

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY	
DATE: 11 April 2021	
DAY: Wed	
TABLED BY:	The Majority whip
CLERK-AT THE-TABLE:	Hon. E. Wangwe
	Mairah W.

THE AUDITOR-GENERAL

ON

KENYATTA UNIVERSITY

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



KENYATTA UNIVERSITY

Annual Report & Financial Statements

for the Year Ended

30 June 2019

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

Transforming Higher Education ... Enhancing Lives

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Corporate Philosophies

Our Vision

To be a dynamic, an inclusive and a competitive centre of excellence in teaching, learning and service to Humanity.

Our Mission

To provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

Our Identity

A community of scholars committed to the generation of knowledge and cultivation of wisdom for the welfare of society.

Our Philosophy

Sensitivity and responsiveness to societal needs and the right of every person to knowledge.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

Kenyatta University is an international Public University based in Nairobi, Kenya. Its main campus is located 23 kilometers from the City Centre along Nairobi-Thika Super Highway. It is set on 1,105 acres of land providing a quiet and serene environment conducive to learning, research and intellectual growth.

Kenyatta University began its long journey to the attainment of University status in 1965 when the British Government handed over the Templer Barracks to the Government of Kenya. These were converted into an institution of higher learning known as Kenyatta College. Following the Act of Parliament of 1970, Kenyatta College became a constituent College of the University of Nairobi. Consequently, the name changed from Kenyatta College to Kenyatta University College. Kenyatta University College admitted its first batch of 200 students in 1972 to pursue studies leading to the award of the Bachelor of Education of the University of Nairobi.

In July 1978, the Faculty of Education of the University of Nairobi was transferred to Kenyatta University College. As a result, the College became the only institution training teachers at both undergraduate and postgraduate levels at that time. The University status was achieved on August 23, 1985, when the Kenyatta University Act received presidential assent making the institution a full-fledged University. The Act became operational on September 1, 1985 and the University was inaugurated on December 17, 1985.

In December 2012, the Government of Kenya brought the governance and Management of all Universities under one umbrella through the enactment of the Universities Act 2012, which repealed the individual public University's Acts including the Kenyatta University Act 1985. Under the new Universities Act 2012, Kenyatta University was granted Charter on 1st march 2013.

Kenyatta University has over the years established new schools and constituent Colleges. In this pursuit, Jomo Kenyatta University College of Agriculture and Technology became a constituent College of Kenyatta University in 1988 and in 1998 a full-fledged University, Jomo Kenyatta University of Agriculture and Technology (JKUAT). In 2007, Pwani University College in Kilifi was established as a Constituent College. It became Pwani University, a full-fledged University in January 2013. Machakos University College established in 2009 became a full-fledged University, Machakos University in 2016.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

The University has 19 schools, these are;

1. School of Agriculture & Enterprise Development
2. School of Hospitality and Tourism
3. School of Engineering & Technology
4. School of Economics
5. School of Applied Human Sciences
6. School of Humanities & Social Sciences
7. School of Environmental Studies
8. School of Education
9. School of Business
10. School of Law
11. School of Pure & Applied Sciences
12. School of Medicine
13. School of Public Health
14. School of Visual & performing Arts
15. Digital School of Virtual & Open Learning
16. Graduate School
17. School of Architecture & the Built Environment
18. School of Creative, Film & Media Studies
19. School of Security, Diplomacy & Peace Studies

The University has established campuses at;

- Ruiru (2004),
- Parklands (2004),

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

Mombasa (2007),
Nairobi City Centre (2010),
Nakuru (2010),
Kericho (2013) and
Daadab (2014).

In Addition to the above campuses, Kenyatta University established Open Distance and e-Learning centres' in Mombasa, Nyeri, Embu, Parklands, Nakuru, Kisumu, Kakamega, Garissa, Marsabit and Kericho.

(b) Principal Activities

The principal activity/mission of the University is to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

(c) Key Management

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

- Vice-Chancellor
- Deputy Vice-Chancellors
- Registrars
- Chief Finance Officer

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 are as listed below;

No.	Designation	Name
1	Vice-Chancellor	Prof. Paul K. Wainaina
2	Deputy Vice-Chancellor (Administration)	Prof. Fatuma Chege
3	Deputy Vice-Chancellor (Academic)	Prof. John Okumu
4	Deputy Vice-Chancellor (Finance and Development)	Prof. Godfrey Mse
5	Deputy Vice-Chancellor (Research, Innovation and Outreach)	Prof. Fredrick Q. Gravenir.
6	Registrar (Administration)	Dr. Daniel Muindi
7	Ag. Registrar (Academic)	Prof. Andanje Mwisukha
8	Registrar (Finance and Development)	Dr. Nelson Karagu
9	Registrar (Research, Innovation and Outreach)	Prof. Vincent O. Onywera
10	Ag. Registrar (Corporate Affairs)	Prof. Grace Bunyi
11	Chief Finance Officer	Mr. Joseph I. Gitahi

(e) Fiduciary Oversight Arrangements

The governing organs of the University are:

The University Council;

The Council shall exercise prudent leadership, innovative enterprise, and good judgment in directing the University and shall always charter in the best interest of the University.

The Council shall ensure that a proper management structure is in place and make sure that the structure, functions to maintain corporate integrity, reputation and responsibility.

The Council shall monitor and evaluate the implementation of strategies, policies and management criteria and plans of the University.

The council shall review the viability and financial sustainability of the University, and shall do so at least once every year.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(e) Fiduciary Oversight Arrangements (continued)

The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

The Senate of the University;

The Senate shall have the following powers and duties:-

To satisfy itself regarding the content and academic standard of any course of study in respect of any degree, diploma, certificate or other award of the University;

To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;

To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;

To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;

To make regulations governing such other matters as are within its powers in accordance with the charter or the statutes.

The University Management Board:

The University Management Board shall assist the Vice-Chancellor in;

The management of urgent day-to-day academic, administrative, research, developmental and outreach issues;

The efficient management of the human, physical, and financial resources of the University;

Coordination of University and colleges strategic and development plans;

Make proposal to Senate and Council on issues that have University-wide application;

Receive proposals from different sectors of the University for recommendation for Council consideration;

The implementation of Council and Senate approved policies;

Any other matters related to the management of the University.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(f) University Headquarters

Kenyatta University
Thika Road, Nairobi
P. O. Box 43844- 00100
Nairobi.

(g) University Contacts

Telephone: +254 020 8710901-19
Fax: +254 020 8711573
Telex 25483 KenUnKen
Website: <http://www.ku.ac.ke>

(h) University Bankers

Co-operative Bank of Kenya Ltd.
P.O. Box 48231 – 00100
Nairobi

National Bank of Kenya Ltd.
P. O. Box 41862 – 00100
Nairobi.

Kenya Commercial Bank Ltd
P. O. Box 30081
Nairobi.

Standard Chartered Bank Ltd.
P. O. Box 64355 - 00620
Nairobi.

Equity Bank Ltd
P.O. Box 75104 – 00200
Nairobi

Family Bank Ltd
P.O. Box 74145-00200
Nairobi

(i) Independent Auditors

Auditor General
Anniversary Towers
P.O. Box 30084 - 00100
GPO, Nairobi.

(j) Principal Legal Adviser

Lawrence Mungai and Advocates
P. O. Box 10130 - 00100
Nairobi.

MEMBERS OF THE UNIVERSITY COUNCIL

Chairman of the University Council

Prof. Shem E. Migot-Adholla Ph.D.,

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



Prof. Adholla (77) is the Chairman of Council of Kenyatta University having been appointed to the council on 14th March 2017. He is a private consultant based in Nairobi, Kenya and works on issues including agriculture and rural development, migration, land policy reform, environmental management and rural health issues. He is currently a member of the Board of Directors of Equity Bank, Kenya and serves as Chairman of Equity Bank subsidiary in South Sudan. Previously he held various positions including the Chairman of the Centre for Corporate Governance, Nairobi, served as Vice-Chairman of the Board of Directors of the Kenya Wildlife Trust (KWT), the Lead Specialist on Land Policy and Administration for Africa Region at the World Bank

Headquarters, Washington, DC, and served (on secondment) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. Earlier, he taught at the University of Nairobi, where he provided leadership in the Department of Sociology and was involved in research activities at the Institute for Development Studies (IDS).

