

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
GARISSA UNIVERSITY COLLEGE**

**FOR THE YEAR  
ENDED 30 JUNE 2017**

*Paper Laid on the  
Table of the House  
by the Deputy  
Majority Leader on  
Tuesday 28<sup>th</sup> August  
2018.*

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**GARISSA UNIVERSITY COLLEGE**  
*(A Constituent College of Moi University)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

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## I. KEY UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

### (a) Background information

The Garissa University College was established as a Constituent College of Moi University on 12<sup>th</sup> August, 2011 through Legal Notice No. 116, The Moi University Act (Cap. 210A), The Garissa University College Order, 2011. At cabinet level, Garissa University College is represented by the Cabinet Secretary for Ministry of Education Science and Technology (MOEST), who is responsible for the general policy and strategic direction of Garissa University College. Garissa University College is domiciled in Kenya and does not have a campus. It Has Four (4) Schools namely: School of Business & Economics; School of Physical & Biological sciences; School of Information Sciences; and School of Education.

### (b) Principal Activities

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

### (c) Key Management

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

- 1) University Governing Council
- 2) Principal's Office
- 2) Deputy Principal (Finance, Administration and Planning) Division
- 3) Deputy Principal (Academic and Student Affairs) Division

### (d) Fiduciary Management

(e) The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

(f)

SNo.	Designation	Name	Role
1.	Principal	Prof. Ahmed Abdikadir Osman	The Accounting Officer and the overall head of the University College.
2.	Deputy Principal (Finance, Administration & Planning)	Professor Stephen Irura Ng'ang'a	The head of finance, administration and planning division and responsible for financial, human resources, administration, development & infrastructural matters of the University College.
3.	Deputy Principal (Academic & Students' Affairs)	The position was vacant during the period, however, the DP (FAP) was in an acting capacity	The head of academic division and responsible for academic, research and student affairs of the University College.

### (g) Fiduciary Oversight Arrangements

The University College has a Council which provides the overall oversight responsibility on the management of the University College which includes:- recruitment of staff, approval of statutes of the university and cause them to be published in the Kenya gazette, approval of policies, approval of the budget, manage, supervise and administer the University assets;

determine the provisions to be made for capital and recurrent expenditure and for reserves; receive any grants, donations or endowments on behalf of the University College; enter into association, collaboration, partnership or linkages with other entities. Council exercises its governing and operation functions through its established standing committees with clear Terms of Reference. These committees are Audit and Compliance Committee, Human Resource Committee and Finance, Development and General Purpose Committee.

**(h) Registered Place of Business**

Garissa University College  
Main Campus  
P.O. Box 1801 - 70100  
Garissa University College Building  
University Way Road, Off. Kismayu Road  
Garissa, KENYA

**(i) Contacts**

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

**(j) University College Bankers**

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


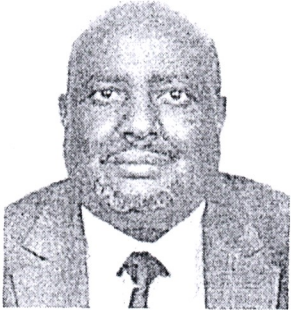

**(k) Independent Auditors**





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

**(l) Principal Legal Adviser**




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




II THE UNIVERSITY COLLEGE COUNCIL

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

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

### III MANAGEMENT TEAM

SNo	Name	Key Professional/Academic Qualification	Area of Responsibility
1.	 <b>Prof. Ahmed Abdikadir Osman</b>	<p>PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University); M.Ed (Secondary Education, Ohio University); MA (International Studies, Ohio University); BA (English &amp; History, Ohio);</p> <p>School Administration and Supervision of Instruction Curriculum planning and Development.</p> <p>Over 30 years of experience in Education</p>	<b>Principal</b>
2.	 <b>Prof. Stephen Irura Ng'ang'a</b>	<p>Doctor of Philosophy in <b>Planning</b> - Maseno University (2011), Master of Philosophy in <b>Entrepreneurship</b> - Moi University (2003), National Diploma in <b>Business Management</b> - The Kenya Institute of Management (1996), Master of Science in <b>Forest Industries Technology</b> - University College North Wales (1993), Graduate Diploma in <b>Timber Technology</b>- Bucks College in United Kingdom (UK) (1990). <b>Diploma in Industrial Education</b>- Kenya Technical Teachers College (1986).</p> <p>Over 30 years' experience in Teaching/Administration</p>	<b>Deputy Principal</b> (Finance, Administration, and Planning)
4.	 <b>Dr. Stephen Rotich</b>	<p>Dr. Stephen Kipkorir Rotich is the Registrar- Academics and students' Affairs (ASA) Division.</p> <p>He has been a senior Lecturer in Research Methods and Education Management, holder of PhD (Education Administration), Moi University, 2014).</p> <p>He has been teaching in University since 2010 and has been a secondary school teacher, principal, trainer of head teachers under KEMI and trainer of secondary teachers under SMASSE.</p>	<b>Registrar</b> (Academic & Students' Affairs)

5.	 <b>Mr. Hussein Hajir</b>	<p>MSc Educational Studies: Teacher Education &amp; Development - The University of Oxford UK. Bachelor of Educational Studies (Hons) University of Stirling, Scotland UK.</p> <p>Over 35 years of experience in the field of education both in Kenya and UK, from Classroom Teacher, Deputy Head teacher, Head teacher, Principal, Field Inspector/Education officer, ECD Assistant lecturer, College Tutor/Lecturer and finally County Cabinet Secretary for Education</p>	<b>Ag. Registrar</b> (Finance, Administration and Planning)
6.	 <b>Dr. Iddi Webukha Juma</b>	<p>D.Phil. in LIS (Moi University), Library and Information Studies. M.Phil. in LIS (Moi), B.Sc. in IS (Moi).</p> <p>Library and Information Studies (15)</p> <p>15 years working experience in Library and Information related sectors both in institutions of higher learning and the civil society.</p> <p>Professional training in Information Science (IT, Media, Publishing and Records Management) with specialization in Library and Information services.</p>	<b>University Librarian</b>
7.	 <b>CPA Teddy Kiplagat Bett</b>	<p>MBA (Finance)- Kenyatta University, BCom-KCA University, CPA (K)Professional</p> <p>Accountant with over 8 years' experience in auditing and assurance, Accounting and Finance in both Public and Private Sector.</p>	<b>Head of Finance</b>

#### IV CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements for the year ended 30th June 2017. This was a great year, being the first year of operation for Garissa University College after the tragic terror attack of April 2<sup>nd</sup>, 2015. During the financial year 2016/17, GUC focused on restoring itself to its former status while at the same time trying to elevate itself to where it ought to be.

The financial commitments were geared towards implementation and revival of projects GUC intended to carry out or had already started prior to the attack. Key among the projects revived during this period were; the 750 student capacity hostel whose current completion rate stands at over 40% and the ICT infrastructure, which is also 90% complete

In addition, Council made great strides in enhancing service delivery by; monitoring the implementation of Enterprise Resource Planning software (ERP) project, which is at an advanced stage as well as the construction of a masonry perimeter wall to boost the institution's security. All these projects are geared towards improving efficiency and effectiveness in service delivery to staff, students and other stakeholders. They also set a strong foundation for GUC's dream of being a technology based University

The Council appreciates the significant growth of the University College's student and staff population as well as its assets and capital base which has promoted a good learning and teaching environment for both students and staff.

The Council achieved in enhancing quality assurance by ; i) negotiating and signing and closely monitoring the implementation of the performance contract (PC) for the 2016/17 financial year, which focused on several key result areas such as Financial Stewardship & Fiscal Discipline; and ii) monitoring and supporting the University College's pursuance for attaining ISO certification. From the progress made so far, GUC has achieved most of its PC targets and should be ISO certified by June 30<sup>th</sup> 2018.

During the FY 2016/2017 the Council also approved, among other things, the year's budget and its accompanying procurement plan and the respective quarterly financial statements that were submitted to national treasury on time.

The Council is also pleased with the efforts of University College's management to ensure prudent management of resources. I wish to thank Garissa University College members of Council who have provided useful insight to the University College Management making it possible to collectively make progress. I thank the Government for its financial support so far that has made it possible to implement training programmes. However; I would like to appeal for more funding for capital development and recurrent expenditure. This will enable Garissa University College build new key infrastructure as it prepares to assume the envisaged status of being to a fully-fledged University, hopefully by the end of the 2017/2018 financial year.

Finally, I wish to thank the staff, parents, guardians, students and the community for their continued support and dedication. Even as the current Council exits we hope that the incoming Council will continue with the zeal to assist Garissa University College in its endeavor to achieve greater heights of excellence.

