

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Paper laid
By Hon Aden Du
Leader of Major
on Tue 20/9

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UNIVERSITY OF KABIANGA**

**FOR THE YEAR ENDED
30 JUNE 2015**





UNIVERSITY OF KABIANGA
P.O BOX 2030-20200 KERICHO, KENYA
TEL: 020-2172665

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
(UNIVERSITY OF KABIANGA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015

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



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KEY UNIVERSITY INFORMATION AND MANAGEMENT

BACKGROUND INFORMATION

INTRODUCTION

University of Kabianga was officially decreed by His Excellency the former President of the Republic of Kenya Hon. Mwai Kibaki at Kabianga High School grounds on the 10th of May, 2007 as a campus of Moi University.

The Kabianga Complex which included the Kabianga High School & Primary School and Kabianga Farmers Centre has a long history dating to 1925 and has been a centre of excellence in Farmer's Training, Teacher Education, Secondary, Primary Education and the 300 Acre Kipsigis County Council Tea Farm. Indeed the current Kericho Teachers' Training College was situated at the Kabianga Complex until 1963 when it was moved to the current location in Kericho Town.

The facility was officially handed over to Moi University by the Ministry of Agriculture on 8th November, 2007 and admitted its first group of 150 students on November 26, 2007. The Campus was elevated to a Constituent University of Moi University by a Gazette Notice dated the 29th of May, 2009. The University was subsequently elevated to fully fledged status through an award of Charter vide Universities Act, 2012.

The University of Kabianga is situated in what was formerly Kabianga Farmers Training Centre. The Training Centre facility was established in 1959 and managed by the Ministry of Agriculture to provide short courses, workshops/seminars, and exhibition and extension services to the farming community, in the South Rift Region of Kenya.

University of Kabianga, in fulfilling its mission of community outreach, Research and extension, takes over the mandate of its successor, Kabianga Farmers Training Centre of the Ministry of Agriculture.

The University stands on about 110 acres and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

Since its inception, the University embarked on the expansion of physical facilities. These include library, modern hostels, laboratories, health unit, lecture theatres, water treatment plant, septic tank

elevated water tank and Network Infrastructure. Plans are underway to put up more administrative offices to cater for the surging demand.

VISION, MISSION AND CORE VALUES

VISION:

To be a leading University in scientific innovation for the betterment of humanity.

MISSION:

To create, preserve and transfer knowledge and technology through quality and entrepreneurial education, research, extension, and partnership with government, industry and non-state actors whilst ensuring a sustainable environment.

CORE VALUES:

1. Promoting and defending intellectual and academic freedom, scholarship, innovation and relentless search for truth.
2. Fostering teamwork, collaboration, creativity and innovation,
3. Effective communication, tolerance and a culture of peace.
4. Valuing excellence, quality and service, openness, consultation, efficiency and effectiveness.
5. Recognizing competence, meritocracy, exemplary leadership, equality, integrity and national patriotism.
6. Continually improving services in order to remain competitive and relevant.

PRINCIPAL ACTIVITIES OF THE UNIVERSITY

The mandates of University of Kabianga are as follows

- (i) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya.
- (ii) To participate in the research, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya.

- (iii) To provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs;
- (iv) To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University;
- (v) To examine and make proposals for new faculties, schools, institutes, departments, resource and research centres, degree courses and subjects of study;
- (vi) To play a leading role in the development and expansion of the opportunities for higher education and research;
- (vii) To contribute to industrial and technological developments through innovations and technology transfer.
- (viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, and consultancy services,
- (ix) To participate in commercial ventures and other activities for the benefit of the institution, the community and stakeholders;
- (x) To contribute to agriculture, industrial and technological development of Kenya in collaboration with industrial and other institutions through the transfer of appropriate technology;
- (xi) To provide programmes, products and services in ways that reflect the principles of equity and social justice;
- (xii) To facilitate student mobility between different programmes at different training institutions, universities and industry; and
- (xiii) To foster the general welfare of all staff and students.






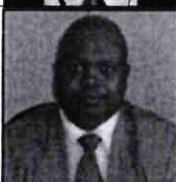


KEY MANAGEMENT

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

- i. University Council
- ii University Management Board
- iii. University Senate

FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibilities were:

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno , MBS B.Sc, M.Sc (UoN), Ph.D (California, Riverside),
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Eric Koech , MBS B.Sc (UoN), M.Sc (Mc Gill) Ph.D (North Wales, UK), MBS
3.	Deputy Vice-Chancellor (Academic and Students Affairs)		Prof. Joseph B. Ojiambo B.Sc, M.A Alise, (Loughborough), Ph.D (Pittsburgh), A.L.A (UK)
4	Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Marion Mutugi , EBS Executive MBA (JKUAT) Diploma in Leadership,(San Francisco) PhD (Edinburgh University) MSc Botany (Genetics), UoN
5	Ag. Finance Officer		Mr. Willy K. Koech MBA (UoK), BBM Accounting(Moi University), CPA (K)
6	Deputy Registrar (Administration)		Mr. Peter Kimalel MBA (UoK), BA(Moi University), PG Dip HRM (Moi University)
7	Deputy Registrar (Academics & Students Affairs)		Mrs Cecilia Sang M.Ed. (Egerton University) BEd Home Science (KU)
8	Deputy Registrar (Planning, Research & Development)		Dr. Rev. Edwin Too Ph.D (Kabarak University), M.Ed (University of Manchester) M.Div.(AIU), B.Th. (KHEU)

FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the Committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council.

