period under review the Council consisted of (9) members led by a non-executive and independent chairman, an executive Vice Chancellor and Secretary to the Council, the Principal Secretary National Treasury, Principal Secretary Ministry of Education Science and Technology and five independent and non-executive members.

All the non-executive Council members were independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgment. Members of the University Council are appointed by the Cabinet Secretary for Education, Science and Technology.

The tenure of the current Council begun on 1st August, 2017.

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Council Diversity



In compliance with the Constitution, the Council composition in terms of male and female Council members was 67% and 33% respectively.

The independence of the Council from the University Management was ensured by separation of the functions of the Chairman and Vice Chancellor and a clear definition of their responsibilities. This helped the University in achieving an appropriate balance of power, increased accountability and improved decision making.

3. Responsibilities of the Council

The responsibilities of members of the Council are clearly spelt out in both the University's Act and the Statutes. These include:

- (i) Determining the University's vision, mission and core values
- (ii) Deciding its strategic objectives
- (iii) Ensuring establishment of an organizational structure and procedures to achieve the objectives.

The Council sets out objectives and ensures that procedures and practices are in place to protect the University's assets and reputation. It also reviews the strategic direction of business plans presented by the Management, reviews processes for the identification and management of business risks and compliance with key regulatory and legal issues. It also provides oversight of performance against targets and objectives.

It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics, as well as benchmarks performance against best international practices.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

In accordance with the principles of good corporate governance, each member of the Council undertakes to act in the best interest of the University and exercise his/her power in the execution of duties in good faith and act with care and prudence by subscribing to the University's core values.

4. Council Meetings

The Council meets once every three months and has a formal schedule of agenda items for deliberations. Members of the Council are given appropriate and timely information to maintain full and effective control over strategic, financial and operational issues of the University. The Council is not involved in the conduct of day-to-day business as this is a responsibility given to the Vice-Chancellor. It, however, retains responsibility for determining the direction of the University.

5. Council Attendance

The Council held four regular and four special meetings in the year under review. Attendance to the Council meetings was as follows:

No.	Name	Attendance	
		Regular	Special
1.	Dr. Swabah Omar (Ph.D)	1	-
2.	Dr. Tabby Mungai (Ph.D)	2	2
3.	Dr. Kennedy Okong'o (Ph.D)	3	2
4.	Mr. Martin F. Kinoti	4	2
5.	Dr. Indeje Wanyama (Ph.D)	1	2
6.	Mr. Luthers Mose Moku	4	2
7.	Mrs. Anna N. Mwaure	4	2
8.	Ms. Lydia Mwikali Kaleli	4	2
9.	Prof. Geoffrey M. Muluvi, Ph.D	4	2

6. Council Remuneration

In accordance with guidelines provided by the State Corporations Advisory Committee, members of the Council are paid taxable sitting allowance for every meeting attended as well as travel and accommodation allowance while on University duty. The Chancellor and the Chairman are also paid monthly honorarium.

Total Council expenses for the year was Kshs 6,968,699.00. The University neither grants personal loans nor gives guarantees to members of the Council.

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7. Conflict of Interest and Declaration of Interest

Members of the Council have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the University. Business transactions with all parties, members or their related parties are carried out at arm's length.

Each member is obligated to fully disclose to the Council any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

In every meeting of the Council, an agenda item exists requiring members to make a declaration of any interest they may have in the business to be discussed.

8. Council Committees

The Council conducts its business through committees. The committees and their terms of reference are: -

Finance and General Purposes Committee

- (a) To consider and make recommendations to the Council on financial matters
- (b) To consider and recommend to the Council matters of general nature

The committee meets on a quarterly basis and as necessary.

(i) Audit Committee

- (a) To review internal and external audit findings, recommendations and propose corrective and preventive action where necessary.
- (b) Assist the accounting officer in enhancing internal controls in order to improve efficiency and accountability

The committee meets on a quarterly basis and as necessary.

(ii) Staff Terms and Conditions of Service Committee

- (a) To review and make recommendations to the Council on staff Terms and Conditions of Service.
- (b) To examine and recommend career structures within the University
- (c) To establish and generally oversee Staff Retirement Benefits Pension Scheme.

The Committee meets on a quarterly basis and as necessary.

(iii) Building and Physical Development Committee

- (a) To consider and recommend to the Council priority development projects
- (b) To receive reports and recommendations of Management on the progress of physical development of the University.
- (c) To report to the Council on the progress of physical infrastructure development of the University.

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The Committee meets on a quarterly basis and as necessary.

(iv) Graduation and Sealing Committee

- (a) To approve University certificates
- (b) To approve the list of graduands to be issued with certificates
- (c) To approve sealing of certificates.

The Committee meets once in a year and as necessary.

(v) Appeals Committee

Its terms of reference are to hear and determine appeals made to it by staff from decisions of the senior and junior Disciplinary Committees.

The Committee meets as and when necessary.

(vi) Appointments Committee

The terms of reference for the Appointments Committee are to consider appointments for teaching and non-teaching staff in Grades 14 and 15.

The Committee meets as and when necessary.

9. Management Structure

The University Management Board is made up of the Vice Chancellor, Deputy Vice Chancellors, Registrars and the Finance Officer. The Board meets weekly to review the overall performance of the University.

There are various other management committees which advise the Vice Chancellor on specific issues in order to enable him to discharge his responsibilities as the Chief Executive of the University.

10. Internal Controls

The management of the University has put in place a series of internal control mechanisms to ensure reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement and Disposal Act, 2015.

11. Authorizations

Expenditure of the University is authorized in accordance with set policies and procedures. There is a budget and a procurement plan which are approved by the Council. The Council receives regular management accounts comparing actual outcomes against budget as a means of monitoring actual financial performance.

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12. Internal Audit

The internal audit function is performed by internal audit department, which is also responsible for monitoring and providing advice on the University's risk management framework. All reports of the internal audit are presented to the Audit Committee of the Council.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

To guide its corporate social responsibility initiatives, South Eastern Kenya University put in place a policy framework focusing on:-

- (a) Promotion of educational standards particularly in the area it operates.
- (b) Access to water to the immediate neighborhood.
- (c) Access to health care to the community living near or around the University.
- (d) Conservation of environment in the location it operates.

The University further committed to make annual budgetary allocations in support of the corporate social responsibility initiatives. It is expected that this move will enable the University achieve the following critical objectives:-

- (a) Encourage peaceful co-existence with the immediate community.
- (b) Enhance University corporate image and visibility
- (c) Expand linkages with other institutions, which will contribute towards attainment of the University mandate.

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VIII. REPORT OF THE UNIVERSITY COUNCIL

The South Eastern Kenya University Council submits its report together with the un-audited financial statements for the year ended June 30, 2019.