Thank you

  
Amb. Dr. Hukka L. Wario, PhD, EBS  
**COUNCIL CHAIRMAN**

## V REPORT OF THE PRINCIPAL

It is my great pleasure and privilege to present the Annual Report and Financial Statements of Garissa University College (GUC) for the year ended 30th June, 2017 as required by the Universities Act of 2012 and Public Financial Management (PFM) Act, 2012.

During the year under review, the University College raised Kshs. 39 Million from students' fees services rendered and rent collection which was majorly used to finance operations of the institution. The Government contributed Kshs. 175 Million to support capital development and Kshs. 241 Million for recurrent expenditure.

Garissa University College continues to discharge its three core mandates; teaching/training, research and community outreach. The current student population stands at 670 majority of whom, 529 (79%), are self-sponsored students. The student population is expected to increase by about 50% to bring the total number of students to over one thousand (1000) by the end of the 2017/2018 Financial Year. The students are spread into four major schools offering a wide range of programs. The Schools include: School of Biological and Physical Sciences, School of Business & Economics, School of Education, Arts & Social Sciences and the School of information Sciences. The total number of staff as at 30<sup>th</sup> June, 2017 stands at one hundred and sixty five (165). In addition, GUC had 70 Casual workers, 26 Police Officers and two (2) Members of Senior Management. The staff population is expected to rise to approximately one hundred and eighty five (185) for both academic and administrative staff in the next financial year with a bias in academic staff owing to the expected increase in student population and number of programs on offer.

The University College commenced research project in collaboration with the University of Humboldt (Germany) on growing of African Indigenous Vegetable (AIV) as an adaptive strategy towards improving food security in Garissa County. The project will continue throughout the 2017/2018 FY. In addition to this, GUC has sent out over ten (10) research proposals to various organizations globally some of which have responded positively. We therefore expect the 2017/2018 financial year (FY) to be research intensive.

GUC has also established a training collaboration with the Kijabe Mission hospital which will offer biannual training on community health to GUC students and staff as well as members of the community. More collaboration with various institutions is expected in the 2017/2018 FY.

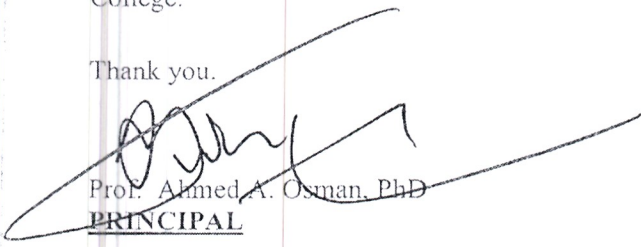
During the period under review, GUC began its journey towards ISO certification, three crucial trainings were carried out: Management Representative (MR) training; Deputy Management Representative (DMR) training; and top and middle management training. This has seen the University College achieve 100% of its Performance Contracting (PC) commitment for the 2016/2017 FY as far as ISO certification is concerned. In the next financial year, the University College plans to carry out an implementers training and develop the Quality Management System (QMS) document which is a key step in attaining ISO certification. We therefore hope to be ISO certified by June 30<sup>th</sup> 2018.

During this year GUC concentrated on making the necessary preparations for the charter award. The Commission for Higher Education carried out four (4) accreditation inspections to assess GUC's readiness for award of charter. The University College has now met most of the requirements and the award of Charter is expected to take place in the course of the 2017/2018 financial year

During the financial reporting year, the University College made several achievements; i) Successfully resumed operations by enrolling over five hundred (500) students after a one year closure following the 2015 terrorist attack ii) Completed over 90% of a Kshs. 32M ICT infrastructure project that lays a strong foundation for GUC's incorporating technology in all its activities; iii) Launched the Enterprise Resource Planning system (ERP) that is expected to automate most of the institution's operations; ; iv) Increased the number of Associate Professors from two (2) to four (4) and the number of fulltime PhD holders to seventeen (17) from nine (9). GUC has also been able to achieve 90% of its performance contracting targets as well as the construction of a masonry perimeter fence which is in its final stages to completion. These achievements mark the beginning of the healing and the revival of GUC, they will go a long way in helping GUC's in getting back on track to achieving its vision of being a world class University of Technological processes and development. Despite these achievements, the University College has been faced with the major challenge of insufficient funds for recurrent and development expenditure which have greatly affected its financial operations statements negatively.

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

Thank you.

  
Prof. Ahmed A. Osman, PhD  
PRINCIPAL

## VI. CORPORATE GOVERNANCE STATEMENT

Garissa University Council had Eight (8) members in the FY 2016/2017 with one member resigning in the second half of the financial year. As per the Universities Act 2012, the council is expected to Employ staff, Approve statutes of the University and cause them to be published in Kenya Gazette approve policies of the university and the budget; Appoint the Vice Chancellor, Deputy Vice Chancellor and Principals of Constituent Colleges through a competitive process and undertake other functions set out under the Universities Act and the Charter of the University. The council came into office vide gazette notice no 13076 of 27<sup>th</sup> August, 2013 and operates with three (3) committees namely the Audit, Risk and compliance committee; the Human Resource Committee, and the Finance, Development and General Purpose Committee.

During the FY 2016/2017, the full council had nine (9) meetings; the Audit, Risk and Compliance Committee three (3), the Human Resource Committee three (3) meetings while the Finance, Development and General Purpose Committee had also three (3) meetings whose detailed attendance is as tabulated.

S.NO	NAME	REGULAR MEETINGS	SPECIAL MEETINGS	AD - HOC MEETINGS	MEETINGS MISSED	TOTAL
	<b>TOTAL MEETINGS</b>	3	4	2		9
1	Amb. Dr. Hukka Wario (Chairman)	3	4	2	0	9
2	Prof. Richard Mibey (VC – Moi University)	2	4	2	1	9
3	Mrs. Florence Chelimo	2	4	2	1	9
4	Mr. Julius Mwabu	2	4	2	1	9
5	Mr. Evans M. Atambo	3	4	2	0	9
6	Mr. John K. Munge	2	4	2	1	9
7	Prof. Ahmed A. Osman (Principal/ Secretary)	3	4	2	0	9
8	Mr. Salah Abdi Sheikh	2	0	1	6	9

\*Special meetings were all council appointment meetings

\*\*Ad-hoc Meetings were Council training and a farewell meeting for exiting council members

S.NO	NAME	MEETINGS ATTENDED	MEETINGS MISSED	Total
1.	Mr. Salah Abdi Sheikh	2	1	3
2.	Mrs. Florence Chelimo	3	0	3
3.	Mr. Evans M. Atambo	3	0	3
4.	Mr. John K. Munge	3	0	3

**CORPORATE GOVERNANCE STATEMENT (Continued)**

Finance, Development and General Purpose Committee Meetings attendance

S.NO	NAME	MEETINGS ATTENDED	MEETINGS MISSED	Total
1.	Mr. Julius Mwabu (Chairman )	2	1	3
2.	Prof. Richard Mibey (VC – Moi University)	2	1	3
3.	Amb. Dr. Hukka Wario (co-opted)	3	0	3
4.	Mr. Evans M. Atambo	3	0	3
5.	Mr. John K. Munge	3	0	3
6.	Mr. Salah Abdi Sheikh	2	1	3
7.	Mrs. Florence Chelimo (Co-opted)	1	0	1
8.	Prof. Ahmed A. Osman	3	0	3

**Human Resource Committee Meetings Attendance**

S.NO	NAME	MEETINGS ATTENDED	MEETINGS MISSED	Total
1.	Mrs. Florence Chelimo (Chairman)	3	0	3
2.	Prof. Richard Mibey (VC – Moi University)	2	1	3
3.	Amb. Dr. Hukka Wario (Co-opted)	3	0	3
4.	Mr. Salah Abdi Sheikh	2	1	3
5.	Mr. Evans M. Atambo	3	0	3
6.	Mr. John K. Munge	3	0	3
7.	Mr. Julius Mwabu	1	2	3
8.	Prof. Ahmed A. Osman	3	0	3

The Universities act provides for nine (9) Council members; A Chair Person, a PS representative for the Ministry In Charge of Finance and that of Education, five (5) members appointed by the CS through an open process and the Vice Chancellor who shall be an ex-officio member of Council. The Kenya Gazette notice of 27<sup>th</sup> August 2013 listed Ibrahim N Mwathane and Christine Mwaka Pekeshe who resigned immediately thereafter. John Munge and James Muchiri are the PS Finance and Education representatives respectively. During the year, James Muchiri was replaced as PS Education representative by Mr Evans Atambo. This resulted in Garissa University College having seven (7) council members, excluding the secretary, listed in the table with full council members' meetings attendance instead of the nine (9) as envisaged by the Universities act 2012. Salah Abdi Sheikh resigned in the second half of the FY 2016/2017 and was not replaced. The Council's four (4) year term expires on 27<sup>th</sup> August 2017 with a new council expected to be named/gazetted.