Vice-Chancellor

Prof. Paul K Wainaina Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



Prof. Wainaina (68) is the Vice-Chancellor Kenyatta University, and is an ex-officio member of the University Council, having been appointed as the Vice-Chancellor on 26th January 2018. He is also Professor of Philosophy of Education, Kenyatta University. Prior to his appointment he held various positions including Deputy Vice-Chancellor (Administration) Kenyatta University, Professor of Philosophy of Education, University of Namibia, Professor of Philosophy of Education, Moi University among others.

He is an alumni of University of Alberta, Canada

Member

Prof. Collete A. Suda,

M.Sc.; Ph. D. (Missouri -Columbia) FKNAS, ERS

Prof. Collete Suda is a member of Kenyatta University Council by virtue of being the Principal Secretary, State Department of Science and Technology in the Ministry of Education, Science and Technology.

Previously, she was the Secretary, Gender and Social Development, Ministry of Gender, Children and Social Development, Full Professor of Sociology, University of Nairobi, Director, Board of Common Undergraduate Studies from and Director, Institute of African studies, University of Nairobi.



MEMBERS OF THE UNIVERSITY COUNCIL

Professor Suda studied at University of Missouri, Columbus for her post graduate Degrees and her doctoral Degree in Rural Sociology. She is a Fellow of Kenya National Academy of Science (FKNAS). She has been honored with an award of the Order of the Burning Spear (EBS)

Member

Dr. Kamau Thugge.

M.A. B.A. (Nairobi) B.A. (Colorado College) M.E. Ph.D. (Johns Hopkins)



Dr. Kamau Thugge (62) is a member of Kenyatta University Council by virtue of being the Principal Secretary of National Treasury.

Dr. Thugge served as Treasury and Permanent Secretary of Kenya Reinsurance Corporation Ltd. He worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He also worked at the International Monetary Fund (IMF) in various capacities for over 21 years, both in the policy making Departments and non-policy making Departments as an Economist/Senior Economist and Deputy Division Chief. He is a career economist having served in various capacities in the Treasury and Central Bank.

He holds MA and BA degrees in Economics (University of Nairobi). Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado Collage, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA.

Member

Dr. Margaret W. Njoroge ,

Ph.D in counseling Psychology (Egerton University)

Dr. Njoroge (52) is a member of Kenyatta University Council having been appointed on 14th March 2017. She is a Lecturer in the Department of Psychology at the Catholic University of Eastern Africa.

Previously she worked in other organizations like NGOs and learning institutions. These include among others, Mount Kenya University, The Presbyterian University of East Africa and Kenya Methodist University. She holds a Ph.D. in Counseling Psychology from Egerton University, a Masters Degree in Counseling Psychology and a Bachelors Degree in Psychology (Counseling).



MEMBERS OF THE UNIVERSITY COUNCIL

Member

Mr. Ahmed M. Ibrahim, B.A. (Brunel University), M.A. (University of East London)



Mr. Ahmed (50) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently the Chief Executive Officer at Tassia Integrated Academies Limited.

He previously worked in several international organizations including Islamic Relief World Wide, The Kenya Red Cross and The Inter-Continental Charity Organization based in London, United Kingdom.

Mr. Ahmed holds a Masters Degree in Arts (International Relations) from Brunel University, London and a Bachelors Degree in Arts (International Development) from the University of East London, UK.

Member

Mr. Eric K. Sila, B. Com., MBA (University of Nairobi)

Mr Sila (51) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently Deputy Director, Credit Risk at NIC Bank Kenya. Mr. Sila is a professional banker with leadership skills in credit risk management, credit administration and operational risk amongst others. Previously he was Head of Business Support and Corporate Recoveries (Corporate Credit) at Barclays Bank of Kenya.



He has international leadership experience having led teams in Corporate Credit and Business Support and Recoveries in Zambia, Uganda and Tanzania.

He holds Masters Degree in Business Administration (Strategic Management) and a Bachelors Degree in Commerce (Finance) from the University of Nairobi.

Member

Mr. Narry P. Onaya-Odeck, B.Ed., PGDip., M.C.,(Nairobi)



Mr. Onaya-Odeck (69) holds a Master Degree in Project Planning and Management and a Bachelor Degree in Education from the University of Nairobi. He is a professional administrator with vast leadership skills in administration and human resource management among others. Mr. Onaya joined the University of Nairobi Administration in the year 1979 as a senior administrative assistant and moved through the ranks working in various departments before becoming the University Registrar in charge of Administration and Human Resource Management in the year 2009. Mr. Onaya has also served as a Member in various Boards including Sangalo Institute of Science and Technology Board.

MEMBERS OF THE UNIVERSITY COUNCIL

Member

Mrs. Gertrude Muthoni Namu B.Ed., M.Ed. (Kenyatta)



Mrs. Gertrude Muthoni Namu (66) holds a Master Degree in Education (Library and Information Science) and a Bachelor Degree in Education from Kenyatta University. She is an accomplished leader who has vast knowledge and experience in curriculum and programmes development. She has provided strategic and policy direction in various institutions in addition to spearheading and managing relationships, collaboration and accreditation. Mrs. Namu has previously worked in various institutions of higher learning including Kenya School of Professional Studies and Kenyatta University. Mrs. Namu has also served as a Member of Council, Masinde Muliro University of Science and Technology and as a Board Member of Embu College.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Chancellor

Mr. BENSON WAIREGI, E.B.S.,
B. Com. (Accounting), MBA (Nairobi), CPA (K.)



The Chancellor performs such functions and enjoys such powers, rights and privileges as provided for under section 38 of the Act and the statutes. The Chancellor, from time to time, gives advice to the Council which the Chancellor considers necessary for the betterment of the University. The Chancellor has the right to take part in the formal and informal activities of the University.

Chairman of the University Council

PROF. SHEM E. MIGOT-ADHOLLA Ph.D.,
B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



The Chairperson of Council chairs Council meetings and exercises the powers and privileges as provided for in the Universities Act, Kenyatta University Charter and the Statutes.

Vice – Chancellor

PROF. PAUL K. WAINAINA, Ph.D.,
B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



The Vice-Chancellor is the Chief Executive Officer of the University having the following powers and function:

- Is the academic, administrative and financial head of the University;
- Have the overall responsibility for the direction, organization, administration and programmes of the University;
- Is the accounting officer of the University.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Administration)

PROF. FATUMA CHEGE,

B.Ed.,MA (Ed.) (Kenyatta), Ph.D. University of Cambridge (UK)

The Deputy Vice-Chancellor (Administration) is responsible to the Vice-Chancellor for all administration affairs including:

- Personnel issues in the University;
- Security issues;
- Catering services;
- Staff houses and accommodation;
- Legal issues;
- Health services;
- Transport services.



Deputy Vice Chancellor (Academic)

PROF. JOHN OKUMU, B.Ed., M.Sc. (Kenyatta), Ph.D. (Leeds)



The Deputy Vice-Chancellor (Academic) is the head of the Academic Division of the University and is responsible to the Vice-Chancellor and offers leadership, direction, organisation and administration of programmes of the Division.

Deputy Vice-Chancellor (Finance & Development)

PROF. GODFREY MSE, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)

The Deputy Vice-Chancellor (Finance and Development) is the head of the Finance and Development Division of the University with the following duties and functions:

- Preparation of estimates, allocation of funds, control of expenditure and financial accounting;
- Physical developments;
- Grounds and estates management;
- Procurement services.



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Research, Innovation & Outreach)

PROF. FREDERICK. Q. GRAVENIR, M.A. Ph.D. (Prague)



The Deputy Vice-Chancellor (Research, Innovation and Outreach) duties and functions include:

- Driving the University's research agenda in line with Country's Vision;
- Encourage research culture in the University;
- Institutionalise networking, collaboration research and outreach in the University;
- Encourage innovation and handle issues to do with intellectual property rights;
- Ensure dissemination of research findings.

Registrar Administration

DR. DANIEL M. MUINDI, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)

The Registrar (Administration) is the principal assistant to the Deputy Vice-Chancellor (Administration), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Administration).



Ag. Registrar Academic

PROF. ANDANJE MWISUKHA, B.Ed., M.Ed., Ph.D. (Kenyatta)



The Registrar (Academic) is the principal assistant to the Deputy Vice-Chancellor (Academic), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Academic).

Registrar (Finance and Development)

DR. NELSON M. KARAGU B.Sc., M.A. Ed (Idaho), Ph.D. (Nairobi)

The Registrar (Finance and Development) is the principal assistant to the Deputy Vice-Chancellor (Finance and Development), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Finance and Development).