In the financial year 2014/2015 the following committees were in place;

EXECUTIVE COMMITTEE

- | | | |
|------|---------------------------|---|
| i. | Dr. Florence K. Nyamu | Chairman |
| ii. | Mr. Charles Obiero | -Member Representing PS MEST |
| iii. | Mr. Wesley K. Too | - Member Representing P/S National Treasury |
| iv. | Eng Charles K. Koske | Member |
| v. | Prof. Wilson. K. Kipngeno | Secretary |

ii) PLANNING, BUILDING AND DEVELOPMENT COMMITTEE

- | | | |
|-------|---------------------------|-----------------------------------|
| i. | Eng. Charles K. Koske | Chairman |
| ii. | Ms. Millen N. Noni | Member |
| iii. | Mr. Charles Obiero | Rep. P/S MEST |
| iv. | Mr. Wesley Too | Rep, P/S National Treasury |
| v. | Prof. Wilson. K. Kipngeno | Secretary |
| vi. | Prof. Marion Mutugi | DVC (PR&D) - In attendance |
| vii. | Prof. Eric Koech | DVC (A&F)-In attendance |
| viii. | Prof. Joseph.B. Ojiambo | DVC (A&SA)-In attendance |
| ix. | Mr. Willy K. Koech | Ag. Finance Officer-In attendance |

iii) APPOINTMENTS, PROMOTIONS, TERMS AND CONDITIONS OF SERVICE COMMITTEE

- | | | |
|-------|------------------------------|------------------------------------|
| i. | Dr. Florence K. Nyamu | Chairman |
| ii. | Dr. Roba D.Sharamo | Member |
| iii. | Eng. Charles K. Koske | Member |
| iv. | Mr. Wesley K. Too | Rep P/S National Treasury |
| v. | Mr. Charles Obiero | Rep.P/S T MEST |
| vi. | Prof. Wilson K. Kipngeno | Secretary |
| vii. | Prof. Eric K. Koech | DVC (A&F) - In attendance |
| viii. | Prof. Joseph .B. Ojiambo | DVC (A&SA) - In attendance |
| ix. | Prof. Marion Mutugi | DVC (PR&D) - In attendance |
| x. | Mr. Willy K. Koech | Ag.Finance Officer - In attendance |
| xi. | Dean of relevant school | - In attendance |
| xii. | Head of relevant Department- | In attendance |

iv.) RESEARCH, TRAINING, STATUTES, SEALING AND HONORARY DEGREE

COMMITTEE

i.	Dr. Roba D. Sharamo	Chairman
ii.	Mr Charles Obiero	Rep P/S MEST
iii.	Mr Gabriel Muthwale	Member
iv.	Ms. Millen N. Noni	Member
v.	Prof. Wilson. K. Kipng'eno	Secretary
vi	Prof. Eric Koech	DVC (A&F) - In attendance
vii	Prof. Joseph. B. Ojiambo	DVC (A&SA) - In attendance
viii.	Prof. Marion Mutugi	DVC (PR&D) - In attendance

vi) AUDIT COMMITTEE

i.	Mr. Gabriel Muthwale	Chairman
ii.	Mr. Vincent A. Chokaa	Member
iii.	Mr. Charles Obiero	Rep P/S MEST
iv.	Mr. Wesley K. Too	Rep P/S National Treasury
v.	Mr. Willy K. Koech	Ag. Finance Officer-In attendance
vi.	Mr. Peter K.Sang	Secretary

vii) STAFF DISCIPLINARY COMMITTEE

i)	Mr. Vincent A.Chokaa	Chairman
ii)	Mr Gabriel Muthwale	Member
iii)	Mr Charles Obiero	P/S MEST
iv)	Prof. Wilson.K. Kipng'eno	Secretary
v)	Prof. Marion Mutugi	DVC (PR&D) - In attendance
vi)	Prof. Eric Koech	DVC (A&F) - In attendance
vii)	Prof. Joseph.B. Ojiambo	DVC (A&SA) - In attendance

viii) **FINANCE, RESOURCE MOBILIZATION AND GENERAL PURPOSES COMMITTEE**

i.	Dr. Florence K. Nyamu	Chairman
ii.	Mr Charles Obiero	Rep P/S MEST
iii.	Mr. Wesley K. Too	Rep P/S National Treasury
iv.	Eng. Charles K. Koske	Member
v.	Mr. Vincent A. Chokaa	Member
vi.	Prof. Wilson. K. Kipngeno	Secretary
vii.	Prof. Eric K. Koech	DVC (A&F)-In attendance
viii.	Prof. Joseph. B. Ojiambo	DVC (A&SA)-In attendance
ix.	Prof. Marion Mutugi	DVC (PR&D) - In attendance
x.	Mr. Willy K. Koech	Ag. Finance Officer-In attendance

ix) **APPEALS BOARD**

i	Ms Millen N. Noni	Chairman
ii	Mr Charles Obiero	Rep P/S MEST
iii.	Mr Wesley K. Too	Rep P/S National Treasury
iv.	Dr. Roba D. Sharamo	Member
v.	Mr. Peter.K. Kimalel	Deputy Registrar (A &F)- In attendance

REGISTERED OFFICE

University Of Kabianga
Off Kericho- Kisii Road
P.O Box 2030 - 20200,
KERICHO.

UNIVERSITY CONTACTS

Telephone: 020-2172665
E-mail: vc@kabianga.ac.ke
Website: www.kabianga.ac.ke

BANKERS OF THE UNIVERSITY

1. Co-operative Bank, Kericho Branch.
2. Kenya Commercial Bank Kericho Branch.
3. Standard Chartered Bank Kericho Branch.




INDEPENDENT AUDITORS





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



(a) PRINCIPAL LEGAL ADVISER

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








MEMBERS OF THE UNIVERSITY COUNCIL





<p>Dr. Florence Kiragu Nyamu, OGW Chairman</p> <p>Ed.D. Ed. M (Harvard), B. Ed. (Science) (UoN)</p>		<p>Dr. Florence Nyamu has served as an education specialist with the Forum for African Women Educationalists (FAWE) and as a consultant with the Center for African Family Studies (CAFS). Dr. Nyamu serves on the boards of a number of educational institutions and is the author of numerous papers on girls, education, development and human rights. She was appointed the Council Chairman of University of Kabianga on 20th March 2013.</p>
<p>Prof. Wilson K. Kipngeno, MBS Secretary</p> <p>B.Sc, M.Sc (UoN), Ph.D (California, Riverside)</p>		<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University since May 2009.</p>
<p>Mr. Gabriel M. Muthwale , OGW</p> <p>B.Sc (UoN), M Ed.(Dalhousie)</p>		<p>Mr. Muthwale is a seasoned teacher. He started his career at Machakos School in Jan 1972 as a Maths and Physics teacher. Over the years, he has served in many academic institutions at different positions that include; Deputy Principal (Kenya Technical Teachers' College), Principal (Nairobi Technical Training Institute), Senior Principal (Kenya Polytechnic) among other others. His appointment as Council Member took effect from 20th March 2013.</p>