In August 2016, the Garissa University College council members underwent a one (1) week training on corporate governance whose objectives were to provide an appreciation of good corporate governance, good reporting; the role of council in corporate strategy and performance as well as provide an understanding on appropriation of good governance and corporate management. All members together with the GUC top management attended the training conducted by the Kenya School of Government.

During the FY 2016/2017 Council approved among other things the year's budget and its accompanying procurement plan and the respective quarterly financial statements that were submitted to national treasury on time.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The journey towards award of charter advanced well with four (4) inspections by the Commission for University Education (CUE) and mandatory documents prepared to the satisfaction of CUE that included the statutes, the charter, the strategic plan and a draft master plan. Senior academic staff were recruited competitively, which included one associate professor, two senior lecturers and a deputy principal-Academic and Student affairs (after resignation of the office holder following the trauma caused by the April 2<sup>nd</sup> 2015 terror attack); although he didn't report during the year under review. In addition, three (3) PhD holders were appointed as lecturers to improve the ratio of full to part-time lecturers at GUC in accordance with CUE requirements.

GUC incurred a total expenditure of Ksh 7,845,436.88 in facilitating the council to attend meetings which includes a monthly allowance of Ksh 107,000 (Gross) for the chairman.

S/NO	NAME	POSITION	1ST QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	TOTAL
1	LUKA HUKA WARIO	CHAIRMAN	772,789.80	668,070.00	521,070.00	581,271.50	2,543,201
2	RICHARD MIBEY	VC MOI	134,600.00	-	-	-	134,600
3	J K MUNGE	MEMBER	588,614.30	308,876.20	159,438.10	205,754.00	1,262,682
4	SALAH ABDI SHEIKH	MEMBER	509,576.40	182,676.40	-	-	692,252
5	FLORENCE CHELIMO	MEMBER	471,200.00	177,600.00	119,800.00	130,400.00	899,000
6	EVANS ATAMBO	MEMBER	574,867.78	301,089.20	174,544.60	165,144.60	1,215,646
7	JULIUS MWABU	MEMBER	454,501.60	126,250.80	144,250.80	156,850.80	881,854
8	NATHAN OGECHI	DVC MOI	-	121,600.00	-	94,600.00	216,200
		<b>TOTAL</b>	<b>3,506,149.88</b>	<b>1,886,162.60</b>	<b>1,119,103.50</b>	<b>1,334,020.90</b>	<b>7,845,436.88</b>

In all meetings, the agenda included an item on declaration of conflict of interest and none was declared. The University College was not able to conduct a SCAC evaluation of the council due to various challenges and efforts will be made to ensure this happens in future.

## VII MANAGEMENT DISCUSSION AND ANALYSIS

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

Garissa University College resumed full operations during the 2016/2017 academic year after the terror attack of 2nd April, 2015. The University College was allocated 470 students by KUCPS but only 141 students reported due to the stigma created by the attack. This has hugely affected our A-in-A projections resulting to an operational deficit of Ksh. 43.4 Million. Other university operations progressed well with the university being inspected four (4) times by CUE with favourable results and are on course for charter award.

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

Garissa University College has complied with all the statutory requirements and there are no major non-compliance issues that may expose the University College to potential contingent liabilities. Further, there are no ongoing or potential court cases.

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

Currently, the University College has four on-going projects namely:

- 1) Construction of 750 capacity Students' Hostel whose main objective is to address the gap in the boarding facilities at Garissa University College in order to cater for the accommodation needs of the expanding students population. The project is on-going and is wholly funded by the government of Kenya.
- 2) Construction of Perimeter wall (Fence). The project involves the construction of 2.5 kilometres perimeter wall, a gate, sentry rooms and installation of surveillance cameras at a cost of Ksh.125 million and it will boost security within the university compound.
- 3) The University College began the process of Automation of its processes and operations. To support this endeavour, an ICT infrastructure is being laid down at a cost of Ksh. 32.5 Million.
- 4) An Enterprise Resource Planning (ERP) system was also acquired at a cost of Ksh. 16.9 Million and its implementation is at an advanced stage. The project is set to be fully operational by September, 2017. This project will go a long way into synchronizing university Processes and Operations thereby enhancing efficiency and increasing productivity among members of staff.

In addition to the above projects, the Ministry of water and Irrigation, through the Northern Water Board, sunk a borehole within the university compound during the year 2016/2017. The project involved sinking of a borehole for more quality water supplies than at present as a way of harvesting and exploiting the underground water resource. The project is intended to ensure access to improved safe water and sanitation that are available and accessible to all GUC students and staff beyond present levels. Overall, the project, once completed and opened, it will raise the standards of the GUC's overall water, resource management, storage and harvesting capability.

The Management wishes to secure more funding from the government with a view to undertaking the following projects in the near future:

- 1) Construction of a Modern Tuition Block
- 2) Construction of a Modern Administration Block
- 3) Construction of a Modern Library
- 4) Construction of a Medical Laboratory
- 5) Construction of a Modern Amphitheatre Complex

## VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Section D: Major risks facing the entity

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

- 1) **Budgetary Provisions-** The University College faced liquidity risk as a result of inadequate government allocation to finance both the recurrent and development expenditure. In addition, the University has a low stream of internally generated revenue that only relies on tuition and accommodation charges from students.
- 2) **Public perception and reputation risk-** Following the unfortunate terror attack on the University College in April 2015, the University faced the risk of reputational damage. Consequently, the university faced challenge to attract adequate students for the programmes it offers. The Kenya Universities and Colleges Central Placement Service (KUCCPS) allocated 470 students in the academic year 2016/2017 but only 141 students reported, constituting 30%. Since the attack, there has been low level of acceptance of the University College among Kenyan public.
- 3) **Inadequate corporate policies-** Most of policies are at draft stage. The University operations are guided by policies and directives from the Ministry and Moi University.
- 4) **Fraud and Errors Risk-** Having no computerised accounting system in place, the possibilities of errors and fraud occurring may be high. However, University began the process of computerizing its operations during the reporting period.
- 5) **Security risk-** Like any other part of the country, the University College faces the risk of terror related attacks. This aggravated by its proximity to the Somali border. However, the university is in the process of completing the construction of perimeter wall with safety features.  
A police post has also been established and located within the compound and is fully operational and manned with 26 police officers.

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

During the period under review, Garissa University College had no material arrears in statutory obligations; however, on her financial obligation, she had pending bills amounting to Ksh. 43.4 Million, which has been attributed to unrealized internally generated income

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

Garissa University College governance and administrative structure are still evolving and at formative stages. The council had seven (7) members instead of the required nine (9) members that affected structured operationalization of the committees of council. The administrative structure also had unfilled positions due to financial constraints and GUC had to make do with the Human Resource available. GUC is however up to date with its financial statutory deduction and remittance with a sum of Ksh 43.4 million in pending bills and were given an award by KRA for compliance.

## VIII CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

- i. GUC organised and took part in a mentorship programme where its lecturers and students visited the Garissa School for the deaf to encourage the students and also assist them in chores such as washing their clothes and conducting general cleaning in the School. The exercise was meant to integrate the disabled in our society and encouraging them to work hard in their studies.
- ii. On 30<sup>th</sup> March 2017 the GUC management approved a payment of Ksh 50,000.00 in support of a medical camp organised by Muslim student association from Jomo Kenyatta University of Agriculture and Technology. They also offered a bus to transport the students to and from the medical camp venue. Fifty (50) GUC students were selected to volunteer during the two day exercise. This activity places GUC in direct contact with the community by assisting them to gain access to free medical services.
- iii. GUC in conjunction with athletics Kenya organised a marathon aimed at forging peace and cohesion with the community and also in commemoration of the 2<sup>nd</sup> Anniversary of the terror attack that took place in April 2015. Over one hundred persons participated in the marathon.
- iv. GUC also signed an MOU with the Kijabe Mission Hospital where, staff, students and selected members of the community will be trained biannually on new-born and maternal health as well as other community health issues.

Garissa University Colleges acknowledges its responsibility towards the conservation of the environment. Towards this end, GUC has organised various initiatives such as wastewater management project where all wastewater from students' halls of residence and other sections will be treated and harnessed for nature conservation purposes. The goal of this initiative is to make good use of wastewater through treatment for afforestation protection, restoration and conservation of GUC environment and the immediate surrounding and academic advancement through research. This project, when fully operational, will be extended to the neighbouring community.