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Registrar (Research, Innovation & Outreach)

DR. VINCENT ONYWERA, B.Ed., M.Ed., Ph.D. (Kenyatta), ISAK 2



The Registrar (Research, Innovation and Outreach) is the principal assistant to the Deputy Vice-Chancellor (Research, Innovation and Outreach), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Research, Innovation and Outreach).

Ag. Registrar (Corporate Affairs)

PROF. GRACE BUNYI,

B.Ed., M.Ed. (Kenyatta), Ph.D. University of Toronto (Canada).

The Registrar (Corporate Affairs) is responsible to the Vice-Chancellor and performs duties delegated or assigned to her by the Vice-Chancellor.



Chief Finance Officer

JOSEPH I. GITAHI, B.Sc., M.Sc.Org,Dev.(USIU), CPA (K), FA.



The Chief Finance Officer is the head of Finance Department and the technical officer responsible for financial strategy and policy matters. He is responsible to the Deputy Vice-Chancellor (Finance and Development) and work closely with the Vice-Chancellor as the chief accounting officer of the University.

The Chief Finance Officer superintends and manages the finances and financial reporting obligations, and performs such other duties delegated or assigned to him by the Vice-Chancellor and Deputy Vice-Chancellor (Finance and Development).

CHAIRMAN'S STATEMENT



It is my Privilege to present the Annual Report and Financial Statement for the year ended 30 June 2019 for this great University.

During the year under review the University remained focused on its mission to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

I would wish to highlight that in the year 2018/2019, the University reported a deficit of Kshs 677,803,757 which was an improved performance compared to the year 2017/2018 when the University reported a deficit of Kshs 2,109,408,511. The poor performance can be attributed to the decrease in student numbers as a result of non attainment of the University minimum entry grade and reduction in Government Grants. It is my anticipation that in the year 2019/2020 the University through cost cutting and revenue enhanced measures implemented will report improved performance.

Kenyatta University celebrated her 44th Graduation Ceremony on 3rd August 2018, with over 5,000 graduands being conferred with various degrees, diplomas and certificates. The Chief Administrative Secretary and Principal Secretary, State Department for University Education, Prof. Collette A. Suda, was the chief guest.

In her 45th graduation ceremony on 14th December 2018, the University witnessed over 6,000 graduands conferred with various degrees, diplomas and certificates. During this occasion, the Central Bank of Kenya Governor Dr. Patrick Njoroge was honored with the award of the degree of Doctor of Humane Letters (Honoris Causa) from Kenyatta University. This was in recognition of his contribution to monetary stability in Kenya under difficult circumstances, his exemplary humility and integrity and his magnanimity in serving humanity, especially the downtrodden. Dr. Njoroge has proved to be a game changer in Kenya's Financial Industry. In 2017 when the shilling started to depreciate, he initiated reforms that have strengthened and stabilized the currency. Since taking office, Dr. Njoroge has taken a leading role in pushing banks to lower borrowing costs and also stepped up scrutiny of lenders to protect depositors' interests

On infrastructure;

The University continued with the construction of teaching facilities projects such as the School of Business, Applied Human Sciences Building, and the children hospital among others.

The Government of the People's Republic of China on Thursday, 24th January 2019, officially handed over a modern International Language and Culture Centre worth over KSh1.09 billion to Kenyatta University. The building hosts a Confucius Institute, an Africa Education Institute, an International Languages Centre and a culture centre, all geared to the promotion of local, African and foreign languages, arts and cultures. The ground breaking ceremony for the International Language and Culture Centre took place on 15th March 2016, and was graced by the then Ambassador of the People's Republic of China to Kenya, Liu Xianfa. The centre was financed and constructed by the People's Republic of China. Successful delivery of

CHAIRMAN'S STATEMENT

the facility is touted as a reflection of the current situation and long history of cultural and people-to-people exchanges between China and Kenya. The International Language and Culture Centre marked another milestone in China-Kenya friendship and showcase the rapid development of China-Kenya cultural and people-to-people exchanges and comprehensive cooperation partnership. The handing over ceremony was attended by top officials from the National Treasury and Ministry of Education among others.

Plans to establish Mama Ngina University College, which will be a constituent college of Kenyatta University, are under-way. This follows the groundbreaking ceremony which was held on Saturday 13th April 2019 at Mutomo in Gatundu South. The association between KU and Mama Ngina University College started back in 2016, when the Ministry of Education appointed Kenyatta University to mentor its establishment and growth. Since then, the University has worked closely with other stakeholders to ensure that the College fulfils the necessary legal and statutory requirements to eventually become operational.

Kenyatta University Hospital was handed over to the appointed Board on 24th May 2019. The event paves way for the facility's soft opening scheduled to take place mid-August this year after the equipment has been tested and commissioned as well as staff employed. The hospital was built through a loan financed by the China Exim Bank. This facility has in place world class facilities matching those found anywhere in the developed world. Indeed one of the biggest claims of foreign currency has been medical tourism by Kenyans seeking treatment abroad. It has been a very big drain on our economy as Kenyans have to pay for treatment using their own hard earned cash but this is expected to change all that. I note that there are legal and administrative issues that still need to be clarified with regard to the operation of the hospital which would require further engagement between the University Council and the board.

Kenyatta University is amongst the leading Universities in provision of quality training and also aligning the outcomes to Kenya's Big Four Agenda. The University's infrastructural capacity, achieved over the recent years has served much needed capacity for quality training and research as well as service. In particular, the newly completed Kenyatta University Teaching, Research and Referral Hospital set to be opened soon which would address significant health gaps in Kenya and the region.

We will continue to work closely with the Government and other Collaborating partners to provide highly competitive and versatile graduates which the Country and Region need for sustainable development.

I take this opportunity to thank the Government of Kenya and all collaborating partners, both internal and external for their continued support.

Lastly I want to thank my fellow members of council, members of staff, and students for their tireless effort, team work and for achievements made in the year ended 30th June 2019.



Prof. Shem E. Migot-Adholla Ph.D.
Chairman, Kenyatta University Council

VICE-CHANCELLOR'S REPORT



I am delighted to present the University's results for the year ended 30 June 2019.

During the year under review the University remained on course in implementation of 2016-2026 Strategic Vision Plan; guided by the theme "Enhancing Higher Education, Transforming Lives". The theme is grounded on the principles of inclusiveness and participation, good governance, equity, environmental consciousness and respect for diversity.

During the year, the University put in place the necessary Internal Controls on resources to ensure that we meet the targets of revenue collection and cost control.

The University held its 44th graduation ceremony on 3rd August 2018 and its 45th Graduation Ceremony on 14th December 2018 at the main campus. The events saw 5,039 and 6,466 graduands respectively conferred with various certificates, Diplomas and Degrees in respective disciplines. The theme of the 44th graduation celebrations, 'Education for the Attainment of Kenya's Big Four Agenda', was selected to underscore Kenyatta University's commitment to pursuing projects and programmes that complement government efforts. Among these initiatives are research on food security, operationalization of the 600-bed University Hospital comprising of a Molecular Imaging Centre with state-of-the-art facilities for cancer management and research, establishment of a Herbal medicine research centre courtesy of the National Research Fund, construction of a pilot solar power plant, and various research projects in prevention of non-communicable diseases and protection of Kenya's water towers.

Kenyatta University registered over 9,000 new students in the year 2018/2019 who were admitted to study at the Main Campus and other University Campuses.

Education, Training and Research

In its endeavor to provide quality education and training, the University entered into collaborations, signed MOUs (Memorandum of Understanding) and organized workshops and seminars with various stakeholders. Notably;

Kenyatta University hosted a week-long training programme on international health informatics. Health informatics is the science of health information which is greatly enhanced by the information communication technologies. The programme is tailored to meet the skills-gap challenge for low-and middle-income countries and attracted participants from South Africa, Zambia, Tanzania, Kenya and Switzerland. The course has been collaboratively developed by five universities under the secretariat of the USAID-funded MEASURE Evaluation project based at the University of North Carolina, USA.

Kenyatta University in partnership with the University of Geneva and UNHCR successfully hosted the Geneva Summer School 2018, an initiative of University of Geneva that aims to foster exchange and

VICE-CHANCELLOR'S REPORT

collaboration on topics of global significance. The two weeks programme took place from 10th to 21st September 2018 at the Kenyatta University Conference Centre (KUCC). The Summer School brought together stake-holders in higher education for refugees and host communities worldwide.