<p>Eng. Charles K. Koske, Member</p> <p>B.Sc (Eng) (UoN), M.Sc (Eng) (Cranfield, UK), DSM</p>		<p>Mr. Charles Koske is an Agricultural Engineer, a field he has a wealth of experience having practised since 1981. He has served in senior positions for various projects. Among the Major positions he held previously include Principal Engineer, Project Implementation for IDA and Managing Director, National Water Conservation and Pipeline Corporation. He currently serves as the Deputy General, National Irrigation Board. He was appointed a council member on 20th March, 2013.</p>
<p>Ms Millen N. Noni, Member</p> <p>M.Sc (Glasgow), B. Sc. (Geology) UoN</p>		<p>Ms Millen Ndemiso Noni is a Geoscientist who has expanded her skills in analysing and interpreting geological, geothermal and geophysical information. She has rich experience on mapping natural resources by remote sensing using GIS. Her previous work experience includes Teachers' Service Commission where she served for Thirteen years. She is currently working with National Museums of Kenya. Ms Millen N. Noni was appointed as Council member of University of Kabianga on 20th March 2013.</p>
<p>Dr. Roba D. Sharamo, Member</p> <p>B Sc. (KU) M.A.(Brandeis University, Waltham, USA), Ph.D (George Mason University, USA)</p>		<p>Dr. Roba is an analytical thinker, diplomat, researcher and manager with over fifteen years experience. His career interests include conflict management, policy advising, peace building and post-conflict development planning in fragile and weak political environments. He has worked and researched in Kenya, Uganda, Ethiopia and U.S on a variety of conflict management.</p>
<p>Mr. Vincent A. Chokaa, Member</p> <p>B.A, LLB, LLM (UoN)</p>		<p>Mr. Vincent Chokaa is an experienced lawyer having worked as a Senior Legal officer in the Ministry of Labour. He is currently an Advocate of the High Court of Kenya and Sub-ordinate Courts.</p>

<p>Mr. Charles Obiero, Rep. Principal Secretary, Ministry of Education science and Technology</p>		<p>Mr. Charles Obiero represents the Principal Secretary, State Department of Education. He is a Senior Assistant Director of Education in the Ministry of Education, Science and Technology.</p>
<p>Mr Wesley K. Too Rep. Principal Secretary, National Treasury</p>		<p>Mr. Wesley K. Too represents the Principal Secretary, National Treasury.</p>

UNIVERSITY MANAGEMENT TEAM

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno B.Sc, M.Sc (UoN), Ph.D (California, Riverside), MBS
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Eric Koech B.Sc (UoN), M.Sc (Mc Gill) Ph.D (North Wales, UK), MBS
3.	Deputy Vice-Chancellor (Academic and Students Affairs)		Prof. Joseph B. Ojiambo B.Sc, M.A Alise, (Loughborough), Ph.D (Pittsburgh), A.L.A (UK)
4	Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Marion Mutugi Executive MBA (JKUAT) Diploma in Leadership,(San Francisco) PhD (Edinburgh University) MSc Botany (Genetics), UoN BSc Biology; Philippine Union College,
5	Ag. Finance Officer		Mr. Willy K. Koech MBA (UoK),BBM Accounting,(Moi University), CPA (K)
6	Deputy Registrar (Administration)		Mr. Peter Kimalel MBA (UoK), BA(Moi University), PG Dip HRM (Moi University)
7	Deputy Registrar (Academics & Students Affairs)		Mrs Cecilia Sang BEd, Home Science (KU) M.Ed. (Egerton University)

8	Deputy Registrar (Planning, Research & Development)		Dr. Rev. Edwin Too Ph.D (Kabarak University), M.Ed (University of Manchester) M.Div.(AIU), BTh. (KHEU)
9	Ag. ICT Director		Mr. Geoffrey K. Sowek BSc. Computer Science (Egerton University)
10	Legal Officer		Ms. Robai W. Ayuma LLB(Moi University), Dip. in Law (Kenya School of Law)
11	University Librarian		Mrs. Patricia . Chebet M.Litlibisc (Bundelkhand University) India. B.Libisc, BA(Econ;Social, Litt) Kurukshetra (India)

CHAIRMAN'S STATEMENT

It is with great pleasure that I present University of Kabianga's Annual Financial Report for the year ended 30th June 2015. The University made great strides during the year not only in terms of increasing student, staff numbers and the number of academic programmes offered but also in enhancing access to higher education. I am delighted because of the milestones we have made as a University.

I acknowledge the University's commitment to producing outstanding graduates in each discipline. This has always ensured that whatever path they choose, to have the skills, knowledge, experience and confidence to be leaders in their professional lives, role models in their communities, to be good citizens wherever in the world their careers might take them. To this end, I am delighted to note that this has been achieved.

The University Council is mandated to mobilize resources and utilize them effectively and efficiently to promote higher education. This mandate is enshrined in our reviewed Strategic Plan 2010-2015.

The Council is pleased with the efforts the University Management has continued to undertake to enhance the quality and relevance of degree programmes offered by the University.

It also gives me great pleasure to note that the University has continued to sustain ISO 9001:2008 Standards during the year under review as evidenced by the recertification audit conducted during the year. The continued certification signals the continual improvement and maintenance of quality service provision by the University through accountability, transparency and improved efficiency to be a world class University.

I wish to thank the Government of Kenya and other stakeholders for funding our projects during the financial year. The University's student population is growing fast and we continue to appeal for support for the projects in our strategic plan such as a modern Library Complex, Administration Block and modern IT infrastructure among others to enable the University achieve its core mandate in the provision of quality teaching and research.

Finally, I thank all our partners, collaborating institutions and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.

SIGNATURE: Dr. Florence K. Nyamu..... DATE: 29/9/2015
DR. FLORENCE K. NYAMU, OGW
CHAIRMAN OF COUNCIL

VICE-CHANCELLOR'S STATEMENT

I am pleased to present the 3rd Annual Financial Report for University of Kabianga for the year ended 30th June, 2015. The University has undergone significant transformation within the reporting period that will provide a platform to build on in the future.