Further to this, GUC in collaboration with the University of Humboldt (Germany) began a project on growing of African Indigenous Vegetable (AIV) as an adaptive strategy towards improving food security and environment conservation in Garissa County. In addition to this, GUC organised a tree planting exercise where staff, students, National Youth Service personnel and over five (5) corporate organisations came together to plant over one thousand trees in the University College's compound with the aim of inculcating tree planting culture in the community as well as conservation of the environment.

**CORPORATE SOCIAL RESPONSIBILITY (Continued)**

The University College has carried out both institutional based and external staff training aimed at staff development these trainings such as; Management and Deputy Management representative ISO 9001:2015 training; Top and middle management ISO 9001:2015 training, workshop on improving efficiency in Public Finance Management and financial reporting, Public relations training among others. GUC aims at carrying out at least ten (10) internal and external training and development programmes in the 2017/2018FY.

Garissa University College will continue to organize and take part in more programmes in the 2017/2018FY as it holds steadfast in its mandate for carrying out community outreach activities.

## IX REPORT OF THE UNIVERSITY GOVERNING COUNCIL

The University College Governing Council submits their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Garissa University College's affairs.

### Principal activities

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

### Results

The results of the University College for the year ended June 30, 2017 are set out on pages 1 to 3

### Council Members

The members of the University College Governing Council who served during the year are shown on pages iv and v. During the year, Salah Abdi Sheikh resigned from the Council and the University College did not receive a replacement whereas James Muchiri was replaced with Evans Atambo.

### Auditors

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

By Order of the University Governing Council



Prof. Ahmed A. Osman, PhD

The Principal

Date:

28/9/2017

## X STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Sections 14, 15 (1) & 33 of the State Corporations Act, require the University Governing Council to prepare financial statements in respect of that Garissa University College, which give a true and fair view of the state of affairs of the University College at the end of the financial period and the operating results of the University College for that period. The Council Members are also required to ensure that the University College keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the University College. The Council Members are also responsible for safeguarding the assets of the University College.

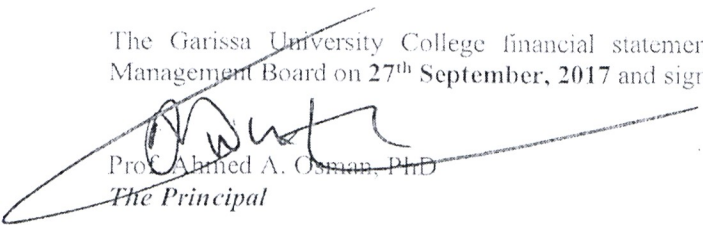
The Council Members are responsible for the preparation and presentation of the University College's financial statements, which give a true and fair view of the state of affairs of the University College at the end of the financial year period ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy, at any time the financial position of the University College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Council members are of the opinion that the University College's financial statements give a true and fair view of the state of Garissa University College's transactions during the financial year ended June 30, 2017, and of the University College's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University College which have been relied upon in the preparation of Garissa University College's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Garissa University College financial statements were approved by the University College Management Board on 27<sup>th</sup> September, 2017 and signed on its behalf by:

  
Prof. Ahmed A. Osman, PhD  
*The Principal*

CPA Teddy Bett  
*Head of Finance*

NB: The term of the council ended on 28<sup>th</sup> August, 2017 and a new one had not been gazetted as at the date of this report submission.

# REPUBLIC OF KENYA

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NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### AUDIT REPORT OF THE AUDITOR-GENERAL ON GARISSA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Garissa University College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2017, and the statement of receipts and payments, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1. Signing of the Financial Statements

The financial statements submitted and presented by the University College were not complete as Part IV of the financial statements was signed on behalf of the Council chairman by the University College Principal. The principal signed the financial statements as the term of the Council ended in August, 2017 and a new Council was not gazetted. However, there was no authority for the same from the Ministry of Education being the Parent Ministry in guiding the University on who is to sign the financial statements when the University Council is not operational though the principal of the University College is an ex officio member of the Council as per Section 36(1) (e) of the Universities Act, No. 42 of 2012. Further, it is not clear how the strategic issues of the University are being handled in the absence of the University Council.

In the circumstance, the financial statements presented could not be confirmed as the correct financial statements for the year ended 30 June 2017.

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*Report of the Auditor-General on the Financial Statements of Garissa University College for the Year ended  
30 June 2017*

## **2. Proposed 750 Students' Hostel - Garissa University College**

A contract for proposed construction of 750 number student hostel at a contract sum of Kshs.427,103,222 was awarded to a local construction company on 17 January, 2014 with the approval of the University Council. The contract agreement was made on 24 April, 2014 but did not indicate the start date and the completion and taking over date.

According to the project implementation committee meeting held on 17 November, 2014 indicated the commencement date as 2 may, 2014 completion date as January, 2015 and contract period being 8 months. However, a review of the contract records and audit inspection of the same project carried out on 28 September, 2017 revealed the following observations: -

- (i) Minutes for the second meeting held on 12 march, 2015, revealed that 1<sup>st</sup> contract extension period of nine (9) months was awarded to the contractor thus making the completion date to be 3 October, 2015.
- (ii) 2<sup>nd</sup> contract extension period of 12 months was given vide minutes for the sixth meeting held on 19 November, 2015, extending completion date to 31 October, 2016.

As at the time of audit physical verification conducted on 28 September 2017 there was no documentary evidence to show that the completion period was extended beyond 31 October, 2016 and it was also observed that the contractor was not on site. The works completed was about 43%.and payments made was Kshs. 251,400,282 (58.86%) of the contract sum of Kshs. 427,103,222 leaving a balance of Kshs.175,702,940.

According to the Project Manager Financial Appraisal No.2 dated 22 May 2017 percentage variation to final contract sum (excluding contractual claims) was 18.00 % leaving financial variation of 7.00% to reach the maximum percentage allowable by Regulations of 25% and therefore going by the above analyses the project cannot be completed by the contract sum plus the percentage variations of 25% to final contract sum.

The University management did not come up with other measures to avoid the project being abandoned and make it successful.

In view of the foregoing, it was not possible to confirm the propriety and value for money of the project expenditure of Kshs. 251,400,282 and the opportunity cost by the delayed completion of the hostel project.

## **3. Irregular Procurement of Perimeter Wall and Security Systems Installations**

Review of project file relating to tender No. GUC/01/2016-2017 for the proposed construction of perimeter wall and security system installations revealed that the University awarded contract to Rocho Construction Company Ltd at a cost of Kshs.123,265,532 through restricted tendering method. A review of the expenditure disclosed that payments totaling Kshs.81,111,111 was made during the year under review. However,

- i. The university planned to use open tender to procure the project as per the approved procurement plan for financial year 2016/2017 dated 26/7/2016 but

instead restricted tendering method was used. Further, there was no special circumstance to justify the use of the choice of procurement contrary to the method prioritized by law and indicated in the approved procurement plan.

- ii. There was no performance guarantee submitted by the contractors and the perimeter wall costed Kshs.60,428,300 as per Bill No.2 of the priced bill of quantities. Further, the contractor was paid Kshs.81,111,111 as at 30 June, 2017 for the perimeter wall which Kshs.20,682,811 over and above the cost of the wall and no reasons has been given for exceeding the cost.
- iii. Report of clerk of works on status of project supporting payment certificate 04 of 7/6/2017 was not dated and did not indicate the name of the issuing officer. Further, it was signed on behalf of the clerks of work and there was no authority to sign on behalf the same report was not detailed and it did not show contract Commencing date and due date of completion of the project and % of completion.
- iv. Statement of payment on account certificates 01 – 04 used to make payments did not disclose valuation of work done by abstracting such items as wholly or partially completed from the bill of quantities or by taking detailed measurement of completed work priced out at rates proportionate to the contract amount, instead the statement for payment on account showed permanent work done and material on site aggregated.
- v. Physical verification done on 20 September 2017 revealed minor cracks to blaster and the project is ongoing 10 months after the contract agreement was signed on 7 November 2016 with no evidence of implementing the other activities included in the tender.

Consequently, the propriety and value for money of the expenditure of Kshs.81,111,111 could not be confirmed as at 30 June 2017.