Two students from the School of Business travelled to the Masaryk University in the Czech Republic on 6th September 2018 for a period of five months. The two students, Edward Wesonga and Davis Okoth, are beneficiaries of the Erasmus Student Mobility Scheme for staff and students exchange. While at Masaryk University, the students will get an opportunity to learn subjects relevant to their discipline which would earn them credits upon their return. Kenyatta University also got the opportunity to host two staff members from Masaryk University for a week. The two institutions have collaborated through the Erasmus Mobility Programme; European funded programme that offers university students the possibility of studying or doing an internship abroad for a period of at least 2 months and maximum 12 months per cycle of studies, thereby promoting internationalization in institutions of higher learning.

The Sixth African Higher Education Week and the Regional Universities Forum for Capacity Building in Agriculture (RUFO-RUM) Biennial Conference took place between 22nd October 2018 and 26th October 2018 at the Kenyatta International Convention Centre (KICC), Nairobi. The Biennial Conference is RUFORUM's most comprehensive meeting for the diversity of stakeholders in both agriculture and higher education. The 2018 Biennial conference was unique with a focus on university-agriculture community transformation. It provided an opportunity for participants to showcase their innovations as part of enhancing the university-farmer community partnership and engagement for meaningful innovation. The overall theme of the 2018 Conference was "Aligning African Universities to accelerate attainment of Africa's Agenda 2063".

Kenyatta University collaborates with Bonn-Rhein-Sieg University of Applied Sciences (H-BRS) in the framework of the project "Collaboration for Entrepreneurial Universities - CEPU", which is jointly conducted by our two universities as well as Mount Kenya University on the Kenyan side and Leipzig University, Leuphana University Lüneburg, Wismar University of Applied Sciences and Hasso-Plattner Institute on the German side. The project is funded by the German Academic Exchange Service (DAAD) and the Federal Ministry of Economic Cooperation and Development (BMZ). The project kick-off event was held at Kenyatta University on Tuesday, 2nd October 2018, at Kenyatta University main campus. The University is committed to supporting the project's objective of strengthening the labour market-oriented approach of universities in Africa by combating graduate unemployment through strategic alignment with the labour market

The School of Security Diplomacy and Peace Studies at Kenyatta University holds annual conferences on divergent topical issues. The theme of this year's International Conference was '20 years since the Rome Statute of the International Criminal Court (ICC)'. The proposed theme for the 2019 conference will be 'prospects for peace and security in Southern Sudan.' This year's conference brought together academic experts on International Criminal Justice to discuss and dialogue on the subject that is neither political nor activist oriented. The objective was to have an enriched academic dialogue between academics,

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practitioners and experts on African governance.

Kenyatta University in collaboration with Kenya Industrial Property Institute (KIPI) launched the Technology and Innovation Support Centre that will aid the innovation process in the following three ways:

1. Strengthening the institutional capacity to offer a variety of IP services to its clients including patent searches, patent drafting and assistance in prosecution of IP applications.
2. Increasing accessibility by Kenyatta University to technological information contained in patent and other technological information.
3. Increasing innovative and inventive outputs manifested by increased patent filing by or through Kenyatta University.

Staff Training

During the year, the University sponsored staff for training within and outside the University notably;

Kenyatta University hosted a five-day training of Clinical Trainers (TCT) Course of the Family Medicine Leadership, Education and Assessment Programme (FaM-Leap) from 4th to 8th March 2019. KU was privileged to host the training and will continue to support similar initiatives and collaborations in staff development and collaborative research. The University wishes to see the number of Ph.D holders in the field of medicine increased. I therefore encourage the Deans and other senior staff from medicine-related Schools and Departments in the University to seek support and collaborations towards that venture. The training workshop attracted a number of delegates drawn from the United Kingdom, United States of America, South Africa, Rwanda, Sierra Leone, Ghana, Nigeria, Uganda, Ethiopia and Kenya.

The University held a training workshop for all Deans, Directors and Chairpersons of Departments on Wednesday 27th February 2019. The two day training workshop was geared towards sensitizing and enabling the participants to understand their individual and collective roles in articulating and implementing University policies in their respective areas of jurisdiction. This workshop not only gave them an opportunity to discuss and ensure that they all have the same understanding of the University policies, but also enable them understand what the University Management expects of them as the administrative and academic heads of their respective Campuses, Schools, Directorates or Departments.

Achievements

Kenyatta University choir continued its dominance of the Kenya Music festival in the University category winning for best overall public University for the 9th year running. KU won in 29 of about 55 items entered in the festivals and was presented with the winner's trophy by President Uhuru Kenyatta during the Sagana State Lodge awards. KU choir competed against 9 other universities in all categories. This is an exemplary performance which was a continuation of the University dominance and wins following last year's festival.

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It was pomp and glamour at the cocktail that marked the 2018 edition of the KUZA broadcasting awards that aim to celebrate the milestones achieved by broadcasters and push them to strive for quality services and compliance with regulatory standards by the Communications Authority. Kenyatta University Television (KUTV) took home a gold award for Local Content Prime Time Award, beating all other local stations in Kenya.

Kenyatta University Scout's Troop emerged the National Champions at the recently concluded National Inter-patrol Scout's competitions/challenge which took place in Rowallan National Scout's Camp from 5th to 9th August 2018. The University was well represented by two patrols namely Kanga (female team) and Kiwi (male team) in the rover challenge. The theme of this year national competition was 'Scouts promoting food security through sustainable conservation'. The rover challenge is divided into projects and bases; that tested the participants' knowledge, authenticity, innovation and creativity in tackling the Big Four Agenda in Kenya.

The Kenyatta University Scouts Troop also emerged as 1st runners up, against their other worthy opponents from the East African community during the East African Zonal Scouting Competitions held in Burundi last month. Known as the KIWI crew, the KU scouts team took on close to 300 scouts drawn from Uganda, Tanzania, Rwanda, South Sudan, Ethiopia and Burundi in the competition. At this international inter-Universities level of competition, participants were challenged and their abilities tested on a range of issues. The winners were awarded certificates and a trophy for the work done.

Other Activities

Kenyatta University held its 26th edition of Culture Week from 1st to 3rd November 2018 at the Main Campus. Kenyatta University has come a long way since the seeds of the first Culture Week were sowed in 1992. Over the years, Kenyatta University has seen a phenomenal outburst of talents among students and staff. Our alumni have gone on to display great skills in a variety of areas, among them drama, music, film and sports. Most of these talents have actually been developed and showcased during the Culture Week Festivals. This year's festival theme was 'Cultural Diplomacy for Peace', which resonates well with the need to exchange ideas, information, art, language and other aspects of culture among nations and their peoples in order to foster mutual understanding.

Kenyatta University Students Association (KUSA) held an inauguration ceremony for incoming executive officers of the Students Governing Council (SGC) on Thursday, 25th October 2018, at the Business and Students' Services Centre. The officers were sworn into their new positions after a campaign period that ran for the better part of early October, with voting taking place between the 17th and 18th of the same month. I commend the grace and dignity with which the students and those seeking elective posts conducted themselves during elections, which were being held for the second time using a new format, following the amendment to the Universities Act (2016).

The School of Education in collaboration with Kenya National Commission for UNESCO (KNATCOM) celebrated the World Teachers' Day on 5th October 2018 at the College of Education Building. Members of University Management and Dr. Christopher K. Yegon, Deputy Director, Directorate of University

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Education, Ministry of Education attended the ceremony representing the Chief Guest, Prof. Collette A. Suda, Chief Administrative & Principal Secretary, State Department for Higher Education. Other partners included Officials from UNES-CO – KNATCOM, who played a major role in the planning of the event alongside the School of Education.

The 2019 Career Week saw over 10,000 high schools students and form four leavers' flock into the Kenyatta University grounds to learn and be educated about career paths as well as being provided with the tools needed to succeed in life. Career week which is one of the most anticipated events on the KU calendar has grown in leaps and bounds over the years. The theme this year was: "Integrating soft skills to enhance professionalism and career development" and began on 26th January and ended on 1st February 2019. This year's climax included a career clinic and mentor's day held on 1st February that saw over 1,500 high school leavers along with their parents and guardians converge at the amphitheatre for the inaugural mentors day presided over by the KU career office. The form four leavers were given a detailed talk on the various courses available in Kenyatta University and were urged to choose Kenyatta University as their university of choice.