Principal activities

The functions of the University are spelt out in Section 6(1) of the Charter as follows:

- (a) To provide directly, or in collaboration with other institutions of higher learning, facilities for University education including technological, scientific and professional education, the integration of teaching, research and effective application of knowledge and skills to life, work and welfare of the citizens of Kenya.
- (b) To participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in economic, social, cultural, scientific and technological development of Kenya.
- (c) To 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 development in the Country.
- (d) To conduct examinations for such academic awards as may be provided in the Charter pertaining to the University.
- (e) To examine and make proposals for new faculties, schools, institutes, departments, resource and research Centre degree courses and subjects of study.
- (f) To play a leading role in the development and expansion of the opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands.
- (g) To contribute to industrial and technological development through innovations and technology transfer.
- (h) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, consultancy and extension services with emphasis on dry land agriculture and farming systems and their impact and application within and outside Kenya.
- (i) To participate in commercial ventures and other activities to the benefit of the University, the community and stakeholders.
- (j) To contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology.

Results

The results of the University for the Financial Year ended June 30, 2019 are set out on page 1 to pages 39

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University Council

The members of the University Council who served during the year are shown on pages vii to xi in accordance with Regulation (12) of the University Charter. The tenure of the serving Council begun on 1st August, 2017.

Auditors

The Office of the Auditor General is responsible for statutory audit and report of the University, within six months after the end of the financial year.

The Auditor-General is mandated to audit the Annual Report and Financial Statements of the University in conformity with guidelines and regulations provided under Article 229 of the Constitution of Kenya and provisions of the Public Audit Act 2015.

In carrying out the audit, the Auditor General is to confirm whether or not public money has been applied lawfully and in an effective way, give assurance on the effectiveness of internal controls, risk management and overall governance as well as satisfy himself that public money has been used and applied towards the purposes intended.

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IX. UNIVERSITY COUNCIL STATEMENT OF RESPONSIBILITIES

Section 68 of the Public Finance Management (PFM) Act, 2012 requires the University Council to prepare financial statements in respect of South Eastern Kenya University, which give a true and fair view of the state of affairs and the operating results of the University at the end of the financial year. The University Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. Further, the Council is also responsible for safeguarding the assets of the University.

Pursuant to the requirement of the law, the Council is responsible for the preparation and presentation of the University 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. This responsibility includes:

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period

- (i) Maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.
- (ii) 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.
- (iii) Safe-guarding the assets of the University.
- (iv) Selecting and applying appropriate accounting policies and
- (v) Making accounting estimates that are reasonable in the circumstances.

The University Council accepts 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 Public Financial Management Act and the University Act. The Council is of the opinion that South Eastern Kenya University financial statements give a true and fair view of the state of University transactions during the financial year ended June 30, 2019 and financial position as at that date. The Council further confirms the completeness of the accounting records maintained by the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the University Council to indicate that South Eastern Kenya 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

PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR

DR. SWABAH OMAR (Ph.D)
CHAIRMAN OF COUNCIL

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON SOUTH EASTERN KENYA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of South Eastern Kenya University set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 South Eastern Kenya University as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Variance Between the Financial Statements and Trial Balance

The statement of financial performance reflects total revenue from non-exchange transactions of Kshs.776,028,240;(2018-Kshs.948,324,778) which differs from the trial balance figure of Kshs.721,585,725 resulting into an unexplained variance of Kshs.54,442,515. Further, the statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.405,410,748;(2018-Kshs.424,164,692). As disclosed in Note 22 to the financial statements, included in the balance is recurrent creditors suppliers amount of Kshs.21,095,694 which differs from the trial balance amount of Kshs.22,762,479 resulting in an unexplained variance of Kshs.1,666,785.

In the circumstance, the accuracy of the financial statements as presented could not be confirmed.

2.0 Property Plant and Equipment *Property Plant and Equipment*

As previously reported, the statement of financial position reflects a property, plant and equipment balance of Kshs.2,878,023,194;(2018–Kshs.2,788,059,386). As disclosed in Note 15 to the financial statements, included in the balance are three (3) parcels of land valued at Kshs.1,036,600,000 which are not registered in the name of the University as detailed below: -

Parcel	Size (Hectares)	Amount (Kshs.)
LR NO 13529 (Grant IR 5739) situated in Yatta, Kitui County	4047.7	300,000,000
LR NO. 209/10350 (Grant IR 52199) situated in Nairobi	0.783	441,600,000
Land ref. no. 12970 situated in West of Emali Township in the name of trustees of UKAI; David Muoka Mutiso, Kyale Mwendwa, Musembi Mbathi and Mathew Muli	1990.7	295,000,000
Total	6,039.183	1,036,600,000

In addition, the University was in possession of three (3) other parcels of land of undetermined value not incorporated in the financial statements as detailed below:

Parcel	Description
Kitui Town (0.845 Hectares)	This parcel was donated to the University by the then Municipal Council of Kitui on 02 March, 2011 and an administration and tuition block is being developed on it.
Wote Town (30 Acres)	The land was donated by the County Government of Makueni on 27 July, 2016 and an administration and tuition block is being developed by the University on it.
Mtito Andei Town (20 Acres)	The University has a certificate of ownership dated 29 July, 2013 signed by the District Land Adjudication & Settlement Officer, Kibwezi District. The land is being developed by the University and consists of a library and a tuition block.

Another two (2) parcels of land belonging to the University under land registration numbers Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713, measuring 3.26 and 6.09 hectares and whose title deeds were issued on 13 July, 2017 and 22 September, 2015 respectively, had not been valued. Although the Management wrote to the Lands and Physical Planning Office of the County Government of Kitui on 26 April, 2018 requesting for valuation, no evidence was provided of follow up and progress made in getting the land parcels valued.

In the circumstances, it has not been possible to ascertain the accuracy and ownership of the reported property, plant and equipment balance of Kshs.2,878,023,194.

3.0 Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.42,084,280;(2018-Kshs.53,109,674) thereby increasing the accumulated loss to Kshs.178,096,025;(2018-Kshs.136,011,745). Further, the current liabilities of Kshs.477,731,601 exceeded the current assets of Kshs.304,581,011 resulting into a negative working capital of Kshs.173,150,590. The negative trend casts doubt on the ability of the University to

continue to sustain services. The material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University Management to reverse the undesirable trend has not been disclosed in the financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Further, some of the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Delayed Completion of Buildings

In March, 2017, the University awarded three (3) contracts with an estimated completion date of March, 2019. The contracts were for the construction of the College of Humanities at the main campus for a contract sum of Kshs.423,000,000, construction of Kitui town campus at a contract sum of Kshs.248,942,307 and construction of Wote town campus at a contract sum of Kshs.256,694,261. However, the audit inspection of the Projects in September, 2019 revealed that the completion of the Projects was behind schedule and the works were at 65%,62% and 70% completion stages respectively. No satisfactory explanation was provided for the delay in completing the three Projects despite the contract completion date of March, 2019 having lapsed.