During the year under review, the University received an increased government grant to finance its recurrent budget from **Ksh.498, 496,331** in financial year 2013/2014 to **Ksh. 506,078,500.00** in financial year **2014/2015**. Whereas the development funding increased from **Ksh.118.8 Million** to **Ksh. 138 Million** during the same period

I am delighted to note that there was a remarkable improvement in internally generated funds from **Ksh. 411.7 Million** in financial year 2013/2014 to **Ksh. 485.9 Million** in financial year 2014/2015. This represents 18% growth and is attributed to the growth in student enrolment. This is an indication that the University has continued to occupy a niche in the competitive higher education sector. The University of Kabianga during this period had increased , the number of students from 5700 to 7603 the University continue favourable by increasing the number of schools from five (5) to seven (7) over sixty (60) Academics programmes.

The University of Kabianga continued to make substantial progress during the year in terms of development. The University completed Phase III of Lecture Theatres which provided more space for students and staff. In addition, Sewerage Treatment Plant was completed. These projects were funded by the Government through GoK development grants.

I would like to express my sincere appreciation to the University Council for providing policy and strategic direction; staff for dedicated service and students for their illustrious academic pursuit. UoK could not have achieved the progress realized without the much needed financial support from the Government of Kenya during the period under review.

Finally, I would like on behalf of the University to thank all stakeholders for their co-operation that saw us complete the year successfully.

SIGNATURE.....

DATE: 29/9/2015.....

PROF. WILSON K. KIPNGENO, MBS
VICE-CHANCELLOR, UNIVERSITY OF KABIANGA

CORPORATE GOVERNANCE STATEMENT

The members of Council have committed themselves to the service of University of Kabianga and to uphold the tenets of good corporate governance by being innovative, transparent, accountable, persons of integrity, socially responsive, as well as promote excellence and exercise fairness in all their dealings.

The Council

The council consists of 9 members inclusive of the Vice-Chancellor as the secretary. The Council members consist of the following:

NO.	NAME	TITLE
1.	Dr. Florence Kiragu Nyamu	Chairman
2.	Mr. Gabriel. M. Muthwale	Member
3.	Eng. Charles Koske	Member
4.	Ms Millen N. Noni	Member
5.	Dr. Roba D. Sharamo	Member
6.	Mr. Vincent A. Chokaa	Member
7.	Prof. Wilson K. Kipngeno	Secretary
8.	Dr. Belio Kipsang	Ex-Officio
9.	Dr. Kamau Thugge	Ex-Officio

The biographies of the Council Members are published on page viii-ix. These Council Members possess a broad range of skills, qualifications and experiences required to direct the affairs of the University.

Council Responsibilities

The University Council is the governing body of the University through which the University shall:

- a) Administer the property and funds of the University
- b) Receive, on behalf of the University donations, endowments, gifts, grants or other moneys and disbursements there from to the University or other bodies or persons
- c) Approve the appointment criteria and terms and conditions of service of staff
- d) Provide for the welfare of staff and students
- e) Make after consultation with the Senate, regulations governing the conduct and discipline of students of the University.

CORPORATE SOCIAL RESPONSIBILITY

The University of Kabianga participated in Corporate Social Responsibility initiatives. In addition to providing forums such as open days where communities learnt about the University and its policies, activities and opportunities it offers. UoK also participated in community-led activities such as shows, exhibitions and forums such as development conferences.

The University of Kabianga has implemented MEST policy decision of providing access to University Education in the devolved units by applying specific values and principles of governance namely; participation of the people, inclusiveness and equity.

In this regard, during FY 2014/2015 UoK participated in two County Forums: a County Investment Forum in Kericho and a Community engagement meeting in Kapkatet Campus.

REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended 30th June, 2015 which show the state of affairs for University of Kabianga.

Principal activities

The principal activities of the University are to offer Higher Education, Research and Extension services.

Results

The results of the University for the Year ended June 30, 2015 are set out on page 1.

Members of Council

The Members of the Council who served during the year are shown on page vii- ix.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 68 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council



PROF. W.K KIPNGENO, MBS
VICE-CHANCELLOR

DATE..... 29/9/2015

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 68 (K) of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Cap, 446 require the Council to prepare financial statements in respect of University of Kabianga, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members' are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members' are also responsible for safeguarding the assets of the University.

The Council Members' are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members' accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council Members' are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2015, and of the University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

The statement of financial performance as indicated on page 1 shows a deficit 9,880,230 this was as a result of depreciation figure Kshs.57,928,510 which does not involve movement of funds. All the receipt of income generated activities are as indicated in the financial statements

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

APPROVAL OF THE FINANCIAL STATEMENTS

The University's financial statements were approved by the Council on 29/9/ 2015 and signed on its behalf by:



CHAIRMAN OF THE COUNCIL



VICE-CHANCELLOR



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF KABIANGA FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the University of Kabianga set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets and the statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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 (Accrual Basis) and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The Audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

The property, plant and equipment balance of Kshs.1,645,373,961 as at 30 June 2015 under note 20 to the financial statements includes land valued at Kshs.110,000,000. The land comprises two parcels, 110 acres of land on which the University stands and 4 acres at Kapkatet campus. However, a breakdown of the valuation of both parcels of land was not availed for audit. Further, as reported in the previous financial year, the 110-acre land is still in the name of the defunct Kipsigis County Council. However, until the process of transfer is done and completed, it is not possible to confirm the ownership status of this parcel of land.

1.1 Pineapple Plant Project

The property, plant and equipment balance includes work-in-progress of Kshs.537,265,300 as at 30 June 2016. The amount includes Kshs.1,075,100 an instalment paid to a firm, D.K Engineering Ltd for the supply and installation of a pineapple juice extraction equipment at a contract cost of Kshs.1,166,800. Although the firm supplied the equipment in June 2014, it had not yet been installed as at the time of audit.

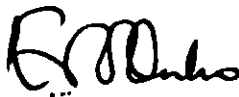
Further, the work-in-progress also includes Kshs.3,244,424 which is an instalment paid to a firm, Gravity Contractor Ltd for the construction of a building where the pineapple juice extraction equipment would be installed. The contract sum for the construction was Kshs.3,959,520. The Pineapple Plant Project was to be implemented to generate revenue for the University. At the time of audit, the construction was complete but the equipment had not been installed. The management has cited disputes with the contractors as the reason for delay in the implementation of the project. Consequently, besides not realizing value for the money paid to the contractors, the cost of the project is likely to escalate.