#### **4. Delayed Implementation of ERP System**

During the financial year under review, a review of expenditure and other records maintained at the Garissa University College disclosed that a contract of Kshs.16,894,603 was awarded to implement Microsoft dynamics Navision ERP 2017. However, there was a delay in implementation. Scrutiny of the Tender documents and the contract agreements revealed that according to the contract agreement made on 22/02/2017 “Commencement Date” shall mean the date on which this contract takes effect and shall be the date when this contract is executed by both parties. In this case it was supposed to be 22/02/2017 and as per the project charter document (implementation of Microsoft dynamics Navision 2017 targets and duration for achievement was to take 53 number of days from the time the contract was executed by both parties the project should have been completed by 16/04/2017. However, ERP Implementation status by the contractor dated 08/09/2017 the accounts payable, Library modules, Go- Live and project commissioning were pending and no explanation has been given for the delays.

Delaying the implementation of the project may cause increase in variation costs and may also lead to abandoning of the project.

Consequently, it has not been possible to confirm if the projects will be completed on time and the University will get value for money from the project.

## **5. Payment for Staff Group Life Assurance**

During the year under review payment of Kshs 1,325,948.88 was made to Liaison group (I.B) Ltd for annual staff premiums. However, there were no tender documents as well as contract agreement in support of the expenditure.

Consequently, the propriety and validity of the expenditure could not be ascertained as at 30 June 2017.

## **6. Procurement of Sanitation and Pest Control Services**

The University paid Kshs 1,026,020.00 for contracted pest control services during the period under review. However, the following anomalies were noted:-

- a) The Service was procured directly and condition to warrant use of this mode procurement was not availed alongside council minute for audit verification.
- b) Original contract agreement to establish the scope of work was not availed for audit review.
- c) Scrutiny of payment vouchers established that Rentokil initial was being paid for offering services such as pest treatment, washroom services and supply of sanitary bins. However, there was no documentary evidence establish whether this was within the scope of the original agreement.
- d) Payments were being made basically on service provider's estimate, which were submitted by Rentokil, computation of payments were not pegged on square meters of areas sprayed against pesticide.
- e) Payment were also made without inspection and acceptance certificates of the services rendered.

Under the circumstance, the propriety of the expenditure could not be confirmed.

## **7. Budget & Budgetary Process**

A review of the budget process of Garissa University College with the objective of confirming whether proper and timely budget was prepared in compliance with relevant laws and regulations was conducted in the month of September, 2017. However, the following observations were made: -

- a) There was no University College Management Board minutes' discussion on budget made available for audit.
- b) Council approved the budget late on 26/7/2017, beyond the 30<sup>th</sup> June Deadline as per PFMA. No proper explanation was given the same.
- c) Development budget was underfunded to the tune of Kshs. 50,000,000.

This may affect implementation of projects and the realizing the University strategic plan.

## **8. Information, Communication Technology (ICT) Environment**

### **8.1 Lack of ICT Governance Instruments**

A review of the ICT department for the Garissa University College revealed that the institution has not yet developed or implemented key ICT documents like Disaster Recovery Plans (DRP), ICT Policy, ICT Strategic Plan. There was no Service Level Agreement between the university and the vendor produced for audit verification for the newly purchased ERP System and therefore Audit could not analyze the same agreement.

### **8.2 Improper Antivirus Update Management**

A check on the desktop computer of Payroll Accountant for reports extraction revealed that the antivirus software installed had obsolete databases and had already expired. The institution was at risk of exposure to many forms of attack like Trojans, worms and malware which can lead to loss or leakage of critical information and many hours spent to clean up the network.

### **8.3 Use of Unlicensed Software**

A check on the desktop computer of Payroll Accountant for reports extraction revealed that the Microsoft office installed is not licensed. Using a pirated software may cause you severe repercussion by legal authorities. Copyright infringement is a crime, which attracts huge penalty if caught.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Cash Basis and for such 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/sustainability of services and using the going

concern basis of accounting unless the management either intends to liquidate the Corporation's or to cease operations, or have no realistic alternative but to do so.

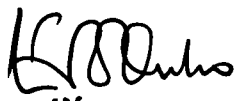
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Garissa University College in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

**Nairobi**

**13 August 2018**

**XII STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2017**

	NOTE	2016 - 2017	2015-2016
		Kshs '000	Kshs '000
<b>Revenue from Non-exchange Transactions</b>			
Recurent Capitation Grants	2(a) & 3	241,550	238,074
Capita(Development) Grants	2(a) & 4	-	32,021
Public Contributions & Donations	2(a) & 5	35	44
		<b>241,585</b>	<b>270,138</b>
<b>Revenue from Exchange Transactions</b>			
Tuition and related charges	2(a) & 6	39,088	14,612
Other services rendered	2(a) & 7	4,249	329
Finance Income- Investments	2(a) & 8	-	1,860
Sundry income	2(a) & 9	1,344	812
		<b>44,681</b>	<b>17,613</b>
<b>Total Revenue</b>		<b>286,266</b>	<b>287,751</b>
<b>EXPENSES</b>			
Personal Emolument	10	228,373	201,689
Council committee Expenses	11	11,159	14,943
Depreciation Expenses	12	21,504	14,102
Operations and Maintenance costs	13	73,410	51,448
Audit Fees	20	700	1,400
		<b>335,146</b>	<b>283,582</b>
<b>DEFICIT FOR THE PERIOD</b>		<b>(48,880)</b>	<b>4,169</b>

The notes set out on pages 7 to 27 form an integral part of these Financial Statements

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

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**XIII STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2017**

	NOTE	2016-2017 Kshs '000	2015-2016 Kshs '000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	2(f) & 14	26,188	3,182
Trade and other receivables	15	74,831	116,730
Bank Guarantee		-	-
Cash and bank balances	16	102,463	87,865
		203,482	207,777
<b>NON- CURRENT ASSETS</b>			
Land	2(d) & 22	35,000	35,000
Buildings	2(d) & 22	306,365	281,181
Work in Progress	2(d) & 22	371,065	221,269
Computers .copiers	2(d) & 22	-	3,833
Motor Vehicles	2(d) & 22	6,046	12,503
Furniture Plant Equipment	2(d) & 22	26,679	15,973
		745,154	569,759
<b>TOTAL ASSETS</b>		<b>948,636</b>	<b>777,536</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	38,444	17,618
Refundable Deposits	21	34,102	18,982
Bank liability		-	-
Provisions/Accruals-Audit fees	20	2,800	2,100
<b>TOTAL CURRENT LIABILITIES</b>		<b>75,346</b>	<b>38,000</b>
<b>NON-CURRENT LIABILITIES</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>75,346</b>	<b>38,000</b>
<b>NET ASSETS</b>		<b>873,291</b>	<b>739,536</b>
<b>RESERVES</b>			
Revenue Reserves		(48,880)	4,169
Revaluation Reserve		274,679	267,044
Transfer to rev. Reserves		-	-
Capital Reserves		647,492	468,323
<b>TOTAL RESERVES</b>		<b>873,291</b>	<b>739,536</b>

The financial statements were approved by the University Council on -----  
and signed on its behalf by:

..... **Principal**  
Prof. Ahmed A. Osman, PhD Curriculum and Instruction (Ohio), M.Ed. Secondary Education (Ohio)  
M.A. International Studies (Ohio), BA English & History (Ohio)

..... **Council Chairman**  
Amb. Dr Hukka L. Wario, B.Ed (Nairobi) M.Ed (Nairobi), PhD (Reading)

XIV STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2017

	Capital	Revaluation	Revenue	Total
	Reserves	Reserves	Reserves	Reserves
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
	Restated	Restated	Restated	Restated
As at 1 July 2015	321,408	267,044	130,529	718,981
Surplus/(deficit) for the period	-	-	4,169	4,169
Transfers to/from accumulated surplus	130,529	-	(130,529)	-
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year	16,386	-	-	16,386
Revaluation gain	-	-	-	-
As at 30 June 2016	468,323	267,044	4,169	739,536
As at 1 July 2016	468,323	267,044	4,169	739,536
Surplus/(deficit) for the period	-	-	(48,880)	(48,880)
Transfers to/from accumulated reserves	4,169	-	(4,169)	-
Transfer of excess depreciation on revaluation	-	7,635	-	7,635
Grants received during the year	175,000	-	-	175,000
Revaluation gain	-	-	-	-
As at 30 June 2017	647,492	274,679	(48,880)	873,291

Note

a Capital reserve

This represents the net worth of the university college for the year ended 30th June, 2017 and forms the net assets of the institution. It includes revenue reserves (Surpluses/Deficits) for prior periods

b Revaluation Reserve

The university college carried out valuation of its buildings in the year 2015 and ksh. 267.044m represents the value of buildings over and above the value before the valuation. In current period this has been adjusted by ks. 7.635m to provide for depreciation over-charge in previous periods