Ugandan President, H.E. Yoweri Kaguta Museveni, delivered a public lecture at Kenyatta University themed 'Integration in Africa' on 29th March 2019. During the public lecture, President Museveni said that integration was the only way African countries would reach the status of Europe, China and the United States. He criticized tribalism which, he noted, characterized the continent's political landscape. President Museveni said that while a large portion of the continent's problems can be blamed on its colonial history, Africa's leaders have to unite to secure its future. "Africa is the pioneer of civilization. The free labour of (African) slaves is part of the efforts that liberated Europe from poverty," he said. However, despite the continent's contribution to industrial revolution, President Museveni expressed his disappointment that African countries are still struggling in terms of development. This he blamed on 'political balkanization.'

The United Nations Inter-national Mother Language Day annually celebrates language diversity and variety globally on 21st February since the year 2000. This year's International Mother Language Day was celebrated and hosted by Kitui County in conjunction with Kenyatta University, Kitui Campus and State Department of Culture and Heritage under the Ministry of Sports, Culture and Heritage and East African Educational Publishers on Friday 21st February 2019. This year's Mother Language Day fête was part of an International conference organized and held at Kenyatta University, Kitui Campus, from Wednesday 20th to Friday 22nd February 2019. The day's celebrations marked through various activities such as cultural dances, music, dances and exhibitions, brought out the significance of marking the day. The epitome was an address by the keynote speaker, Prof. Ngugi Wa Thiong'o, an award-winning, world-renowned Kenyan writer and academic scholar who also launched a book written in Kikamba and published by the East African Educational Publishers.

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Appreciation

In conclusion, I take this opportunity to convey my appreciation and gratitude to the University Council, Management and all members of staff for their commitment to work and their timeliness and splendid effort that have seen Kenyatta University move towards its goal of becoming a world-class University.

Finally, I would like to thank the Government, Local and International Donors, Suppliers and Service providers for their trust, guidance and continued co-operation.



Prof. Paul K. Wamaina, Ph.D.
VICE-CHANCELLOR

CORPORATE GOVERNANCE STATEMENT

Introduction

The statement outlines the key aspects of the University's corporate governance framework. Corporate governance is the process by which the University is directed, controlled and held to account. It provides the structure through which the strategic objectives of the University are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between the University Council, Senate, Management Board, Regulators and all Stakeholders.

The University in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its vision, mission, and core values for sustainability of the University.

The governing organs of the University are:

- (i) The University Council;
- (ii) The Senate of the University;
- (iii) The University Management Board.

(i) The University Council

Council Charter

The Council is guided by the Council Charter which defines the governance guidelines within which the Council exists and operates. It clearly states the respective roles, responsibilities and authorities of the Council and its Committees.

Council Appointment and Composition

In accordance with the Universities Act No. 42 of 2012, clause 36(1) the Council consists of nine persons appointed by the Cabinet Secretary for a period of three years and who are eligible for re-appointment for a further one term. The persons are as follows:

- The Chairperson
- Principal Secretary, Ministry for the time being responsible for the University Education
- Principal Secretary, Ministry for the time being responsible for Finance and The National Treasury
- Five members appointed by the Cabinet Secretary, Ministry for the time being responsible for University Education
- The Vice-Chancellor who is an ex-officio member of the Council.

The University Charter (Clause 17) requires that the members of the Council at the first meeting after their appointment determine by lot which of their number shall vacate office after a period of three and four years respectively.

Council Diversity

The Council members possess a broad range of skills, expertise, experience and knowledge essential to undertake the University's mandate. The areas of expertise of the current Council members include Sociology, economics, Counseling Psychology, International relations, Business Administration, among others as indicated on pages 9 to 11 of this Annual Report.

The University endeavors to and remains compliant with the one third (1/3) gender balance.

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Separation of Powers and Duties

The Chairman of Council's responsibilities include the operation, leadership and governance of the Council, ensuring its effectiveness and setting its agenda. The Vice-Chancellor's role and responsibilities include the day-to-day management of the University's business and overseeing the implementation of strategies and policies approved by the Council. This is clearly stipulated in the University Statutes.

Powers and Functions of the Council

The powers and functions of the Council include:

- To make new or additional Statutes, alter, amend or revoke existing Statutes in consultation with the Senate;
- To establish such standing or other committees with membership and with such terms of reference as it may deem fit;
- To make regulations in accordance with the Charter for any purpose in respect of which regulations may be made, provided that no regulations shall be made until Senate has had an opportunity of reporting thereon;
- To provide the land, building, premises, furniture and equipment, including specialized scientific equipments, vehicles, machinery, facilities and other means required for carrying out the work of the University;
- To determine method of recruitment, appointment and promotion of all staff of the University;
- To make the appointments authorized by the Charter and the Statutes and to determine the terms and conditions of service for all staff of the University;
- To provide for the welfare of every person in the employment of the University;
- To establish, confirm, abolish or hold in suspense any professorship, lectureship or other academic, as well as other senior administrative posts in consultation with the Senate;
- To confer, after report from Senate, the title of Professor Emeritus, Adjunct Professor, Adjunct Faculty and other senior staff;
- To receive, consider and approve from University Management Board estimates of expenditure required to carry out the work of the University and to provide the requisite in so far as the estimates are approved and accepted by the Council;
- To provide control and regulate the finances of the University as the Council may provide in the Statutes or Regulations from time to time;
- To control, manage and regulate accounts, investment property and all the business affairs of the University and for that purpose appoint bankers, auditors, lawyers or any other agent as the Council may deem necessary from time to time;
- To promote and make financial provisions and facilities for research within the University;
- To determine, after considering the recommendations of Senate, all fees payable to the University;
- To invest any moneys belonging to the University including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time think fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rent and subject to the Charter

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with the power of varying such investment from time to time by sale or re-investment or otherwise;

- To sell, buy, exchange, lease, grants or take on lease moveable and immovable property on behalf of the University, pursuant to section 17 of the Charter;
- To borrow money on behalf of the University, and for that purpose and subject to the Charter, to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;
- To enter into, vary, carry out or terminate contracts on behalf of the University;
- To select a Seal, Arms and Mace for the University and to have the sole custody and use of the Seal;
- To provide by Statutes for the creation of new Colleges, Campuses, Schools, Departments, Directorates, Institutes, Centres or other bodies of learning and research in the University and for the abolition from time to time of any such bodies, and to approve the establishment, abolition or sub-division of any such bodies on the recommendation of Senate;
- To institute, on the recommendation of Senate, donors' fellowships, studentships, exhibitions, bursaries, prizes and other aids to study and research where appropriate and upon conditions acceptable to the Council;
- To determine the terms and conditions upon which Internal and External Examiners shall be appointed by the Senate;
- To consider and give effect to reports from Senate on those matters upon which Senate is authorized or required to make by the Statute;
- To exercise powers of removal from office for good cause of any officer or staff member and other disciplinary controls in the University;
- May empower any of its committee to act jointly with any committee appointed by the Senate, provided that the Council shall not delegate to the Chairperson or to a committee the powers to approve without further reference to the Council the annual Estimates of Expenditure;
- May refer any financial matters affecting the academic policy of the University to the Senate for advice;
- Shall determine the method and condition of appointment and promotion, terms of service and remuneration of all staff of the University;
- Shall authorize or control the establishment and disestablishment of Campuses, Colleges, Schools, Departments, Directorates, Institutes, Bureau, Units and Centres;
- Shall authorize or control the establishment and disestablishment of academic, library, administrative, technical, secretarial and all other posts in the University necessary for the proper functioning of the University;
- Shall control the appointment of any other persons working for the University, pay honoraria, fees and other remuneration as the Council may determine from time to time.

CORPORATE GOVERNANCE STATEMENT

Meetings of the Council

While the Council is responsible for its agenda, it is the responsibility of the Chairperson and the Council Secretariat working closely with the Vice-Chancellor, to come up with the Annual Council Work Plan and Agenda for the Council meetings.

The Council Work Plan together with the calendar of meetings for the Financial Year 2018/2019 was fixed in advance and provided to all Council members. The agenda and supporting papers were distributed in advance to all members of the Council and its Committee's.

Unless the Council otherwise determines, meetings of the Council are held at least four times in each calendar year at such a place and time as the Chairperson may determine.

At all meetings of the Council, a quorum is the nearest whole number above half the membership of the Council.

Where consensus is not achieved, decisions of the Council may be by a simple majority vote of those present and voting, provided that the Chairperson of the council shall have a casting vote in case of an equality of votes.