2.0 Retention Money

The statement of financial position reflects current liabilities of Kshs.220,819,865 as at 30 June 2015. which includes an amount of Kshs.37,091,518 being sum of money the University owes various project contractors as retention money deducted from progressive payments. However, the University did not maintain a separate deposit account for contractors retention money. In addition, the University did not maintain a separate deposit ledger in which records of retention money are kept. Further, the certificates or statements indicating the accumulation of the balances and when the retention money falls due were not provided for audit verification. Therefore, the accuracy of the retention balance of Kshs.37,091,518 under the current liabilities could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University of Kabianga as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, and comply with the International Public Sector Accounting Standards (Accrual Basis) and Universities Act, 2012.



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

NAIROBI

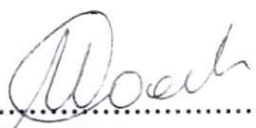
25 August 2016

STATEMENT OF FINANCIAL PERFORMANCE


University of Kabianga
Statement of financial performance
for the Year Ended June 30, 2015

	Note	2014-2015 Ksh	2013-2014 Ksh
Revenue from non-exchange transactions			
Exchequer Grants	3	506,078,500.00	498,496,331.00
Revenue from exchange transactions			
Tuition fees	4	356,834,669.00	296,470,100.00
Rendering of Services	5	28,117,322.00	30,049,032.00
Finance Income- Interest on Deposits	6	3,067,531.00	11,152,571.00
Rental income from facilities and equipment	7	1,774,651.00	226,600.00
Other Income	8	96,073,575.00	73,810,851.00
Total Revenue		991,946,248.00	910,205,485.00
Expenses			
Administrative Expenses	9	934,559,900.00	862,356,441.00
Marketing Expenses	10	28,164,885.00	23,995,555.00
Finance Costs	11	39,101,693.00	41,220,132.00
Total Expenditure		1,001,826,478.00	927,572,128.00
Surplus/ (Deficit)		(9,880,230.00)	(17,366,643.00)

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



Vice-Chancellor
 Date..... 29/9/2015



Chairman of the Council
 Date..... 29/9/2015

STATEMENT OF FINANCIAL POSITION

University of Kabianga
Statement of Financial Position
As at June 30, 2015

	Note	2014-2015 Ksh	2013-2014 Ksh
Current Assets			
Cash & Cash equivalents	12	43,924,079.00	19,645,058.00
Receivables from exchange transactions	13	105,627,122.00	55,905,606.00
Inventories	14	4,872,132.00	6,872,156.00
Short-Term investments	15	30,410,274.00	54,151,362.00
Total Current Assets		184,833,607.00	136,574,182.00
Non-current Assets			
Property, Plant & Equipment	20	1,645,373,962.00	1,516,454,593.00
Biological Assets	16	41,633,270.00	38,997,600.00
Total Non-current Assets		1,687,007,232.00	1,555,452,193.00
Total Assets		1,871,840,839.00	1,692,026,375.00
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	183,728,347.00	166,727,509.00
Retention- WIP	18	37,091,518.00	-
Non-Current Liabilities			
Co-operative Bank Loan (20yrs)	19	268,750,000.00	283,750,000.00
Total liabilities		489,569,865.00	450,477,509.00
Net assets		1,382,270,974.00	1,241,548,866.00
Capital Reserves		899,769,209.00	751,802,542.00
Revaluation Reserve		386,565,053.00	383,929,383.00
Accumulated Surplus		95,936,712.00	105,816,941.00
Total liabilities and net assets		1,382,270,974.00	1,241,548,866.00

The notes set out from pages 6 form an integral part of the Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

*University of Kabianga
Statement of Changes in Net Assets*

	Capital Fund Ksh	Revaluation Reserves Ksh	Accumulated Revenue Re- serves Ksh	Total Ksh
Balance as at 01/07/2013	600,680,778.00	222,604,382.00	123,183,584.00	946,468,744.00
Surplus/Deficit for the year		-	(17,366,642.00)	(17,366,642.00)
Capital Grants	151,121,764.00	-	-	151,121,764.00
Biological Assets	-	3,318,519.00	-	3,318,519.00
Buildings	-	133,006,482.00	-	133,006,482.00
Land	-	25,000,000.00	-	25,000,000.00
Balance as at 30/06/14	751,802,542.00	383,929,383.00	105,816,942.00	1,241,548,867.00
Surplus/Deficit for the year	-		(9,880,230.00)	(9,880,230.00)
Biological	-	2,635,670.00	-	2,635,670.00
Capital Grants	147,966,667.00		-	147,966,667.00
Balance as at 30/06/15	899,769,209.00	386,565,053.00	95,936,712.00	1,382,270,974.00

University of Kabianga
Cash flow Statement
for the Year Ended June 30, 2015 and June 30, 2014

	Note	2014-2015	2013-2014
		Ksh	Ksh
Cash Flow From Operating Activities:			
Receipts			
Tuition fees		356,834,669.00	296,470,100.00
Exchequer Grants		506,078,500.00	498,496,331.00
Rendering of Services		28,117,322.00	30,049,032.00
Finance Income- Interest on Deposits		3,067,531.00	11,152,571.00
Rental Income from Facilities and Equipment		1,774,651.00	226,600.00
Other Income		96,073,575.00	73,810,851.00
		991,946,248.00	910,205,485.00
Payments			
Administrative Expenses		885,244,713.00	796,675,285.00
Marketing Expenses		28,164,885.00	23,995,555.00
Finance Costs		39,101,693.00	41,220,132.00
		952,511,291.00	861,890,972.00
Net Cash flows from Operating Activities		39,434,957.00	48,314,513.00
Cash flows from Investing Activities			
Purchase of Property, Plant & Equipment		(186,847,879.00)	(327,189,159.00)
Decrease/increase in investments		23,741,088.00	133,681,341.00
Net cash flows used in investing activities		(163,106,791.00)	(193,507,818.00)
Cash flows from financing activities			
Government Grants – Capital		147,966,667.00	151,121,764.00
Net Increase / (Decrease) In Cash & Cash Equivalents		24,294,833.00	5,928,459.00
Cash & Cash Equivalents at 1 July 2014		19,629,246.00	13,700,787.00
Cash & Cash Equivalents at 30 June 2015		43,924,079.00	19,629,246.00