In the circumstances, the project completion costs are likely to escalate and the University may not get value for money from the projects.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

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

In preparing the financial statements, Management is responsible for assessing the 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 is aware of intention to terminate the University or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

13 July, 2021

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
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XI. STATEMENT OF FINANCIAL PERFORMANCE


For the year ended 30 June 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Revenue from non-exchange transactions			
Recurrent grants	3	756,039,257	909,431,973
Research grants	4	19,988,983	38,892,805
Total revenue from non-exchange transactions		<u>776,028,240</u>	<u>948,324,778</u>
Revenue from exchange transactions			
Tuition and other related fees	5	243,057,609	269,381,298
Rental revenue income and other sources	6	47,304,062	21,567,322
Other incomes	7	22,354,333	22,660,044
Total revenue from exchange transactions		<u>312,716,004</u>	<u>313,608,664</u>
Total revenue		<u>1,088,744,244</u>	<u>1,261,933,442</u>
Expenses			
Administration expenses	8	140,554,191	143,123,285
Council expenses	9	6,968,699	10,564,117
Repairs and maintenance, rents & rates	10	23,901,677	40,206,221
Marketing expenses	11	2,358,544	5,729,095
Catering and accommodation	12	20,201,418	26,089,188
Academic services	13	30,652,025	35,326,082
Employee costs	14	833,529,780	984,506,186
Depreciation and amortization expense	15	71,966,191	68,802,942
Audit fees	16	696,000	696,000
Total expenses		<u>1,130,828,524</u>	<u>1,315,043,116</u>
Deficit for the period		<u>(42,084,280)</u>	<u>(53,109,674)</u>


**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

Assets	Notes	2018-2019	2017-2018
		Kshs	Kshs
Current assets			
Cash and cash equivalents	17	158,929,470	102,196,092
Receivables from exchange transactions	18	74,689,215	65,740,203
Receivables from non-exchange transactions	19	66,717,158	-
Inventories	20	4,245,169	5,791,565
Total current assets		304,581,011	173,727,860
Non-current assets			
Biological assets	21	7,446,363	6,520,742
Property, plant and equipment	15	2,878,023,194	2,788,059,386
Total assets		3,190,050,568	2,968,307,988
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	405,410,748	424,164,692
Unexpended research grants	23	45,406,789	40,728,424
Refundable deposits from students-caution money	24	23,459,910	23,286,970
Contingent liabilities	25	3,454,154	3,454,154
Total current liabilities		477,731,601	491,634,240
Net assets			
Revenue reserves	26	(178,096,025)	(136,011,745)
Capital fund	27	2,368,582,288	2,122,992,288
Revaluation reserve	28	521,832,705	489,693,205
Total net assets		2,712,318,967	2,476,673,748
Total net assets and liabilities		3,190,050,568	2,968,307,988


PROF. GEOFFREY M. MULUVI, (Ph.D)
VICE-CHANCELLOR.

Date.....26/11/2019.....


CPA HOSEA KIPROP
Ag. FINANCE OFFICER
ICPAK NO. 6707
Date...26/11/2019.....


DR. SWABAH OMAR (Ph.D)
CHAIRMAN OF COUNCIL

Date.....26/11/2019.....

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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XIII. STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Surplus/Deficit for the year	1	(42,084,280)	(53,109,674)
Increase in net worth of biological assets	7	(1,762,527)	(2,377,836)
Loss on disposal of asset	8	2,880,000	
Adjust. for depreciation	15	71,966,191	68,802,942
Operating surplus/deficit before working capital		30,999,384	13,315,432
Decrease in trade and other receivables	18	(8,949,012)	16,809,462
Increase from non-exchange transactions	19	(66,717,158)	-
Increase/Decrease in inventories	20	1,546,397	1,773,468
Decrease in trade and other payables	22	(18,753,944)	213,321,835
Increase/Decrease in refundable caution money	24	172,940	1,302,070
Increase/decrease in unexpended research grants	23	4,678,365	23,447,306
Net cash in/outflow from operating activities		(57,023,029)	269,969,573
Cash flow from investing activities			
Purchase of non-current assets	15	(4,910,604)	(37,133,254)
Increase in net worth of biological assets	21	-	2,377,836
Work in progress	15	(108,344,685)	(245,603,872)
Net cash flow from investing activities		(113,255,289)	(280,359,290)
Cash flow from financing activities			
Increase /(Decrease) in revaluation reserves	28	(32,139,500)	(9,526,749)
Adjust. on revalued motor vehicles	15	13,561,195	-
Capital grants received from Government	3b	245,590,000	63,930,908
Net cash flow from financing activities		227,011,696	54,404,159
Increase/Decrease in cash and cash equivalents		56,733,378	44,014,442
Cash and cash equivalents bal. b/f	17	102,196,092	58,181,650
Cash and cash equivalents bal. c/f		158,929,470	102,196,092

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND
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XIV. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2019

	Capital fund Kshs	Revenue reserves Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 30 June 2017	2,059,061,380	(82,151,048)	496,091,094	2,473,001,426
Deficit for the period	-	(53,109,674)	-	(53,109,674)
Adjustment on previous years student balances	-	(7,132,546)	-	(7,132,546)
Adjust. on depreciation of revalued motor vehicles	-	6,397,889	(6,397,889)	-
Adjustment on rent deposit	-	1,080,514	-	1,080,514
Capital grants received in the year	63,930,908	-	-	63,930,908
Balance as at 30th June 2018	2,122,992,288	(134,914,865)	489,693,205	2,477,770,628
Deficit for the period	-	(42,084,280)	-	(42,084,280)
Adjustment on previous years student balances	-	(1,096,880)	-	(1,096,880)
Adjust. on depreciation of revalued motor vehicles	-	-	32,139,500	32,139,500
Capital grants received in the year	245,590,000	-	-	245,590,000
Balance as at 30 June 2019	2,368,582,288	(178,096,025)	521,832,705	2,713,415,847

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ENDED JUNE 30, 2019**

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2019

	Original budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final budget 2018-2019 Kshs	Actual comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants (GoK Capitation)	689,322,000	66,717,257	756,039,257	756,039,257	-
Research Grants	118,500,000	(80,058,699)	20,000,000	19,988,983	(11,017)
Exchange transactions					
Tuition and other related fees	250,608,000	-	250,608,000	243,057,609	(7,550,391)
Internally Generated	65,087,000	5,430,000	109,620,750	69,658,395	(39,962,355)
Total revenue	1,123,517,000	(7,911,442)	1,136,268,007	1,088,744,244	(47,523,763)
Expenses					
Administration	144,750,000	(6,750,000)	138,000,000	140,554,191	-2,554,191
Council	10,000,000	(3,000,000)	7,000,000	6,968,699	31,301
Repairs and maintenance, rents & rates	54,742,000	(29,221,993)	25,520,007	23,901,677	1,618,330
Marketing, publicity and advertisement	10,000,000	(6,500,000)	3,500,000	2,358,544	1,141,456
Catering and accommodation	28,800,000	(8,550,000)	20,250,000	20,201,418	48,582
Academic services	78,000,000	(45,248,000)	32,752,000	30,652,025	2,099,975
Employee and part-time lecturers	727,529,000	108,271,000	835,800,000	833,529,780	2,270,220
Depreciation and amortization	69,000,000	3,750,000	72,750,000	71,966,191	783,809
Audit fees	696,000	-	696,000	696,000	-
Total expenditure	1,123,517,000	12,751,007	1,136,268,007	1,130,828,524	5,439,483
Deficit for the period	-	-	-	(42,084,280)	(42,084,280)

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Public Sector Accounting Standards Board (PSASB) was established by the Public Finance Management Act (PFM) No. 18 of 24th July, 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February, 2014.

Its mandate is to provide framework and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities.