The Chairperson may at any time call a meeting of the Council within twenty eight (28) days of receiving request for that purpose addressed to him and signed by at least a half of the membership of Council.

Councils' Effectiveness

In order to ensure that the Council members are effective in their contribution to the management of the University, it is important that they develop good understanding of the University and its operations.

Council members undergo regular training to enable them to fulfill their responsibilities. The University has also developed a comprehensive induction program and inducts all new board members.

Evaluation

The Council has put in place evaluation system to ensure that the Council achieves its objective. In the year 2018/2019, the University conducted evaluation of Council on 27th June 2019.

Council Committees

The University has a total of four committees and five boards whose chairperson reports to the main Council and assists in executing the mandate of the Council and by extension, the University.

CORPORATE GOVERNANCE STATEMENT

A) Council Committees

- 1) Finance and Strategy Committee
- 2) Terms of Service and Conditions Committee
- 3) Audit Committee
- 4) Governance, Risk and Compliance Committee

B) Boards

- 1) Staff Appeals Board
- 2) Appointment and Promotions Board (*For Professors, Associate Professors & Equivalent Grades*)
- 3) Disciplinary Board for Senior Staff (*Grade A-F, Graduate Assistants to Professor & Equivalent Grades*)
- 4) Honorary Degree Board
- 5) Sealing Board

Composition of Committees and Boards of the 10th Kenyatta University Council and their Terms of Reference

1. Finance and Strategy Committee

a) Membership

- 1) Council Member - Chairperson
- 2) Vice-Chancellor
- 3) Principal Secretary in the Ministry for the time being responsible for Education
- 4) Principal Secretary in the Ministry for the time being responsible for Finance
- 5) One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Registrar (Finance and Development)
3. Registrar (Planning and Strategy)
4. The Chief Finance Officer
5. Director ICT
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

CORPORATE GOVERNANCE STATEMENT

c) Terms of Reference

i) Finance

The Committee advises the Council on:

- Financial and investment projections of the University.
- Making provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University
- Fees and other rates to be paid by Students

The Committee is responsible on the delegated authority of the Council for:

- Preparing of University Development Plans for an approved period and submit to Council
- Keeping under review approved development programmes and to ascertain that the objectives of the University are being achieved and to make recommendations thereon to Council
- Considering the annual report and financial statement and make recommendation to Council
- Receiving, considering and submitting the proposed budget estimates from the relevant sectors for approval by Council
- Ensuring that there are adequate controls in place for prudent management of financial resources
- Reviewing the endowment and donations policy to ensure adequate monitoring and control
- Exercising such powers as Council may from time to time delegate to the Committee

ii) Strategy

The Committee advises the Council on:

- The vision, core values and the strategic direction of the University
- The status of the implementation of the University Strategic and Vision Plan

The Committee is responsible for the delegated authority of the Council for:

- Reviewing annually the University financial and investment strategy to ensure that it is sustainable and supports the University Strategic and Vision Plan
- Overseeing the development, implementation and integration of the Universities information technology strategy into learning, teaching and research and in the performance monitoring of the University
- Overseeing the implementation of ICT Policy

CORPORATE GOVERNANCE STATEMENT

2. Terms of Service and Conditions Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. Principal Secretary in the Ministry for the time being responsible for Finance
4. One Council Member
5. Vice-Chancellor

b) In Attendance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Corporate Affairs)
3. Registrar (Administration)
4. The Chief Finance officer
5. Human Resource Manager
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- Terms and conditions of service of all staff in the University

The Committee is responsible on the delegated authority of the Council for:

- Considering proposals of terms and conditions of service made by staff unions through the University Management Board

3. Governance, Risk Compliance Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for Finance
3. One Council Member
4. Vice-Chancellor

b) In Attendance

Governance, Risk and Compliance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Planning & Strategy)
3. Chief Finance Officer
4. Chief Legal Officer

CORPORATE GOVERNANCE STATEMENT

5. Officer in Charge of Risk and Compliance
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

i) Governance

The Committee advises the Council on:

- The roles and operations of the Council based on best practice in corporate governance
- Regulations and procedures for Council and Council Committees
- Membership, powers and duties of Committees of Council

The Committee is responsible on the delegated authority of the Council for:

- Monitoring the performance of Council Committees
- Receiving reports on effectiveness of Council and its Committees
- Considering and recommending to the Council changes to governance framework (Charter, Statutes, and policies)

ii) Risk

The Committee advises the Council on:

- The adequacy and effectiveness of the risk management framework
- Major risks which may impact on the reputation of the University and the associated risk mitigation mechanism

The Committee is responsible on the delegated authority of the Council for:

- Receiving reports and providing oversight on the implementation of the risk management policy
- Receiving regular audit reports on the Risk function and report to Council on any matters that require their consideration
- Reviewing the implementation of the risk management framework on a quarterly basis

iii) Compliance

The Committee advises the Council on:

- All issues relating to external and internal compliance

The Committee is responsible on the delegated authority of the Council for:

- Monitoring the effectiveness of the University's processes for ensuring compliance with relevant laws, rules, regulations, and standards

CORPORATE GOVERNANCE STATEMENT

- Receiving reports on legal compliance audit and recommend on strategies to manage any breaches and risks effectively

4. Audit Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Chief Finance Officer
3. Chief Internal Auditor
4. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- The adequacy and effectiveness of management procedures with regard to issues relating to risk management, control and governance

The Committee is responsible on the delegated authority of the Council for:

- Reviewing and approving the audit charter where applicable and internal audit annual work plans
- Reviewing internal and external audit findings and recommendations and proposing corrective and preventive action where necessary
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
- Initiating special audits/ investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer/Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

University Boards

1. Staff Appeals Board

a) Membership

1. Chairman of Council - **Chairperson**
2. Independent Council Member
3. Independent Council Member

b) In Attendance

1. Vice Chancellor
2. The relevant Dean/Head of the Department/Section concerned
3. Registrar (Administration)
4. Human Resource Manager
5. Chief Legal Officer
6. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

The Board is responsible on the delegated authority of the Council for:

- Considering and determining appeals from individual members of staff against decisions in relation to their discipline from both the Junior and the Senior Board of discipline.

2. Appointments and Promotions Board (For Professors, Associate Professors and Equivalent Grades)

a) Membership

1. Chairman of Council - **Chairperson**
2. One (1) Council Member
3. Vice-Chancellor

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. Principal of the College Concerned
3. Dean of the School concerned
4. Head of the Department/Section concerned

CORPORATE GOVERNANCE STATEMENT

5. Registrar (Administration)
6. Human Resource Manager
7. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Board shall be responsible to the Council for the appointment and promotions of Associate Professors, Professors and Equivalent Grades as may be determined by the Council.

3. Disciplinary Board for Senior Staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades)

a) Membership

1. Vice-Chancellor
2. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. The relevant Dean/Director/Head of the Department/Section concerned
3. Relevant Staff Union representative
4. Registrar (Administration)
5. Human Resource Manager
6. Chief Legal Officer
7. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

Shall be responsible to the Council for the discipline, suspension and removal from Service of all senior staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades) as may be determined by the Council.

CORPORATE GOVERNANCE STATEMENT

4. Honorary Degrees Board

a) Membership

1. Vice-Chancellor - **Chairperson**
2. Chairman of Council
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Principal of the College concerned for Honorary Degree(s)
3. Dean of the School concerned for Honorary Degree(s)
4. Registrar Corporate Affairs
5. Registrar (Academic)
6. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

- 1) To receive and consider nomination (s) from the various boards of Schools and Institutes for the award (s) of honorary degrees and fellowships
- 2) To recommend to the senate persons deemed fit for the award of honorary degrees

5. Sealing Board

a) Membership

1. Chairperson of Council - **Chairperson**
2. Vice-Chancellor
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Registrar (Academic)
3. Head, Transcript, Graduation and Certificates
4. Council Secretary

CORPORATE GOVERNANCE STATEMENT

c) One person above half the number of Members

d) Terms of Reference

To receive, verify and seal certificates before they are issued to graduands

Council Remuneration

The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chairman of Council receives honoraria on a monthly basis as indicated in Note 10 of the Financial Statements.

Council allowances are based on approved rates and guidance provided in Government Circulars

Conflict of Interest

The Council members are obligateded to fully disclose to the Council any real or potential conflict of interest, which comes to any Council member's attention, whether direct or indirect. At any meeting the Council members are expected to make a declaration of any interest they may have in the business under discussion. In the financial year under review, there were no transactions with any of the Council members or their related parties.