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

University of Kabianga
Statement of Comparison of Budget and Actual performance
for the Year Ended June 30, 2015

	ACTUAL	BUDGET	VARIANCE
	2014-2015	2014-2015	2014-2015
	Ksh	Ksh	Ksh
Revenue from non-exchange transactions			
Exchequer Grants	506,078,500	506,078,500	-
Revenue from exchange transactions			
Tuition fees	356,834,669	327,194,100	29,640,569
Rendering of Services	28,117,322	21,339,012	6,778,310
Finance Income- Interest on Deposits	3,067,531	2,188,506	879,025
Rental Income from Facilities and Equipment	1,774,651	900,000	874,651
Other Income	96,073,575	85,401,353	10,672,222
Total Revenue	991,946,248	943,101,471	48,844,777
Expenses			
Personnel Cost	680,142,534	628,792,890	(51,349,644)
Administrative Expenses	254,417,366	205,367,956	(49,049,410)
Marketing Expenses	28,164,885	15,949,123	(12,215,762)
Finance Costs	39,101,693	59,400,000	20,298,307
Non-Current Assets		33,591,502	33,591,502
Total Expenditure	1,001,826,478	943,101,471	(58,725,007)
Surplus/ (Deficit)	(9,880,230)	-	(9,880,230)

NOTES TO THE FINANCIAL STATEMENTS

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

University of Kabianga financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) pronounced by the Public Sector Accounting Standards Board as a requirement of the Public Finance Management Act, 2012. The University Adopted International Public Sector Accounting Standards (IPSAS) for the first time with effect from 30th June, 2014.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest whole number. 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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions - IPSAS 23

Transfers from the Exchequer

The exchequer grants are measured at fair value and recognized in to income when it is probable that the economic benefits or service potential related to the grant will flow to the University and can be measured reliably.

ii) Revenue from exchange transactions– IPSAS 9

Rendering of services

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

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

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the 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

Current income tax

The University is exempted from taxation under the first schedule of the income tax Act Cap 470.

d) Investment property – IPSAS 16

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

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

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

e) Property, plant and equipment – IPSAS 17

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

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 of 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:

Building	2%
Furniture, plant and equipment	12.5%
Motor Vehicles	25%
Computers	33.3%
Freehold land is not depreciated as it is deemed to have an infinite life	

f) Leases – IPSAS 13

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

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

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

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

g) Intangible assets – IPSAS 31

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

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

h) Research and development costs

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

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

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.

i) Financial instruments– IPSAS 29

Financial assets and financial liabilities are recognised in the University's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial Assets

Receivables

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

Impairment of financial assets

When a receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the receivable is written off against the related provision for receivable impairment. Such receivables are written off after all the

necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are included in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Financial liabilities

Trade payables

Trade payables are current and are stated at their nominal value.

i) Inventories – IPSAS 12

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

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

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

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

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

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

j) Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision of 1% of the total receivables has been provided to take care of receivables which may not be recovered in full.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements as follows.

- (i) Capital reserves- used to record contributions made by the government in form of grants/transfers
- (ii) Revaluation reserve-used to indicate the revalued amount on the plant property and equipment.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits

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

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

n) Foreign currency transactions – IPSAS 4

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

o) Borrowing costs – IPSAS 5

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

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

p) Related parties – IPSAS 20

University of Kabianga 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 or vice versa. Members of key management are regarded as related parties and comprise the University Council and Management.

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 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.

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

Note 3: Exchequer Grants- Recurrent	2014- 2015	2013- 2014
Unconditional grants	Ksh	Ksh
Ministry of Higher Educ. S&T		
July- 14	42,173,208.00	-
August- 14	42,173,208.00	123,712,367.00
September- 14	42,173,208.00	35,600,000.00
October- 14	42,173,208.00	37,476,996.00
November- 14	42,173,209.00	35,964,517.00
December- 14	42,173,209.00	35,964,517.00
January- 15	42,173,208.00	35,964,517.00
February- 15	42,173,208.00	-
March- 15	42,173,209.00	71,929,034.00
April- 15	42,173,208.00	7,818,189.00
May- 15	42,173,208.00	44,021,727.00
June- 15	42,173,209.00	70,044,467.00
	506,078,500.00	498,496,331.00
Note 4 : Tuition and Related Income	2014- 2015	2013- 2014
	Ksh	Ksh
Revenue from Tuition Fees	356,834,669.00	296,470,100.00
	356,834,669.00	296,470,100.00
Note 5: Rendering of Services	2014- 2015	2013- 2014
	Ksh	Ksh
Accommodation Services	12,807,760.00	15,430,899.00
Farm income	3,057,537.00	3,029,727.00
Catering Services	9,095,263.00	9,887,568.00
Guest House income	3,156,762.00	1,700,838.00
	28,117,322.00	30,049,032.00
Note 6: Finance Income	2014- 2015	2013- 2014
	Ksh	Ksh
Interest on Fixed Deposits	3,067,531.00	11,152,571.00
	3,067,531.00	11,152,571.00
Note 7 Rental Income From Facilities	2014- 2015	2013- 2014
	Ksh	Ksh
Rent from Students Centre Facility	1,774,651.00	226,600.00
	1,774,651.00	226,600.00

Note 8: Other Incomes	2014- 2015	2013- 2014
	Ksh	Ksh
Registration fees	309,350.00	308,600.00
Students' ID charges	664,250.00	594,550.00
Examination fees	7,633,000.00	7,176,900.00
Insurance fees	1,610,044.00	522,000.00
Graduation Fees	2,201,500.00	1,641,700.00
Activity fees	6,111,500.00	5,548,000.00
Computer fees	6,410,100.00	5,613,100.00
Field trips/Teaching Practice	28,378,850.00	16,444,749.00
MBA Thesis	1,134,000.00	2,061,000.00
Book Shop Sales	401,318.00	133,798.00
Bsc Nursing Training Files and Indexing Package	-	576,000.00
Supervision	2,526,000.00	4,740,101.00
Medical fees	9,224,000.00	8,518,500.00
Amenity fees	6,155,700.00	5,571,000.00
Cobes	702,000.00	2,182,925.00
Research Fees	415,415.00	185,000.00
Log Books	144,000.00	147,000.00
Transport Fees	122,550.00	1,255,000.00
Utilities	73,920.00	22,000.00
KUSO	2,115,300.00	1,984,100.00
Sale of tender documents	96,065.00	75,400.00
Photocopying receipts	-	690.00
Application fees	1,137,100.00	1,602,000.00
Fines and penalties	11,964,091.00	400,831.00
Seedlings	27,950.00	36,570.00
Misc. Income	420,556.00	142,962.00
Practical Subjects	35,000.00	1,000,000.00
Guest Lectures	1,500.00	3s3,000.00
Library Fees	6,058,516.00	5,293,375.00
	96,073,575.00	73,810,851.00