In particular, the Board performs the following functions;

- (a) Set generally accepted accounting and financial standards.
- (b) Prescribe the minimum standards of maintenance of proper books of accounts for all levels of Government.
- (c) Prescribe internal audit procedures which comply with the Act.
- (d) Prescribe formats for financial statements and reporting by all state organs and public entities.
- (e) Publish and publicize the accounting and financial standards and any directives and guidelines.
- (f) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

The University's financial statements have been prepared in accordance 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.

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

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

2. Summary of significant accounting policies

a) Revenue recognition

Revenue measurement, recognition and disclosure has been made as follows:

i) Revenue from non-exchange transactions – IPSAS 23

Revenue

The University recognizes revenues when the event occurs and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. Tuition fee income is recognized when students admitted by the University report and not when they pay.

Sale of goods

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

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

Rental income

Rental income arising from operating leases on investment properties is recognized based on signed agreements with specific periods of leases, where upon rent is due in advance in every month of the lease.

b) Budget information – IPSAS 24

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

Statement of comparison of budget and actual amounts:

Recurrent Grants

The Government allocated the University Kshs. 756,039,257.00 This amount was duly received in the financial year.

Tuition and other related fees

The University had projected to collect Kshs. 250,608,000.00 in the financial year. However, differences between the beginning and ending periods of academic and financial years caused part of the forecasted amount to go down to Kshs. 243,057,609

Administration expenses

The University management continued to rationalize and manage costs. Greater focus was put on information and communication technology to enhance capacity to deliver on the University mandate. Cost associated with information technology, therefore, went up substantially.

Employee costs

The Management continued to recruit key members of staff guided by approved staff establishment.

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Revision of the budget

Unexpected decrease or increase in some of the budget line items necessitated a realignment of the expenditure. This was approved by the University Council on 18th June, 2019.

c) Biological assets – IPSAS 27

- (i) The University biological assets portfolio included cattle, pigs, poultry, goats and a donkey. These were measured, on initial recognition, at purchase price and at subsequent reporting dates at fair values less costs to sell with adjustments being made for purchases and disposal made in the years.
- (ii) Gain or loss that arose on initial recognition of biological assets and from subsequent changes in fair values during the period, were reported in the Statement of Financial Performance.
- (iii) Biological assets have been classified as non-current assets because they are held for business purposes as an income generating activity.

Movement to changes in fair values of the biological assets is as shown below:

Biological assets					
Category	Balance at the beginning	Addition	Disposal	Revaluation gain	Balance as at 30 June 2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Cattle	2,359,200	-	(252,900)	312,780	2,419,080
Poultry	66,400	-	(8,000)	72,675	131,075
Goats	3,064,942	-	(418,140)	1,247,766	3,894,568
Pigs	1,018,200	-	(157,866)	129,300	989,640
Donkey	12,000	-	-	-	12,000
Total	6,520,742	-	(836,906)	1,762,527	7,446,363

Revaluation of biological assets is based on the following assumptions:

- a) Live weight of biological assets determined by chest/heart girth measurement increased in the course of the year.
- b) Prevailing market rates per asset had increased by end of the year.

d) Property, plant and equipment – IPSAS 17

Property, plant and equipment under construction has been valued on the basis of expenditure incurred and certified work certificates up to 30th June, 2019.

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Work in Progress is not depreciated. The total cost of a project will be transferred to the relevant asset class on completion and then depreciated.

During the year under review, the construction of office block II, fencing around the gate, installation of kitchen equipment in Magic hostel capitalized.

Property, plant and equipment items are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized as expense and accounted for through the statement of financial performance.

Land improvements - include fencing, landscaping, parking lots, walkways and internal roads. These facilities are estimated to have a lifespan of twenty (20) years

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Depreciation is provided for at annual rates estimated to write off the assets over their expected useful lives.

The annual rates are as follows:

Furniture & Equipment	-	15% on straight line basis
Motor vehicles	-	25% on straight line basis
Buildings	-	2% on straight line basis
Computers & Accessories	-	25% on straight line basis
Land improvements	-	5% on straight line basis
ICT Infrastructure	-	15% on straight line basis

Software amortization

Amortization: Costs are to be amortized over the expected useful life of the system. The University typically uses five (5) years for major system implementation

The purpose of amortization is to allocate the costs of the system to the periods for which benefits from the system's service is derived. Amortization is to begin when the software is ready for its intended use and placed in-service (system of record), which is after signing off and commissioning. The system software in place was still being implemented hence no amortization was done.

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Land ownership

The ownership of land- parcels reference L.R. No. 209/10350 (Nairobi), L.R No. 13529 (Kitui) and L.R. No. 12970 (Emali) which is the land amounting to Kshs. 1,036, 600,000 included in the Plant, Property and Equipment schedule have not been registered in the name of the University as a result of land disputes.

There are several cases pending in court with both the University Management and lawyers making efforts to have them registered in the name of the University.

The University also has interest in other parcels of land which, will be recognized and disclosed in financial statements after processing ownership documents and valuation. These include:

- (i) Land in Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713

The University has physical possession and title deeds over the land which was received as a donation on 13th July, 2015 and 22nd September, 2015 respectively..

- (ii) Land in Kitui

This land was awarded to the University by the then Municipal Council of Kitui through the Town Planning Committee in a meeting held on 2nd March, 2011. Ownership documents have been forwarded to the Director of Physical Planning for verification and approval of allotment which will pave way for processing of title deed.

- (iii) Land in Wote town

The University received 30 acres of land via a letter dated 27th July, 2016 from the County Government of Makueni. The National Land Commission has directed the Director of Land Administration to process title in favour of the University.

- (iv) Land in Mtito-Andei

The University has a certificate of ownership for plot number 3756 Mangelete Settlement Scheme measuring 20 acres from the District Land Adjudication & Settlement Officer, Ministry of Lands, Kibwezi District dated 29th July, 2013. It is currently processing ownership documents of the land.

Fully depreciated assets

Included in the net book value of motor vehicles is revaluation resulting from vehicles which had been depreciated to zero. The gross carrying amount as at 30th June 2018 was Kshs. 46,707,000

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as per revaluation by Automobile Association of Kenya. This was written back to form part of motor vehicles cost and will be depreciated at 25% p.a. for the next two years.

An adjustment of two year depreciation on revalued motor vehicles amount has been charged to the revaluation reserves and a corresponding entry passed to the retained earnings in the year under review.

Financial instruments

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Foreign currency transactions are translated into the local currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

e) Research and development costs

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

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

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

Unexpended research grants

This represents unspent external grants and donations for sponsored research and other restricted purposes. The balance has decreased from the previous year due to the timing of research expenditures. This amounted to Kshs. 45,406,789.00 which is recognized as unexpended research grants.

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Expenditure on research initiatives is recognized as an expense through the statement of financial performance through the unexpended research grants.

A corresponding amount is recognized as revenue in the statement of financial performance through the unexpended research grants.

f) Inventories – IPSAS 12

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

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

- (i) Raw materials: Purchase cost using the weighted average cost method
- (ii) 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 University.

g) Provisions – IPSAS 19

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

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Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision was presented in the statement of financial position net of any reimbursement as follows:

(i) Contingent liabilities

The University had a potential liability relating to penalty and interest due to delayed payment of tax expense (PAYE) lost through fraud for the month of June 2015. This amount of Kshs.3,454,154.00 is recognized as a contingent liability in the statement of financial position pending determination of a petition written to Kenya Revenue Authority for its write off.