Code of Conduct and Ethics

The University has a code of conduct and ethics policy that binds the Council members, management and employees. When joining the University, every employee is provided with a copy of the code of conduct and ethics policy and must commit to abide by its requirements as part of the employment contract with the University.

Whistle Blowing Policy

This is provided for in Kenyatta University Anti-Corruption Policy Clause 17, which states that the University undertakes to protect the identity of persons making corruption disclosures, and the information provided therein shall be handled in utmost confidentiality. Allegations that are false and made with malicious intent are discouraged. Where such malicious or allegations are discovered, the person who made the allegation shall be subjected to disciplinary action.

Risk Management and Internal Controls

The University Council is responsible for the University system of risk management and internal control, which is designed to identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

The Council has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit Committee. Details in relation to the Audit Committee's work in this regard are set out in the University Statutes.

CORPORATE GOVERNANCE STATEMENT

The Vice-Chancellor is responsible for implementing the system, including a system of internal controls and audits, to identify and manage risks that are material to the University. Independent review of the risk management framework is carried out through the University Internal Audit function that carries out risk based internal audit on regular basis.

The University has an in-house legal officer and has appointed advocates to advice on litigation risks. The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The University Council through its Audit Committee receives regular reports during the year on internal controls and risks.

The University's Key Risks include;

1. Strategic/Commercial Risks
2. Economical/Financial/Market Risks
3. Legal and Regulatory Risks
4. Organization/Management/Human Factor Risks
5. Political Risks
6. Environmental Risks
7. Technical/Operational/Infrastructure Risks

Compliance

The Council operates in a manner reflecting the University's values and in accordance with the Corporate Guidance, the University Act, University Charter, University Statutes, Council Charter, Mwongozo and all other applicable regulations.

The Council is committed to ensuring that it complies with all applicable laws and regulations

Governance Audit

The University did not conduct governance audit this year but the same will be conducted in the year 2018/2019.

Stakeholders

Stakeholders may be categorized, on the basis of location, into internal and external. Internal stakeholders include those inside the University. These include students and employees. On the other hand, external stakeholders are based outside the University, but have implications for survival of the University. These include customers, suppliers, government agencies, development partners, local communities, alumni, external examiners and trade unions.

Going Concern

The Council is committed to ensuring that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE STATEMENT

Conclusion

The Council recognizes that practices and procedures can always be improved. Accordingly, the corporate governance framework of the University is kept under review to take account of changing standards and regulations.

Number of Full Council, Committees and Board Meetings held During the Year 2018/2019

S/N	Type of the Meeting	Number of Meetings
1	Full Council	4
2	Terms and Conditions of Service Committee	2
3	Audit Committee	4
4	Finance and Strategy Committee	3
5	Governance, Risk and Compliance Committee	3
6	Sealing Board	2
7	Disciplinary Board for Senior Staff (Grade A-F, Graduate Assistants to Professor and Equivalent Grades)	12
8	Staff Appeals Board	1
9	Honorary Board	1
10	Appointments and Promotions Board (For Professors, Associate Professors and Equivalent Grades)	1

CORPORATE GOVERNANCE STATEMENT

(i) The Senate of the University

The membership of the Senate shall be:-

- The Vice-Chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- The Principals of each Constituent College;
- The Principals of each College within the University;
- Registrars;
- Executive Deans;
- Directors of Campuses;
- Chairpersons of Departments;
- One Professor representing each College;
- The Chief University Librarian;
- The Chief Finance Officer;
- Director of Student Affairs;
- Director Information, Communication and Technology Services (ICT);
- Two members elected by the students' organization, who shall be entitled to attend
- deliberations of the Senate on matters which are considered by the Chairperson of the Senate to be confidential of which relate to examinations, the general discipline of students, and other related matters; and
- Such other member as Council may determine in accordance with the Statute

The Deputy Vice-Chancellor in charge of Academic affairs shall be secretary to the senate.

The Senate shall have the following powers and duties:-

- 1) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- 2) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- 3) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- 4) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- 5) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.

The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

CORPORATE GOVERNANCE STATEMENT

(ii) The University Management Board

Members of the University Management Board shall be;

- The Vice-chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- Registrars;
- Chief Finance Officer
- Chief Legal Officer
- Such other member of senior management as the Council may determine and as provided for in the statutes.

The University Management Board shall assist the Vice-Chancellor in;

- 1) The Management of urgent day-to-day academic, administrative, research, development and outreach issues;
- 2) The efficient management of the human, physical, and financial resources of the University;
- 3) Coordination of University and colleges strategic and development plans;
- 4) Make proposals to Senate and Council on issues that have University-wide application;
- 5) Receive proposals from different sectors of the University for recommendation for Council consideration;
- 6) The implementation of Council and Senate approved policies;
- 7) Any other matters related to the management of the University.

MANAGEMENT DISCUSSION AND ANALYSIS

The University's Management discussion and analysis, provides an overview of the University's financial activities for the fiscal year ended 30th June 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the University's financial statements and Notes to the Financial Statements following this section.

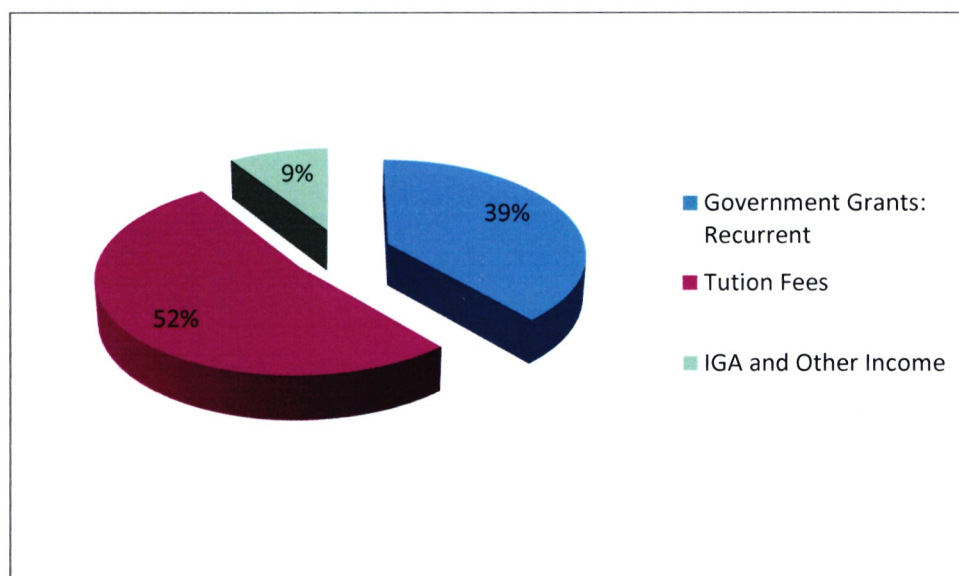
A. University Performance

University Sources of Funds

1. Government Grants – Recurrent and Development
2. Internally generated funds- Tuition and other income generating activities.
3. Externally sourced funds- Donations and grants from private sector, loans and overdrafts

In the year 2018/2019 the University received Kshs 3,421,558,999 Government Grants, Kshs 4,635,730,730 Tuition and other fees and Kshs 803,498,917 from Income Generating Activities and other incomes.

Income for the year 2019



MANAGEMENT DISCUSSION AND ANALYSIS

University Expenditure

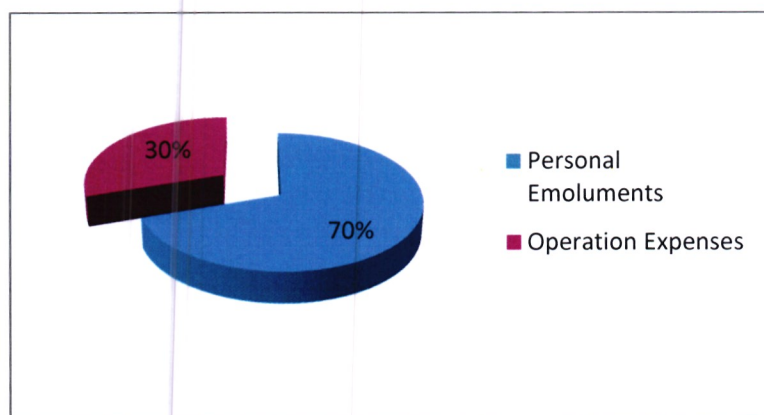
University Expenditures are composed of Personnel Emoluments, Operations and Maintenance.