XV STATEMENT OF CASH FLOWS AS AT 30 JUNE, 2017

	NOTE	2016-2017 Kshs '000	2015-2016 Kshs '000
<b>Cashflows from Operating Activities</b>			
<b>Receipts</b>			
Recurrent (capitation) grants	3	241,550	238,074
Capital Development Grants	4	175,000	32,021
Public Donations	5	35	44
Finance income	8	-	1,860
Tuition Fees	6	39,088	14,612
Accomodation	7	848	-
Catering Sales	7	1,987	-
Rental Income	7	1,414	321
Sundry Income	9	1,344	8
<b>Total Receipts</b>		<b>461,266</b>	<b>286,938</b>
<b>Payments</b>			
Personal Enrolment	10	228,373	201,689
Council committee Expenses	11	11,159	14,943
Operations and Maintenance costs	13	73,410	51,448
Audit Fees Provision/Accrued Audit Fees	20	-	700
<b>Total Payments</b>		<b>312,942</b>	<b>268,780</b>
<b>Surplus</b>		<b>148,324</b>	<b>18,158</b>
<b>Non-Cash Movement</b>			
Increase/(Decrease) in Payables		21,273	(16,479)
Increase in Provisions		-	700
Decrease/(Increase) in other Current Assets		-	3,536
Decrease/(Increase) in Receivables		41,899	72,847
<b>Net Cash flows from Operating Activities</b>		<b>211,496</b>	<b>78,762</b>
<b>Cashflows from Investing Activities</b>			
Purchase of Furniture, property, plant & equipment	22	(15,425)	(71,066)
Proceeds from sale of furniture, property, plant & Equipment		-	-
Purchase/Renovations of Buildings	22	(31,677)	-
Acquisition/Disposal of Intangible Assets		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
Increase in Work in progress (W.I.P)	22	(149,796)	-
<b>Net cash flows used in investing activities</b>		<b>(196,898)</b>	<b>(71,066)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Capital Reserve		-	16,386
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>16,386</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14,598</b>	<b>25,518</b>
Cash and cash equivalents at 1 July		87,865	62,347
Cash and cash equivalents at 30 June,		102,463	87,865

XVI STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget 2016-2017	Adjustments 2016-2017	Final budget 2016-2017	Actual on comparable basis 2016-2017	Performance difference 2016-2017
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Property taxes	0				
Public contributions and donations	0	0	0	35,000	(35,000.00)
Fines, penalties and levies	0				0
Licenses and permits	0				0
Government grants and subsidies(Recurrent)	241,550,400	0	241,550,400	241,550,400	0
Capital Grants	260,483,975	2,015,108	262,499,083	175,000,000	87,499,083
Rendering of services	0				
Sale of goods	0				
Finance income	0				
Gains on disposal, rental income and agency fees	0				
Tuition & Related charges	63,978,725	2,063,711	66,042,436	41,921,372	24,121,064
Other Income	10,560,000	0	10,560,000	2,847,381	7,712,619
<b>Total income</b>	<b>576,573,100</b>	<b>4,078,819</b>	<b>580,651,919</b>	<b>461,354,153</b>	<b>119,297,766</b>
<b>Expenses</b>					
Personal Emoluments	234,750,520	763,711	235,514,231	219,172,563	16,341,668
Goods and services	-	-	-	-	-
Finance cost	-	-	-	-	-
Rent paid	-	-	-	-	-
Taxation paid	-	-	-	-	-
Other payments	-	-	-	-	-
Grants and subsidies paid	-	-	-	-	-

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017**  
(Continued)

Board Expenses	8,381,656	3,259,186	11,640,842	10,570,768	1,070,074
Operational, Academic & Administrative Costs	70,737,881	-1,959,186	68,798,695	68,637,506	161,189
Repairs & Maintenance Costs	2,199,068	0	2,199,068	2,148,727	50,341
Capital Expenditure	260,483,975	2,015,108	262,499,083	149,893,084	112,605,999
<b>Total expenditure</b>	<b>576,573,100</b>	<b>4,078,819</b>	<b>580,651,919</b>	<b>450,422,648</b>	<b>130,256,163</b>
<b>Deficit for the period</b>				<b>10,931,505</b>	<b>(10,998,397)</b>

**Explanation of material variance**

**a Capital Grants (87,499,083A)**

At the end of the fourth quarter, the university paid Ksh. 149,893,084 towards the capital Expenditure. Kcs. 112,605,999 had not been paid because the main contractor of the 750 capacity students' hostel project didn't bring the Performance bond on time ; the ICT project was not complete as the period end, hence the adverse variance

**b Tuition & Related Charges- (24,121,064 A)**

The University college faced admission short-fall hence did not collect fees income as anticipated at the beginning of the report period hence the adverse effect

**c Other Income-(7,712,619A)**

The University college faced admission short-fall hence did not generate catering sales and accomodation income as anticipated at the beginning of the period

**d Personal Emoluments-16,341,668F**

The University College Management Board (UCMB) adopted cost-cutting measures hence the favourable variance.

**e Board Expenses-(1,136,966A)**

The university governing Council held strategy meetings, among them was shortlisting of senior members of staff following CUE recommendations. Some of the meetings had not been anticipated at the beginning of the year.

**XVII NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

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

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

Garissa University College's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University College. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The University College adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University College.</i></p>
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when the University College prepares separate financial statements.</p> <p><i>The University College does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply</i></p>
IPSAS 35:	Effective for annual periods beginning on or January 1, 2017)

Standard	Impact
<p>Consolidated Financial Statements</p>	<p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when a University College controls one or more entities. It requires an University College that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other University College</li> <li>- Its exposure or rights to variable benefits from involvement with the other University College</li> <li>- Its ability to control the nature, timing and amount of benefits from the other University College.</li> </ul> <p>Once control is assessed the controlling University College is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The University College does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p><b>IPSAS 36:</b> Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The University College does not have investments in associates or joint ventures and therefore the standard does not apply.</i></p>
<p><b>IPSAS 37:</b> Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The University College does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
<p><b>IPSAS 38:</b> Disclosure of Interests in Other Entities</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires a University College to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The University College does not have an interests in other entities and therefore the standard does not apply.</i></p>

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

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

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

- iii. Early adoption of standards

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**1. Fees, taxes and fines**

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

**2. Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 College and can be measured reliably.

### ii) Revenue from exchange transactions

#### *Rendering of services*

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

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

#### *Sale of goods*

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

#### *Interest income*

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

#### *Dividends*

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

#### *Rental income*

The University College does not invest in properties and therefore does not earn rental income arising from operating leases on investment.

### b) Budget information

The original budget for FY 2016-2017 was approved by the University Governing Council on 16.07.2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University College upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University College did not record additional appropriations on the 2016-2017 budget but re-allocation of votes following the University Governing Council's approval.

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

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

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**c) Taxes**

The University College is exempted from paying corporation tax by the Kenyan Government since it's a non for profit making entity.

**d) Investment property**

The University College does not own investment properties of any nature.

**e) Property, plant and equipment**

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

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

The annual depreciation rates in use are:

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Work in progress

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

### f) Leases

The University College does not own any asset on leased arrangements.

### g) Intangible assets

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

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

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

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

### i) Research and development costs

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

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

### i) Research and development costs (Continued)

- 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.

### h) Financial instruments

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### i) Inventories

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

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

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

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

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

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

### j) Provisions

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

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

#### *Contingent liabilities*

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

#### *Contingent assets*

The University College 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 College 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,

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

the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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

The University College creates and maintains reserves in terms of specific requirements. The reserves maintained include capital and revenue reserves.