Note 9: Administrative Expenses	2014- 2015	2013- 2014
	Ksh	Ksh
Personnel Costs	687,098,937.00	607,307,563.00
Council Expenses	13,887,556.00	15,240,242.00
Recruitment/Training Expenses	362,840.00	1,638,375.00
Senate Committee meetings	14,780.00	576,629.00
Bsc Nursing Training Files and Indexing Exp.	1,020,875.00	-
Cleaning materials	739,350.00	645,133.00
Conferences and seminars	823,216.00	-
Electricity, water and conservancy	6,241,657.00	9,774,855.00
External examiners expenses	1,338,055.00	1,822,840.00

External Travelling Expenses	458,357.00	356,346.00
Graduation Expenses	4,090,123.00	5,752,609.00
ISO related Expenses	-	323,346.00
Morgue Expenses	1,048,943.00	918,240.00
Insurance Expenses	9,185,018.00	6,555,928.00
Internet connectivity expenses	2,228,615.00	2,947,546.00
Inter-University Games	-	216,086.00
Legal & Other Expenses	206,000.00	458,581.00
Library books	5,295,916.00	8,983,948.00
Library Journals	1,013,631.00	947,020.00
Maint of Buildings	9,446,965.00	8,449,155.00
Maintenance of Catering and Hostels	3,431,327.00	1,305,568.00
Maintenance of plant and equipment	2,827,280.00	4,119,695.00
Maintenance of Play Grounds	707,083.00	240,505.00
Maintenance of Water supply & Sewerage	3,264,389.00	6,491,563.00
Medical Drugs	2,261,075.00	7,565,252.00
Meetings & Workshops	4,220,340.00	2,251,010.00
Minor works on water & sewerage	182,500.00	612,524.00
Office Expenses	3,576,639.00	5,224,706.00
Official entertainment	-	48,000.00
Open & Cultural Day Expenses	673,700.00	72,147.00
Passage and baggage	419,381.00	225,749.00
Payment of Rent & Rates	8,223,628.00	9,563,853.00
Purchase of uniforms	595,670.00	524,591.00
Teaching materials	2,326,269.00	8,089,005.00
Telephones	2,746,549.00	2,801,574.00
Travelling and accommodation	11,290,942.00	6,550,090.00
University medical scheme	11,180,307.00	10,564,924.00
University Research Programme	2,533,090.00	900,770.00
Valuation/Consultancy	4,777,906.00	5,051,705.00
Vehicle running expenses	7,878,896.00	6,070,900.00
Works Study programme	540,300.00	470,275.00
Provision for bad & doubtful debts	3,246,848.00	2,873,099.00
Depreciation	57,928,510.00	41,288,010.00
Farm Expenses	1,814,510.00	2,037,423.00
Academic Scholarships	-	900,000.00
Games and sports expenses	927,640.00	598,846.00
Guest house expenses	1,572,295.00	1,395,782.00
Kitchen Expenses	20,728,471.00	27,076,222.00
KUSO Welfare	447,600.00	874,245.00
Lab Chemicals	1,505,396.00	4,094,578.00
Master plan	-	3,775,800.00
Bad Debts W/O	-	8,781,788.00
Postal and telegram	57,180.00	926,674.00
Student Activities	6,115,495.00	3,932,615.00
Student Field Trips/Courses Expenses	9,990,187.00	4,960,317.00

Bookshop Expenses	-	203,226.00
Academic Programmes Development	1,671,690.00	1,364,135.00
Teaching Practice & Attachment	6,591,828.00	3,438,833.00
Audit fee	696,000.00	696,000.00
Staff Development	3,108,145.00	1,480,000.00
	934,559,900.00	862,356,441.00

Note 10: Marketing Expenses	2014- 2015	2013- 2014
	Ksh	Ksh
Publishing and Printing	3,608,929.00	1,836,161.00
Outreach and Extension	-	535,170.00
Advertising & Publicity	22,726,741.00	19,599,104.00
Show expenses	1,829,215.00	2,025,120.00
	28,164,885.00	23,995,555.00

Note 11 Finance Costs	2014-2015	2013-2014
	Ksh	Ksh
Interest on Loan	37,381,482.00	38,245,400.00
Bank Charges	1,720,211.00	2,974,732.00
	39,101,693.00	41,220,132.00

Note 12: Cash and Cash Equivalents

Name of the Bank	Bank Account Number	2015 Ksh.	2014 Ksh.
Kenya Commercial Bank (Pssp)	1120671418	15,062,167.00	9,928,917.00
Kenya Commercial Bank(Gssp)	1120671299	888,198.00	1,686,253.00
Kenya Commercial Bank (Accom.)	1120671450	992,503.00	1,594,839.00
Co-operative Bank of Kenya(Pssp)	01129335586401	782,854.00	1,832,760.00
Co-operative Bank of Kenya(Gssp)	01129335586400	1,352,427.00	825,055.00
Co-operative Bank of Kenya Operations A/C	01129046214700	1,401,129.00	2,763,844.00
Co-operative Bank of Kenya Capital Dev. A/C	01120335586400	23,444,801.00	997,578.00
		43,924,079.00	19,629,246.00

Note 13: Receivables from Exchange Transactions	2014- 2015	2013- 2014
	Ksh	Ksh
Student fees debtors	64,936,967.00	57,461,978.00
Provision for doubtful Debts	(3,246,848.00)	(2,873,099.00)
Guest House Debtors	240,769.00	-
Farm Debtors	1,523,026.00	1,316,727.00
Receivables from exchange transaction		
Receivable Capitation Grants (GoK)	42,173,208.00	-
	105,627,122.00	55,905,606.00