(ii) Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs. No such contingent assets existed in the year under review.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Foreign currency transactions – IPSAS 4

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 in 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. During the year under review, some transactions were done through euros and dollars and were treated as aforementioned.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

j) Cash and cash equivalents

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

k) Deferred Income tax

Pursuant to section 26 of the Income Tax Act CAP. 470. the University is exempted from paying income tax. However income from employment or from services rendered to the University and paid to the individuals is subjected to Pay as You Earn and remitted to the Government.

Similarly no deferred tax arises from University operations.

l) Comparative figures

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

m) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the University financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, there was no uncertainty about these assumptions and estimates that could result in outcomes that require a material adjustment to the carrying amount of any asset or liability likely to be affected in future periods.

n) Useful lives and residual values

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

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

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Provisions were raised and management determined an estimate based on the information available. Provisions are measured by 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.

o) Related party disclosures– IPSAS 20

The University is wholly owned by the Government of Kenya.

Related party transactions: -

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party organization and another are subject to common control.

During the year the following transactions were carried out with related parties:

(i) Members of the University Management Board

Members of the University Management Board include the Vice Chancellor, the Deputy Vice Chancellors, Registrars and the Finance Officer. They are paid salaries.

During the year under review, members of the University Management Board were paid salaries which were included in the employee cost.

(ii) The Council

The Chancellor and the Chairman of the University Council are paid monthly honoraria as per Government guidelines. Except for the Vice-Chancellor, members of the Council are paid sitting allowance for every meeting attended. – Council member's emoluments in the year were as follows:

Council Allowances

	2018-2019	2017-2018
	Kshs	Kshs
Sitting allowance	2,631,673	4,138,852
Travelling and accommodation allowances	3,645,034	5,221,101
Honorarium	571,991	1,680,000
Training expenses	120,000	-
Total council expenses	6,968,699	10,564,117

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

p) Financial risk management objectives and policies- IPSAS 30

Exposure to credit, rate and currency risk arise in the normal course of University business. The main aim of financial risk management is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the University financial performance. The University risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits.

Risk management is carried out by the University Management Board under the supervision of the University Council. Management in conjunction with the Council Audit Committee then identifies, evaluates and addresses risks accordingly abiding to policies approved by the Council. They also review market trends and information available to evaluate the potential exposures and then arrive at strategies to mitigate against market risks.

In addition, the University has an independent internal audit department which reports directly to the Council Audit Committee. This department is responsible for the independent review of risk management and the control environment.

The University generates income from fees billed to students, budgetary support from the Government of Kenya, donations from donors and development partners and returns from various income generating activities. These activities expose the University to a variety of financial risks, including credit risk and foreign currency risks.

Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the University functional currency. The functional currency of the University is Kenya shillings. The University had bank accounts denominated in euros and dollars and some transactions were done through these currencies.

Foreign exchange differences arising from settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, were recognized as income or expenses in the period.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The University also operates prepaid refundable deposits to further minimise credit risk. The University uses publicly available information and its own records to rate its major customers. The credit risk exposure to the

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University is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties.

Financial assets, which potentially subject the University to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The University cash and cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of an allowance for doubtful receivables.

The University's largest customers were students. There were, however, no significant concentrations of credit risk as at the end of the reporting period.

There has been no significant change during the financial year, or since the end of the reporting period, to the University's exposure to credit risk in the approach to the measurement or the objectives, policies and processes for managing this risk.

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the University at the comparative period end dates, without taking account of any collateral held or other credit enhancements attached. For assets in the statement of financial position, this exposure is based on net carrying amounts as reported.

Classification of credit risk bearing assets

The table below shows the ageing profile of trade receivables:

The credit risk exposures are classified in three categories as follows:

- (1) Fully performing
- (2) Past due
- (3) Impaired

Credit risk

As at 30 June 2019	Fully performing Kshs	Past due Kshs	Impaired Kshs
Outstanding imprest	-	-	-
Students debtors	54,418,922	-	-
General debtors	18,297,737	-	-
Internal debtors	60,000	-	-
Bank balances	158,246,012	-	-
Total	231,022,671	-	-

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As at 30 June 2018	Fully performing Kshs	Past due Kshs	Impaired Kshs
Outstanding imprest	1,563,316	-	-
Students debtors	57,738,454	-	-
General debtors	4,495,877	-	-
Internal debtors	30,000	-	-
Bank balances	102,196,092	-	-
Total	166,023,739	-	-

The parties under the fully performing category are paying their debts as and when they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. The finance department is actively following up on these receivables. The amounts that are impaired have been fully provided for. All the financial assets, as analyzed here above, were fully performing as at the end of the reporting period.

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties in meeting its maturing obligations attributable to financial liabilities. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

The ultimate responsibility for the liquidity risk management rests with the University Council, which has established an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements.

The University manages liquidity risk through continuous monitoring of forecast and actual cash flows. The University also maintains a balanced budget and produces quarterly management accounts to monitor performance. An annual procurement plan is drawn at the beginning of every financial year to guide on commitments to be made in the year taking into account the resources envelop.

The University ensures that it has sufficient funds on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below provides a contractual maturity analysis of the University's financial liabilities:

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Liquidity risk

As at 30 June 2019	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Unpaid contractors certificates	15,242,594	-	-	15,242,594
Recurrent creditors suppliers	16,122,812	4,972,882	-	21,095,694
Contractor's retention	43,380,106	14,460,036	-	57,840,142
Commissioner of domestic taxes (Withholding tax)	500,295	166,765	-	667,060
Withholding tax (VAT)	2,404,947	801,649	-	3,206,596
Refundable customer deposits	71,813	23,938	-	95,750
Total	77,722,567	20,826,655	-	98,147,836

As at 30 June 2018	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Unpaid contractors certificates	111,522,187	37,174,062	-	148,696,249
Recurrent creditors suppliers	31,122,809	10,374,270	-	41,497,079
Contractor's retention	44,306,534	14,768,845	-	59,075,379
Commissioner of domestic taxes (Withholding tax)	4,557,295	1,519,098	-	6,076,393
Withholding tax (VAT)	9,032,843	3,010,948	-	12,043,790
Refundable customer deposits	71,813	23,938	-	95,750
Total	200,613,480	66,871,160	-	267,484,640

q) Disclosure of new and revised standards and interpretations not yet adopted.

IPSAS 33 provides transitional exemptions to organizations that are adopting accruals basis IPSASs for the first time. The aim of the standard is to provide relief to entities where the cost of complying with IPSASs would likely exceed the benefits to users of financial statements. The standard also enables first-time adopters to report their transition to accrual basis IPSASs transparently.

It provides participants with a thorough understanding of the requirements, covering all the transitional arrangements and disclosure requirements relating to the first-time adoption of accruals basis IPSASs.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

The transitional exemption did not affect the fair presentation of the financial statement neither the ability to assert compliance with accrual basis International Public Sector Accounting standards.

IPSAS 34 Prescribes the accounting and disclosure requirements for investment in controlled entity, joint venture and associate when it elects, or is required to prepare separate financial statements.