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

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

### **m) Employee benefits**

#### **Retirement benefit plans**

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

### **n) Foreign currency transactions**

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

### **o) Borrowing costs**

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

### **p) Related parties**

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

### **q) Service concession arrangements**

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

### **r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### s) Comparative figures

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

## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

The University College based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University College. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### Property and equipment

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

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

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

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

### Provisions

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

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

**a) Subsequent events**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OPERATION GRANTS			
		2016-2017	2015 - 2016
		Kshs '000	Kshs '000
July		20,129	20,129
August		20,129	20,129
September		20,129	20,129
October		20,129	20,129
November		20,129	20,129
December		20,129	20,129
January		20,129	20,129
February		20,129	20,129
March		-	20,129
April		40,258	20,129
May		20,129	18,391
June		20,129	18,391
<b>Total Capitation Grants</b>		<b>241,550</b>	<b>238,074</b>

Note: Recurrent capitation for March 2017 was disbursed and received in April, 2017

4. CAPITAL DEVELOPMENT GRANT			
		2016 - 2017	2015 - 2016
		Kshs '000	Kshs '000
Quarter 1		-	-
Quarter 2		41,080	14,830
Quarter 3		96,836	-
Quarter 4		37,084	17,191
		<b>175,000</b>	<b>32,021</b>

5. PUBLIC CONTRIBUTIONS & DONATIONS			
		2016-2017	2015 - 2016
		Kshs '000	Kshs '000
Equity Bank		15	-
KCB Bank		20	-
Others		-	44
<b>Total</b>		<b>35</b>	<b>44</b>

Note: The donations were received from Kenya Commercial Bank and Equity Bank in solidarity with the University College in the second commemoration of students who died following the 2015 terror attack.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TUITION AND RELATED CHARGES			
	2016-2017		2015-2016
	Kshs '000		Kshs '000
Tuition fees	8,342		11,762
Direct Charges	8,342		-
Registration fees	1,043		90
Application fees	559		273
GUSCO Fees	521		45
Students' ID charges	261		22
GUSCO Ann. Subscip	1,043		90
Caution Money	1,043		1,010
Medical fees	1,564		135
Examination fees	1,251		108
Activity fees	1,043		90
Amenity fees	1,043		90
Computer Fees	10,427		899
Quality Assurance (CUE)	1,042		-
KUCCPS	1,564		-
	39,088		14,612
7. OTHER SERVICES RENDERED			
	2016-2017		2015 - 2016
	Kshs '000		Kshs '000
Accommodation	848		-
Catering sales	1,987		-
Rental (Staff)	1,414		321
Transport	-		8
<b>Total</b>	<b>4,249</b>		<b>329</b>

Note: The rental income is from the University College's staff quarters whereas the transport income is from students being offered the transport services

8. FINANCE INCOME			
	2016-2017		2015-2016
	Kshs '000		Kshs '000
Interest on Deposits	-		1,860
	-		1,860

Note: The interest on deposits was generated on the fixed deposit account for the amount fixed during 2015/2016 financial year

9. SUNDRY INCOME			
	2016-2017		2015 - 2016
	Kshs '000		Kshs '000
Sale of tender documents	-		10
Fines, penalties	-		-
Account Regularization	-		8
Hire of University Facilities	1,344		795
	1,344		812

Note  
Hire of university facilities include monies received from Ethics & Anti-economic Crimes Commission (EACC) and Postal Corporation of Kenya in respect of workshops held within the University Premises during the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PERSONAL EMOLUMENTS			
		2016-2017	2015 - 2016
		Kshs '000	Kshs '000
Basic Salary		194,793	87,204
House Allowance		102	51,015
Gratuity & Pension		6,059	16,600
Commuter Allowance		987	14,256
Passage , Baggage & Leave		-	356
Part-time Lecturers		7,792	7,386
Hardship Allowance		771	21,557
Entertainment Allowance		21	-
Telephone allowance		12	-
Police Allowance		5,349	-
Casuals Payments		12,488	-
Other Personal Allowance		-	3,316
<b>Total Personal Personal Emoluments</b>		<b>228,373</b>	<b>201,689</b>

During the year under revview, a police post was established within the the University College's compound and payment of of ploice allowances became necessary.

11. COUNCIL COMMITTEE EXPENSES			
		2016-2017	2015 - 2016
		Kshs '000	Kshs '000
Chairman's Honoraria		1,284	-
Members' Allowances & Meeting Expenses		9,875	14,943
Other Allowances		-	-
<b>Total Council Expenses</b>		<b>11,159</b>	<b>14,943</b>

12. DEPRECIATION & AMORTIZATION EXPENSE			
		2016-2017	2015 - 2016
		Kshs '000	Kshs '000
Property, plant and equipment		21,504	14,102
Intangible assets		-	-
Investment property carried at cost		-	-
<b>Total Depreciation Expense</b>		<b>21,504</b>	<b>14,102</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OPERATIONS AND MAINTENANCE COSTS			
The following are included in Operations and Maintenance Costs:			
	2016-2017		2015 - 2016
	Kshs '000		Kshs '000
Insurance Expense	2,907		-
Postal & Telegram Expenses	110		10
Official Entertainment/Office Expenses	9		36
Electricity, water & Conservancy	7,335		3,846
Publishing & printing	355		750
Advertising & Publicity	1,412		1,541
Audit Fees	-		-
Newspapers & Periodicals	183		-
Legal expense	15		-
ASK Shows & Other Exhibition	510		210
Open & Cultural Day Expenses	2,471		70
GUSO welfare	1,711		-
Public Engagement & Communication Strategy	280		-
Staff Devt/Scholarship-Academic	-		-
Conferences & Seminars	245		246
Commission for University Education	2,857		-
Staff Medical care	9,848		2,818
Postgraduate Programme	-		500
Research Programme	44		15
Purchase of plant & Equipmt-acad	-		300
Maintanance of Plant & Equipment	-		-
Maintanance of computers	-		-
Recruitment Expense	-		-
External Examiners	1,343		94
Medical expense & healthcare-Drugs	1,436		198
Maintainace of catering & Hostels	68		4
Devlpt of Academic Programme &	-		844
Hotel Accomodation & Hospitality expenses	-		702
Staff development-Non academic	-		72
Rent & Rates	1,117		1,636
Senate & Deans Committee Expenses	2,179		1,120
Purchase of Bicycles and Motor cycles	130		130
Computer expense & software	87		65
Hire of Facilities	-		50
Internet services & Communication Expenses	2,676		1,936
Purchase of MIS & FMIS	-		-
Maintenance of Healthcare and Medical Equipment	-		200
ISO & ISO Related Expenses	189		516
Contract services & Subscription	99		1,182
ICT Infrastructure Expenses	36		-

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

**Operations & Maintenance Costs (Cont.)**

Performance Contracting	503	-
Bank charges	150	179
Corporate social responsibility	21	-
Stationeries	1,459	476
Subsistence, Travelling & Accommodation	7,870	4,330
Vehicle Running & Maintenance	2,319	3,047
Uniforms & Clothing	-	280
Telecommunication Expenses	20	-
Books, Periodical & Journals	-	-
Teaching Materials	-	-
Computer & Accessories	-	11,350
KUCCPs Charges	255	30
Library books & other Expenses	5,074	7,176
Training & Capacity building	995	1,109
Examination Materials & Expenses	336	-
Graduation Expenses	100	-
Student Activities	-	-
Sports & Recreational Activities	411	-
Purchase of Catering & Hostel materials	200	-
Purchase of Catering Equipment	2,251	-
Purchase of sports Equipment	289	-
Purchase of Lab Equipment	420	-
Cleaning materials & detergent	1,637	661
Oil, lubricants & LPG Gas	-	136
Maintenance of building & stations	87	-
Maintenance of Water & Sewerage	316	402
Maintenance of Ground & Parks	74	285
Maintenance of Hostels	68	-
Generator Fuel & Maintenance	19	-
Teaching Practice/Field Course	-	214
Security service, system & equipt	866	2,891
Catering Expenses	7,781	-
Publication Materials	-	37
Maintenance of Lab Equipment	18	-
Strategic Plan & Implementation	125	-
Maintenance of Stores	-	-
General Refurbishment	94	-
Maintenance and repair works of Equipments and structures	-	-
<b>Total Operations &amp; Maintenance Costs</b>	<b>73,410</b>	<b>51,367</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INVENTORIES	2016-2017	2015 - 2016
	Kshs '000	Kshs '000
Consumable stores (Stationeries & Lab Chemicals)	2,004	1,426
Central Stores ~ Security tools	1,887	1,388
Clinic ~ Medicines & other consumables	17,421	367
Catering Stores	3,732	-
Hostel stores	1,144	-
<b>Total (at the lower of cost and net realizable value)</b>	<b>26,188</b>	<b>3,182</b>

15. TRADE AND OTHER RECEIVABLES	2016-2017	2015 - 2016
	Kshs '000	Kshs '000
Amounts falling due within one year:-		
Outstanding Students' Fees	74,631	16,730
Other debtors and accruals	-	100,000
Outstanding Staff Imprests	200	-
<b>Total</b>	<b>74,831</b>	<b>116,730</b>
Provision for doubtful debts	-	-
<b>Balance</b>	<b>74,831</b>	<b>116,730</b>

16. CASH AND BANK BALANCES	2016 - 2017	2015-2016
	Kshs '000	Kshs '000
KCB-Capital Development A/c	36,943	82,257
KCB- Payment A/c	5,935	(966)
KCB- Deposit A/c	11,759	623
KCB - Disaster Fund A/c	-	27
Equity - GSSP Collection A/c	4,882	122
Equity - PSSP Collection A/c	40,109	5,797
Equity Bank- Accomodation A/c	2,836	2
Barclays Bank - Disaster A/c	-	3
	<b>102,463</b>	<b>87,865</b>

17. BANK BALANCES	206-2017	2015-2016
	Kshs '000	Kshs '000
Kenya Commercial Bank	54,637	81,940
Equity Bank	47,826	5,922
Barclays Bank of Kenya	-	3
	<b>102,463</b>	<b>87,865</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH AND CASH EQUIVALENTS		2015 - 2016	2014 - 2015
		Kshs '000	Kshs '000
Bank		102,463	87,865
Cash-on-hand and intransit		-	-
Short-term deposits		-	-
<b>Total cash and cash equivalents</b>		<b>102,463</b>	<b>87,865</b>

19. TRADE AND OTHER PAYABLES		2016-2017	2015-2016
		Kshs '000	Kshs '000
<b>Amounts falling due within one year:-</b>			
Recurrent and capital creditors		34,923	16,513
Prepaid Fees		3,521	1,105
		<b>38,444</b>	<b>17,618</b>

Note: Included in the Recurrent & Capital Creditors are supplier invoices not paid at the end of the financial period. In addition, the total prior year figure has changed from 36,600 to 17,618 as a result of reclassification of retention fund from payables to refundable deposits.