Note 14: Inventories	2014- 2015	2013- 2014
	Ksh	Ksh
Inventories	4,872,132.00	6,872,156.00
	4,872,132.00	6,872,156.00

Note 15: Short-Term Investments	2014- 2015	2013- 2014
	Ksh	Ksh
90 days treasury bills		
Fixed Deposit Account Cooperative Bank	30,410,274.00	54,151,362.00
	30,410,274.0	54,151,362.00

Note 16: Biological Assets	2014- 2015	2013- 2014
	Ksh	Ksh
Tea	3,569,000.00	3,465,000.00
Livestock	3,255,350.00	2,571,470.00
Cypress Trees	3,690,000.00	3,507,900.00
Pine Trees	375,000.00	4,030,180.00
Eucalyptus Trees	26,250,000.00	25,020,361.00
Gravillea Trees	4,410,000.00	330,990.00
Macademia Nut Trees	39,200.00	30,265.00
Bananas	44,720.00	41,434.00
	41,633,270.00	38,997,600.00

Note 17: Payables from Exchange Transactions	2014- 2015	2013- 2014
	Ksh	Ksh
Recurrent Creditors	33,722,708.00	35,979,452.00
Capital Creditors	21,364,528.00	78,939,553.00
Students' Holding Accounts	1,550,000.00	5,462,239.00
Provision for audit fees	696,000.00	696,000.00
Provision for Valuation	1,500,000.00	3,500,000.00
Provision for Part time lecturers	43,279,273.00	13,207,233.00
KUCCPS fees	1,610,850.00	-
CDF	4,040,795.00	-
HELB	28,961,300.00	-
Other Sponsors	942,738.00	-
Prepaid fees	46,060,155.00	28,943,032.00
	183,728,347.00	166,727,509.00

Note 18: Retention	2014- 2015	2013- 2014
	Ksh	Ksh
Retention- WIP		
Lecture Phase III	9,751,742.00	-
Lecture Phase II	15,453,175.00	-
Hostel Phase II	7,152,892.00	-
Fibre Optic Infrastructure	4,733,709.00	-
	37,091,518.00	-

	2014- 2015	2013- 2014
	Ksh	Ksh
Note 19: Long term Loan		
Co-operative Bank Loan (20yrs)	268,750,000.00	283,750,000.00
	268,750,000.00	283,750,000.00

Note 20: PPE Schedule

Capital projects remain as work in progress until they are certified complete then they are recognised as assets.

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Total
Depreciation Rate		0.02		0.125	0.333	0.125	0.25	
COST/VALUATION	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs.
As at 1 st July 2013	85,000,000.00	636,348,398.00	303,474,823.00	26,108,169.00	16,948,823.00	11,907,251.00	33,406,751.00	1,1113,193,215.00
Additions	-	-	291,254,483.00	5,561,675.00	6,672,997.00	13,509,173.00	10,190,832.00	327,189,159.00
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Revaluation	25,000,000.00	133,006,482.00	-	-	-	-	-	158,006,482.00
As at 1st July,2014	110,000,000.00	769,354,880.00	594,729,306.00	31,669,844.00	23,620,820.00	25,416,424.00	43,597,583.00	1,598,388,356.00
Additions	-	-	143,379,703.00	2,225,615.00	34,567,808.00	6,674,753.00	-	186,847,879.00
Disposals	-	-	-	-	-	-	-	-
Transfer to Buildings	-	200,843,709.44	(200,843,709.44)	-	-	-	-	-
As at 30 June,2015	110,000,000.00	970,198,589.44	537,265,299.61	33,895,458.95	58,188,628.08	32,091,176.50	43,597,583.00	1,785,236,735.58
DEPRECIATION								-
At 1 July,2013	-	(14,489,098.00)	-	(4,279,489.00)	(5,527,681.00)	(2,671,275.00)	(13,678,711.00)	(40,646,254.00)
Depreciation	-	(15,387,098.00)	-	(3,958,730.00)	(7,865,733.00)	(3,177,053.00)	(10,899,396.00)	(41,288,010.00)
At 30 June, 2014	-	(29,876,196.00)	-	(8,238,219.00)	(13,393,414.00)	(5,848,328.00)	(24,578,107.00)	(81,934,264.00)
Depreciation	-	(19,403,971.00)	-	(4,236,932.00)	(19,376,813.00)	(4,011,397.00)	(10,899,395.00)	(57,928,510.00)
At 30 June, 2015	-	(49,280,167.00)	-	(12,475,151.00)	(32,770,227.00)	(9,859,725.00)	(35,477,502.00)	(139,862,773.00)
NET BOOK VALUE								
As at 30 June,2015	110,000,000.00	920,918,422.00	537,265,300.00	21,420,307.00	25,418,401.00	22,231,452.00	8,120,080.00	1,645,373,962.00
As at 30 June,2014	110,000,000.00	739,478,684.00	594,729,306.00	23,431,625.00	10,227,406.00	19,568,096.00	19,019,476.00	1,516,454,593.00

21. Related Party Disclosures

The following transactions were carried out with related parties

	2015	2014
(i) Key management compensation		
Salaries		
(ii) Council remuneration		
Allowances paid to Council members	13,887,556.00	15,240,242.00
(iii) Grants from related parties		
Grant from GOK	506,078,500.00	498,496,331

22. Risk management policies

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University has financial liabilities comprising trade and other payables

The University has exposure to the following risks:

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks

The Council has overall responsibility for the establishment and oversight of the University's risk management framework

The University's risk management policies will be established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in economic conditions and the University's activities.

Market risk management

Interest rate risk

The University has interest bearing borrowings and is financed by cash generated from its operations. The University will always strive to increase its market share to match the interest of the day.

Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Typically the University ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government.

Credit risk

Credit risk is the risk of financial loss to the University if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University receives fees from students which minimizes the credit risk exposure. The University has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

Classification of credit risk bearing assets

The table below represents University's maximum exposure to credit risk as at 30 June 2015 and 2014.

ASSETS	2015	2014
Current Assets		
Cash and Cash Equivalents	74,334,353.00	73,796,420.00
Receivables from Exchange Transactions	105,627,122.00	55,905,606.00
	<u>179,961,475.00</u>	<u>129,702,026.00</u>

All the University's receivables are fully performing and are expected to be received. Bank balance includes cash in hand and deposits held with banks.

23. Provisions

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