IPSAS 35 Consolidated financial statements-The standard requires that control be assessed having regard to benefits and power. Definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity.

To reduce unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014.

IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. Equity accounting must now be used when accounting for joint venture and does not permit a different accounting treatment for temporary investments.

IPSAS 37 Establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement.

It requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement and that joint ventures be accounted for using the equity method.

IPSAS 38 Introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal.

IPSAS 39 replaced IPSAS 25 Employee Benefits.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

Changes include:

- 1) Removing an option that allows an entity to defer the recognition of changes in the net defined benefit liability
- 2) Introducing the net interest approach for defined benefit plans
- 3) Amending certain disclosure requirements for defined benefit plans and multi-employer plans.
- 4) Simplifying the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service and removing requirements for composite social security programmes.

IPSAS 40 specifically addresses the needs of the public sector when accounting for combinations of entities and operations by providing two types of public sector combinations as amalgamations and acquisitions.

For amalgamations, the standard requires use of the “modified pooling of interests” method of accounting in which the amalgamation is recognised on the date it takes place.

Use of the “acquisition” method of accounting is recommended for acquisitions which is supplemented with additional guidance for public sector specific situations.

r) Subsequent events – IPSAS 14

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

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
27 /11/2018	44,040,331	1,266,605
13/02/2019	25,754,202	12,500,000
13/02/2019	42,500,000	25,000,000
13/02/2019	11,786,123	6,205,204
26/03/2019	20,151,172	-
29/05/2019	34,389,626	-
Total capital grants	245,590,000	63,930,908

These are conditional funds received from the Government to support development expenditure of the University

4. Research grants

ICRAF 12017 Project	-	121,621
GCFSI Project	533,741	2,603,271
International Foundation	-	1,144,440
Niche Project	-	14,035,175
Asali project (Tarc)	11,255,242	-
World Health Organization	-	803,661
KALRO Research Fund	8,200,000	-
EDULINK Project	-	1,178,560
Total research grants	19,988,983	38,892,805

5. Tuition and other related fees

Tuition fees	141,983,542	153,323,588
Application fees	484,000	665,702
Registration fees	6,515,700	7,630,018
Student identification card fees	66,375	2,718,400
Activity fees	6,281,000	6,622,900
Student medical fees	13,617,850	14,471,952
Examination fees	19,735,375	20,449,386
Library fees	10,863,650	11,265,535
Supervision fees	204,000	144,000

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
Field trips/attachment fees	352,000	309,500
Thesis fees	126,000	18,000
Project fees	645,902	1,616,700
Computer fees	18,545,500	19,574,710
Teaching practice fees	1,078,562	8,226,500
Clinical Placement Fee	292,875	-
Accommodation fees	22,265,278	22,344,407
Total tuition and other related fees	243,057,609	269,381,298

Students' union and subscription fees were accounted for as a liability since this belongs to South Eastern Kenya University Students Association. The University only offers facilitation in collecting these dues as part of fees.

6. Rental income and other sources

Library fine	7,060	44,858
Graduation fees	7,379,500	4,250,500
Hire of academic gowns	7,600	973,800
Tender fees	101,500	102,500
General fines-keys and others	1,443,075	2,162,814
Miscellaneous income	1,526,901	158,764
Gain on foreign exchange	-	649,489
Consultancy fee	26,528,863	3,653,200
Hire of conference facilities	11,600	71,800
Rent income	920,094	918,016
Income from computer science	69,600	-
Milk and dairy products	65,795	73,030
Accommodation receipts guest house	2,997,895	2,692,230
Food sales- income generating activities	3,901,385	5,017,356
Gain/loss on disposal of asset	675,000	-
Farm proceeds	784,604	598,965
Insurance Claim	883,589	-
Other grants and donations	-	200,000
Total rental income and other sources	47,304,062	21,567,322

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
7. Other incomes		
Increase in net worth of biological assets	1,762,527	1,564,560
Students mess sales-Pay as you eat	20,591,806	21,095,484
Total other incomes	22,354,333	22,660,044
8. Administration expenses		
Student bursaries	8,416	2,608,373
Guest house and Cafeteria	2,619,318	4,747,586
Staff travelling and subsistence	8,502,265	11,351,006
External travel and accommodation	1,789,843	-
Staff training and development	450,768	914,873
Staff and dependent fees waiver	443,912	1,080,150
Medical insurance cover and staff hospitalization expenses	43,476,745	34,946,062
Staff performance appraisal and reviews	33,250	-
Staff funeral expenses	-	50,000
Postage and courier services	71,715	34,040
Electricity expenses	10,532,674	12,750,830
Water expenses	9,367,588	11,943,173
General insurances - properties and others	4,955,911	5,518,292
Professional, Legal and other fees	3,423,191	3,332,716
Official entertainment	781,893	538,500
Conference and seminars	426,300	1,271,483
University subscription to other bodies	40,755	2,011,563
Internet and ICT infrastructure	20,121,535	20,768,030
Office running	2,297,755	2,646,317
Management, Senate and other internal committee	1,975,465	2,517,940
Cleaning and Sanitary Services	7,629,671	4,554,628
Performance contracting	942,951	951,186
Telephone	181,068	174,653
Farm	1,949,834	3,181,372
Transport operating	7,180,319	8,537,315

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
Security services	7,557,101	5,968,000
Loss on foreign exchange	319,835	194,173
Loss on vandalized fence	2,880,000	
HIV/AIDS Control unit	88,500	-
Corporate Social Responsibility	20,000	-
Bank charges, commissions and errors	485,612	531,024
Total administration expenses	140,554,191	143,123,285

9. Council expenses

Sitting allowance	2,631,673	4,138,852
Travelling and accommodation allowances	3,645,034	4,745,265
Training Expenses	120,000	-
Honorarium	571,991	1,680,000
Total council expenses	6,968,699	10,564,117

10. Repairs and maintenance, rents & rates

Repairs and maintenance of motor vehicles	3,735,730	12,294,894
Repairs and maintenance of buildings	4,224,237	10,068,747
Repairs and maintenance equipment & machinery	2,745,259	3,006,642
Rent and rates	13,182,550	14,250,537
Land improvement expenses	13,900	585,401
Total repairs and maintenance, rents and rates	23,901,677	40,206,221

11. Marketing Expenses

	Kshs	Kshs
Printing and publishing	541,374	257,500
Marketing, Publicity & advertising	1,817,170	5,471,595
Shows and exhibitions	-	-
Total marketing expenses	2,358,544	5,729,095