20. Accrued-Audit Fees		2016- 2017	Restated 2015-2016
		Kshs '000	Kshs '000
Balance b/f		2,100	1,400
Charge for the Period		700	700
Balance c/f		<b>2,800</b>	<b>2,100</b>

Note:  
Prior year closing balance has been restated to incorporate audit fees charge for 2014/2015 FY and the same has been reflected in the statement of financial position.

There has been an increase in accrued audit fees because the audit fee has not been paid since 2013. The University College is yet to receive invoices from OAG for 2012/2013, 2013/2014, 2014/2015 and 2016/2017 financial years.

21. REFUNDABLE DEPOSITS FROM CUSTOMERS		2016-2017	2015-2016
		Kshs '000	Kshs '000
Students' Caution Money		1,457	1,010
Retention fund		32,645	17,972
<b>Total Deposits</b>		<b>34,102</b>	<b>18,982</b>

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

**22. PROPERTY, PLANT AND EQUIPMENT**

COST/VALUATION	Land	Buildings	W.I.P	Furniture, plant and equipment	Computers, copiers and	Motor vehicles	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2016	35,000	293,040	221,269	22,338	11,753	25,824	609,224
Disposals/capitalized Additions	-	-	-	-	-	-	-
At 30 June 2017	35,000	324,717	371,065	37,763	11,753	25,824	806,122
<b>DEPRECIATION</b>							
At 1 July 2016	-	11,858	-	6,364	7,920	13,322	39,464
Disposals	-	-	-	-	-	-	-
Charge for the year	-	6,494	-	4,720	3,833	6,456	21,504
Amortization for the year	-	-	-	-	-	-	-
At 30 June 2017	-	18,352	-	11,084	11,753	19,778	60,968
<b>NET Book Value</b>							
As At 30th June, 2017	35,000	306,365	371,065	26,679	-	6,046	745,154
At 30 June 2016	35,000	281,181	221,269	15,973	3,833	12,503	569,759

**Notes**

1. Depreciation for Computers and copiers has been reduced by K.sh. 84, 000 to write them (computers) off the books hence a NIL NBV
2. The land in which the University College is operating does not have a title deed having been taken over from Garissa Teachers' Training College (GTTC) However, the University College has made efforts to acquire a title deed from the Commission of Lands and the process is currently at an advanced stage

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

### **23. Financial Risk Management**

The University College's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University College does not hedge any risks and has in place policies to ensure that these risks are minimised.

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

#### **(i) Credit risk**

The University College has exposure to credit risk, which is the risk that some students will be unable to pay fee amounts in full when due. Credit risk arises from cash and cash equivalents.

The board of University College Management have set fees policy to ensure that all students pay their fees and on time.

The University College does not hold any financial Assets hence not exposed to any credit risk as a result of financial assets.

#### **(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the University College's council members who have built an appropriate liquidity risk management framework for the management of the University College's short, medium and long-term funding and liquidity management requirements. The University College manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The University College prepares annual budgets and expenditures are incurred based on availability of funds.

#### **(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the University College on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University College's income or its purchasing power. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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

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

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

**(iv) Foreign currency risk**

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

**(v) Interest rate risk**

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

*Management of interest rate risk*

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

**24. Related Party Transactions (Balances)**

**a) Nature of related party relationships**

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

The University College is related to

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

**b) Related party transfers**

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

**c) Key management remuneration**

GUC incurred a total expenditure of Ksh 7,845,436.88 in facilitating the council to attend meetings which includes a monthly allowance of Ksh 107,000 (Gross) for the chairman.

NO	NAME	POSITION	1ST QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	TOTAL
1	LUKA HUKA WARIO	CHAIRMAN	772,789.80	668,070.00	521,070.00	581,271.50	2,543,201.50
2	RICHARD MIBEY	VC MOI	134,600.00	-	-	-	134,600.00
3	J K MUNGE	MEMBER	588,614.30	308,876.20	159,438.10	205,754.00	1,262,682.60
4	SALAH ABDI SHEIKH	MEMBER	509,576.40	182,676.40	-	-	692,252.80

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5	FLORENCE CIEELIMO	MEMBER	471,200.00	177,600.00	119,800.00	130,400.00	899,000.00
6	EVANS ATAMBO	MEMBER	574,867.78	301,089.20	174,544.60	165,144.60	1,215,646.18
7	JULIUS MWABU	MEMBER	454,501.60	126,250.80	144,250.80	156,850.80	881,854.00
8	NATHAN OGECHI	DVC MOI	-	121,600.00	-	94,600.00	216,200.00
		<b>TOTAL</b>	<b>3,506,149.88</b>	<b>1,886,162.60</b>	<b>1,119,103.50</b>	<b>1,334,020.90</b>	<b>7,845,436.88</b>

**d) Due from related parties**

There were no dues from the top management nor from the council members during the year under review.

**e) Due to related parties**

There were no dues to and from ministries nor other departments during the period under review.

**25. Segment information**

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

**26. Contingent assets and contingent liabilities**

At the close of business on June 30<sup>th</sup>, 2017, the University College did not have any contingent asset or liability.

**27. Capital Commitments**

At the close of business on June 30<sup>th</sup>, 2017, the University College did not have any capital commitments

**28. Events after the reporting period**

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

**29. Ultimate and Holding University College**

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

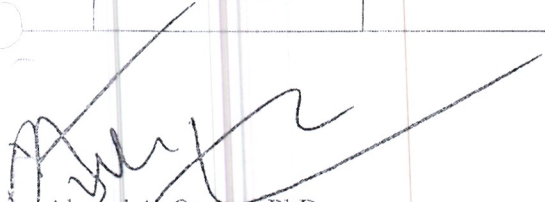
**30. The Reporting Currency**

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

**VIII PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Serial No. of the final 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)

  
 Ahmed A. Osman, PhD  
 (The Principal)

28/9/2017

**XIX Appendix 1: PROJECTS IMPLEMENTED BY THE UNIVERSITY COLLEGE**

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

**XX Appendix 2: INTER-UNIVERSITY COLLEGE TRANSFERS**

GARISSA UNIVERSITY COLLEGE

Break down of Transfers from the Ministry of Education, State Department of University Education

FY 16/17			
Recurrent Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	10/8/2016	20,129,200.00	FY 16/17
	26/08/2016	20,129,200.00	FY 16/17
	30/9/2016	20,129,200.00	FY 16/17
	10/11/2016	20,129,200.00	FY 16/17
	13/12/2016	20,129,200.00	FY 16/17
	30/12/2016	20,129,200.00	FY 16/17
	9/2/2017	20,129,200.00	FY 16/17
	15/3/2017	20,129,200.00	FY 16/17
	7/4/2017	20,129,200.00	FY 16/17
	2/5/2017	20,129,200.00	FY 16/17
	2/6/2017	20,129,200.00	FY 16/17
	27/6/2017	20,129,200.00	FY 16/17
	<b>Total</b>	<b>241,550,400.00</b>	
Development Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	18/11/2016	25,000,000.00	FY 16/17
	20/12/2016	16,080,347.00	FY 16/17
	6/1/2017	50,000,000.00	FY 16/17
	23/3/2017	46,835,653.00	FY 16/17
	10/5/2017	37,084,000.00	FY 16/17
	<b>Total</b>	<b>175,000,000.00</b>	
Direct Payments		NIL	
Honor Receipts		NIL	
<b>Total</b>		<b>416,550,400.00</b>	

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

Head of Finance  
Garissa University College

Signature

*[Handwritten signature]*  
27/7

**XXI      Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

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