12. Catering and accommodation

Catering and accommodation	20,201,418	26,089,188
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This is expenditure incurred to purchase food stuff for students at the University.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
13. Academic services		
Teaching materials expenses	2,225,136	3,010,757
Graduation expenses	2,494,723	6,581,894
Sports expenses	1,392,050	3,582,600
Teaching practice & field attachment	4,855,336	3,467,364
Academic field trips	989,650	1,629,962
Research expenses	15,310,618	13,073,569
Subsistence allowance - external examiners	1,236,106	1,024,573
Student activities	1,221,994	1,689,875
Library expenses	825,613	1,265,488
Internally funded research	100,800	-
Total academic services	30,652,025	35,326,082
14. Employee costs		
Basic pay	368,510,644	483,998,405
House allowance	186,355,835	181,068,868
Commuting allowance	67,594,474	67,316,370
Entertainment allowance	9,234,305	10,514,677
Hardship allowance	51,892,862	51,431,119
Professorial allowance	407,267	488,000
NSSF-employer contribution	1,576,330	4,180,488
Pension-employer contribution	56,575,711	51,845,780
Acting allowance	326,582	128,322
Leave travelling allowance	2,171,323	2,111,020
Responsibility allowances	15,598,854	17,202,861
Allowances arrears	1,213,472	1,867,642
Uniform expense	183,192	30,000
Book Journal/ICT allowance	1,747,500	1,340,000
Gratuity and pensions contributions	14,704,374	14,390,982
Passage, baggage and leave days	65,868	289,245
Teaching claims - part time lecturers	9,946,606	44,556,353

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

Casual labour expenses	10,225,320	18,101,030
Telephone allowances	5,491,544	6,148,358
Time tabling allowances	360,000	1,088,548
Facilitation allowance	300,000	480,000
Extraneous allowances	4,533,795	3,999,356
Security guard allowances	2,144,000	2,064,000
Water and electricity allowances	2,466,333	2,761,419
Risk allowances	364,100	326,057
Other employee allowances	19,539,488	16,777,286
Total employee costs	833,529,780	984,506,186

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

15 Property, Plant and Equipment

Description	Land		Land improvements		Buildings		Furniture, plant & equipment		Motor vehicles		Computers		Work in Progress		Soft ware		Total
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		
At 1 July 2017	1,036,600,000		220,033,881		621,752,359		138,068,313		68,077,195		43,070,543		660,484,925		7,526,720		2,795,613,936
Additions	-		-		-		25,390,954		10,950,000		792,300		241,429,102		4,174,770		282,737,126
At 1 July 2018	1,036,600,000		220,033,881		621,752,359		163,459,267		79,027,195		43,862,843		901,914,027		11,701,490		3,078,351,062
Additions	-		-		-		4,910,604		-		-		108,424,395		-		113,334,999
Disposal			(2,880,000)						(3,190,000)								(6,070,000)
Capitalization			3,997,200		309,584,835		3,766,500						(313,582,035)				3,766,500
Adjustment on Revaluation									(13,561,195)								(13,561,195)
As at 30 June 2019	1,036,600,000		221,151,081		931,337,194		172,136,371		62,276,000		43,862,843		696,756,386		11,701,490		3,175,821,366
Depreciation																	
At 1 July 2017	-		(11,001,694)		(40,591,630)		(85,691,720)		(44,702,896)		(39,500,794)		-		-		(221,488,734)
Depreciation	-		(11,001,694)		(12,435,047)		(24,518,890)		(19,756,799)		(1,090,512)		-		-		(68,802,942)
At 1 July 2018	-		(22,003,388)		(53,026,677)		(110,210,610)		(64,459,695)		(40,591,306)		-		-		(290,291,676)
Depreciation			(11,057,554)		(18,626,744)		(25,820,456)		(15,569,000)		(892,437)		-		-		(71,966,191)
As at 30 June 2019	-		(33,060,942)		(71,653,421)		(136,031,066)		(15,569,000)		(41,483,743)		-		-		(297,798,172)
Net book values																	
As at 30 June 2019	1,036,600,000		188,090,139		859,683,773		36,105,305		46,707,000		2,379,100		696,756,386		11,701,490		2,878,023,194
At 30 June 2018	1,036,600,000		198,030,493		568,725,682		53,248,657		14,567,501		3,271,537		901,914,027		11,701,490		2,788,059,386

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
15B Additions to work in progress are analysed as follows:		
(i) Students hostel and kitchen-II-Lake Gas Ltd/ Brandon Eng.	3,766,500	1,230,644
(ii) Tuition and office block-II-Northern Const. ltd	9,418,950	4,093,615
(iii) Fencing of sports pavilion-Frotech Enterprises	-	2,542,000
(iv) Central stores-Jap International	2,870,208	4,122,563
(v) School of Humanities-Dama Services /Veevee Enterprises	38,630,921	76,019,828
(vi) Kitui Campus-Aaki Consultants/Stepal Builders.	47,848,424	39,803,527
(vii) Wote Campus-Heritage Associates /Arcon Works Ltd.	21,759,775	113,616,925
(viii) Library software-J.Touch Ltd	-	3,449,770
(ix) Anti-plagiarism software-Dimension Education Ltd	-	725,000
(x) Fencing around Gate-Tamata Suppliers	3,997,200	-
Total	128,291,977	245,603,872
Depreciation and amortization expense	71,966,191	68,802,942
15		
Depreciation is only charged on completed projects based on applicable depreciation rates No depreciation charge is made on work in progress.		
16 Audit fees	696,000	696,000
This is fee paid to the Office of the Auditor General for services rendered of auditing the University annual report and financial statements.		
17 Cash and cash equivalents		
(i) Current accounts		
NBK Fees collection A/C No.01021052862000	804,546	2,623,243
NBK Development A/C No.01021053129200	47,146,629	43,262,096
NBK Income generating units A/C No.01021053129100	1,268,070	883,431
NBK Research A/C No.01021053302500	43,993,455	30,065,573
NBK Dollar A/C No.02020052862000	394,342	548,493
NBK Euro A/C No.03020052862000	15,103,677	10,114,358
NBK Payment A/C No.01020088710300	25,853,452	3,689,709
NBK Catering and accom. A/C No.01020088710400	78,421	551,398
NBK Caution money A/C No.01020017462300	4,074,878	663,316
KCB Fees collection A/C No.1127693166	1,365,360	652,418

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

	2018-2019	2017-2018
	Kshs	Kshs
Co-op. Bank fees collect. A/C No.01129300544600	6,846,636	8,169,161
Equity Bank fees collect. A/C No.0720295920757	3,370,540	786,494
Barclays Bank fees collect. A/C No.2021558152	1,539,870	149,087
Total of current accounts	151,839,874	102,158,777
(ii) Others		
M-PESA Fees payment account	5,381,511	32,100
M-PESA IGU payment account	1,708,085	5,215
Total of others	7,089,596	37,315
Total cash and cash equivalents	158,929,470	102,196,092
18 Receivables from exchange transactions		
Outstanding imprest	-	1,563,316
Students debtors	54,418,922	57,738,454
General debtors	18,297,737	4,495,877
Internal debtors	60,000	30,000
Other current assets		
BOC cylinders deposits	211,000	211,000
KPLC co ltd. deposits	110,000	110,000
Prepaid rent	201,042	201,042
Rent deposits	1,390,514	1,390,514
Total receivables from exchange transactions	74,689,215	65,740,203
19 Receivables from non-exchange transactions	66,717,158	-
Total receivables	141,406,372	65,740,203
<p>This denotes a commitment from the Government on account of recurrent grants due in the year of which were received after the year end on 8th July 2019.</p>		
20 Inventories	Kshs	Kshs
Central store inventory	3,442,056	4,168,711
Cleaning materials	235,385	316,282
Food stuffs inventory	22,924	574,680

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

**SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

	2018-2019	2017-2018
	Kshs	Kshs
Medical drugs	233,486	598,794
Purchases for sale IGU	168,630	41,857
Farm inventory	142,688	91,241
Total inventories	4,245,169	5,791,565
21 Biological assets		
Cattle	2,419,080	2,359,200
Poultry	131,075	66,400
Goats	3,894,568	3,064,942
Pigs	989,640	1,018,200
Donkey	12,000	12,000
Total biological assets	7,446,363	6,520,742
22 Trade and other payables from exchange transactions		
Unpaid contractors certificates	15,242,594	148,696,249
Recurrent creditors suppliers	21,095,694	41,497,079
Retention-contractors	57,840,142	59,075,379
Commissioner of domestic taxes (Withholding tax)	667,060	6,076,393
Withholding VAT	3,206,596	12,043,790
Customer deposits(refundable)	95,750	95,750
Customer prepayment	23,342	1,100
Insurance and investments	311,922	4,046,707
Net outstanding salaries	30,332,818	59,159
Pay as you earn tax	112,469,413	15,729,638
SEKU Sacco deductions	4,285,732	4,286,825
SEKU pension scheme	7,377,963	6,865,269
Staff unions-COTU	3,900	4,200
Kudheiha workers union	30,384	30,461
Other societies deductions	2,733,946	1,548,051
Kenya Univ. and Colleges Placement Services fee	3,874,500	2,443,500
Staff bank loan deductions	10,075,202	9,475,926

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

	2018-2019	2017-2018
	Kshs	Kshs
Kenya Universities Staff Union	90,192	93,605
UASU	318,971	330,933
Student pre-paid fees	59,585,664	56,093,050
Provision for part-time claims	49,680,604	36,419,418
Provision for audit fees	696,000	696,000
HELB-Loan	9,129,031	7,845,031
CDF- Constituency Development Fund	6,622,017	3,506,704
HELB-loan repayment	165,837	264,583
Other pensions scheme	118,677	114,731
National Hospital Insurance Fund	653,500	687,500
National Social Security Fund	186,000	194,000
Imprest recoveries refund	197,573	157,773
SEKU-general recoveries	1,097,247	153,739
Payroll fees payment	138,467	388,177
Other sponsors	1,239,964	1,188,251
Un-identified direct banking	3,580,723	2,518,586
Quality Assurance Fee	1,002,000	-
Students Union membership and subscription fees	1,241,322	1,537,135
Total	405,410,748	424,164,692

23 Unexpended research grants

45,406,789	40,728,424
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This constitutes the unspent money on account of funds received for various research projects

24 Refundable deposits from students-caution money

Balance at the beginning	23,286,970	21,984,900
Caution money collected in financial year 2018/2019	2,675,620	3,952,850
Caution money paid and reversed in 2018/2019	(2,502,680)	(2,650,780)
Balance at the end	23,459,910	23,286,970

This a provision in recognition of money paid by students on account of caution money which is refundable on upon completion of studies or transfer to other institutions.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

	2018-2019	2017-2018
	Kshs	Kshs
25 Contingent liabilities		
Tax penalty and interest	<u>3,454,154</u>	<u>3,454,154</u>
<p>The penalty arose as a result of payment of PAYE in 2015/2016 financial year. Kenya Revenue Authority has been petitioned to write it off.</p>		
26 Revenue reserve		
<p>This constitutes the accumulated surplus and deficits over the period the University has been in existence</p> <p>The figures are made up as follows</p>		
Balance at the beginning	(134,914,865)	(82,151,048)
Deficit/Surplus for the period	(42,084,280)	(53,109,674)
Adjustment on unexpended research grants	-	-
Adjustment on depreciation of revalued motor vehicles	-	6,397,889
Adjustment on rent deposit	-	1,080,514
Adjustment on previous years student balances	(1,096,880)	(7,132,546)
Balance at the end	<u>(178,096,025)</u>	<u>(134,914,865)</u>
27 Capital fund		
Balance at the beginning	2,122,992,288	2,059,061,380
Capital grants received in the year	245,590,000	63,930,908
Balance at the end	<u>2,368,582,288</u>	<u>2,122,992,288</u>
28 Revaluation reserves		
Balance at the beginning	489,693,205	496,091,094
Motor vehicles revaluation	32,139,500	-
Adjustment of depreciation on revalued motor vehicles	-	(6,397,889)
Balance at the end	<u>521,832,705</u>	<u>489,693,205</u>

These reserves relate to recognition of carrying amounts of items either donated to the University or whose future economic benefits have been re-determined based on their probable extended economic lifespans. Subsequent depreciation on re-valued amount is charged against the reserves and an entry is passed to the revenue reserves.

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor. Our principal legal adviser and the University Management are doing everything possible to help resolve the various legal cases in court relating to land occupancy ownership and title deeds.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Property, plant and equipment. Land-	There are several cases pending in court details of which have been presented to the office relating to the ownership of the parcels of land. The University Management and lawyers are making efforts to have them registered in the name of the University.	Prof. Geoffrey M. Muluvi, (Ph.D) Vice-Chancellor	Not Resolved	In progress



PROF. GEOFFREY M. MULUVI (Ph.D)
VICE-CHANCELLOR

Date 26/11/2019

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

APPENDIX II: PROJECT IMPLEMENTED BY ENTITY

Projects

Projects Implemented by state Corporation/ SAGA Funded by development partners

	Project Title	Donor	Period/ Duration	Separate donor reporting required as per donor agreement (Yes/No)	Donor Commitment	Consolidated in these Financial statements. (Yes/No)
1	Construction of Wote Campus	GoK	4 Years	No	296,894,108	Yes
2	Construction of Kitui Campus	GoK	4 Years	No	286,198,938	Yes
3	Construction of College of Humanities and Social Sciences.	GoK	4 Years	No	484,956,236	Yes

SOUTH EASTERN KENYA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

APPENDIX III: INTER-ENTITY TRANSFERS


Break down of Transfers from National Treasury FY2018/2019

a Recurrent Grants

Bank Statement date	Amount	Financial Year the amount relate
02/08/2019	58,615,825	2018/2019
30/08/2018	58,615,825	2018/2019
11/10/2018	58,615,824	2018/2019
08/11/2018	58,615,825	2018/2019
06/12/2018	55,098,875	2018/2019
03/01/2019	51,581,926	2018/2019
04/02/2019	58,615,825	2018/2019
07/03/2019	58,615,825	2018/2019
29/03/2019	55,098,874	2018/2019
30/05/2019	58,615,825	2018/2019
10/06/2019	58,615,825	2018/2019
28/06/2019	58,615,825	2018/2019
08/07/2019	66,717,158	2018/2019
Total	756,039,257	

b Development Grants

Bank Statement date	Amount	Financial Year the amount relate
30/10/ 2018	66,968,546	2018/2019
27 /11/2018	44,040,331	2018/2019
13/02/2019	25,754,202	2018/2019
13/02/2019	42,500,000	2018/2019
13/02/2019	11,786,123	2018/2019
26/03/2019	20,151,172	2018/2019
29/05/2019	34,389,626	2018/2019
Total	245,590,000	

PROF. GEOFFREY M. MULUVI (Ph.D)
VICE-CHANCELLOR
 Sign 

HEAD OF ACCOUNTING UNIT
MINISTRY OF EDUCATION
 Sign.....