The University's expenditure decreased from 11,162,946,388 in the year 2018 to Kshs 9,215,147,355 due to cost cutting measures implemented by management.

In the year 2019, the University's expenditures under the two categories were as follows;

Particulars	Amount in Kshs
1. Personnel Emoluments	6,666,580,038
2. Operation and Maintenance	2,548,567,317

Expenditures for the year 2019



KENYATTA UNIVERSITY

Annual Report and Financial Statements

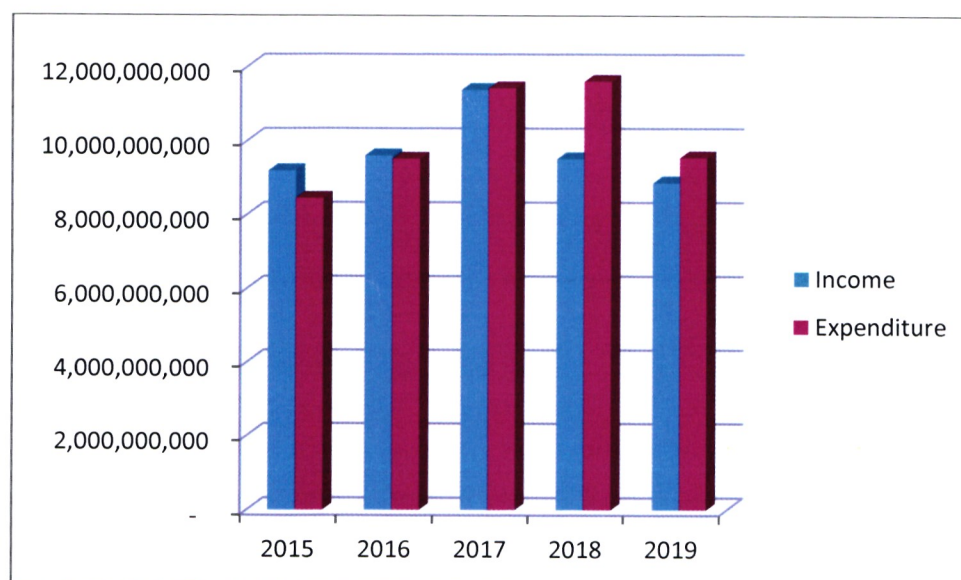
2019

MANAGEMENT DISCUSSION AND ANALYSIS

Five Years Financial Performance 2015 to 2019

PARTICULARS	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
INCOME-KSHS					
Government Grants: Recurrent	3,185,791,190	3,128,934,681	3,660,925,439	4,148,305,985	3,421,558,999
Tuition Fees	5,444,777,689	6,104,228,062	5,859,663,442	4,347,821,552	4,635,730,730
IGA and Other Income	552,415,021	362,299,459	1,847,439,325	1,008,916,433	803,498,917
Income	9,182,983,900	9,595,462,202	11,368,028,206	9,505,043,970	8,860,788,646
EXPENDITURE KSHS					
Personal Emoluments	5,462,780,328	5,682,895,658	6,631,832,567	7,726,090,829	6,666,580,038
Operation and Maintenance	2,971,217,471	3,819,403,485	4,780,098,638	3,888,361,651	2,872,012,364
Expenditure	8,433,997,799	9,502,299,143	11,411,931,205	11,614,452,480	9,538,592,402
Deficit/Surplus	748,986,101	93,163,059	(43,902,999)	(2,109,408,510)	(677,803,757)

Income and Expenditures Trend 2015 to 2019



MANAGEMENT DISCUSSION AND ANALYSIS

University Net Assets

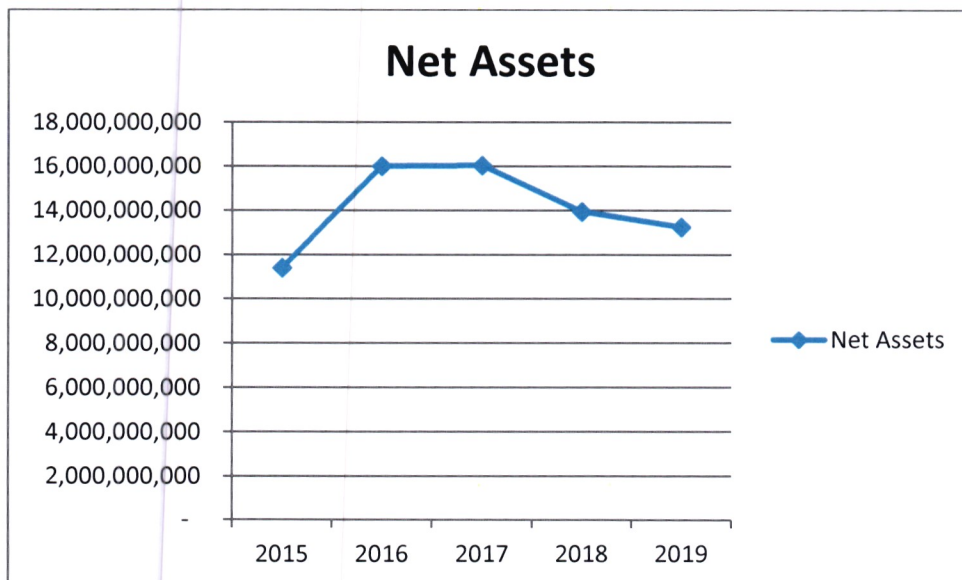
The University Net Assets are composed of;

1. Revaluation Reserves
2. Accumulated Surplus
3. Capital Fund (Government Capital Grants)

Although the University's net assets declined from Kshs 13,940,384,630 in the year 2018 to Kshs 13,262,580,873 in the year 2019, the net assets have increased from Kshs 11,406,729,077 in the year 2015 to Kshs 13,262,580,873 in the year 2019 as illustrated in the graph below.

The University's Net Asset for the year 2019 is composed of Kshs 4,394,045,564 Revaluation Reserves, Kshs 5,844,603,131 Accumulated Surplus and Kshs 3,023,932,178 Capital Fund.

University's Net Assets for the year 2015 to 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

Conclusion:

The University reported deficit in the last two years, with its revenue declining from Kshs 9,505,043,970 in the year 2018 to Kshs 8,537,343,598 in the year 2019. However this has been matched with decrease in expenditures by Kshs 1,947,799,033 due to cost cutting measures implemented by Management. Its net assets have declined from Kshs 13,940,384,630 in 2018 to Kshs 13,262,580,873 as a result of the deficit reported. With revenue enhancement and cost cutting measures implemented by Management we are optimistic that the situation will improve in the foreseeable future.

B. University's Compliance with Statutory Requirements

The University has endeavored to comply with statutory requirement, however for the last two years the University has not been able to remit payroll statutory deductions as indicated in note 23 of the Financial Statements.

C. Key Projects and Investment Decisions the University is Planning/Implementing

SN	PROJECT NAME	COMMENCEMENT DATE	EXPECTED COMPLETION DATES	% OF COMPLETION	ESTIMATED PROJECT COST	COST INCURRED TO DATE	PROGRESS REPORT
1	Human applied sciences	June, 2015	December, 2016	100%	69M	68M	Complete
2	International Language and Culture centre	July, 2016	February, 2018	100%	73CNY	0.5M	Complete
3	Mama Ngina University College (Phase 1)	April 2019	April 2020	Inception Stage	377M	33M	Ongoing
4	REC Centre	July, 2015	December, 2018	20%	300M	56M	on hold
5	School of Business	July, 2015	December, 2018	19%	300M	80.9M	on hold
6	Kenyatta University Children Hospital	July, 2014	December, 2019	28%	2B	201M	on hold

D. Major Risks facing the University

The University has identified the following Key Risks;

1. Financial Risk-the University is unable to meet its obligations as and when they fall due
2. Commercial Risk-the University has experienced drastic reduced number of self-sponsored students.
3. Infrastructural Risk-there is a number of stalled projects due to lack of funds.

E. Material Arrears in Statutory/Financial Obligations

The University has not been in a position to meet its expenditures as and when they fall due. At the end of the financial year 2018/2019 the University had not paid its obligations as per note 23 of the Financial Statement.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Introduction

Kenyatta University commits itself to engaging in robust corporate social responsibility (CSR) programmes that demonstrate its good citizenship based on the triple bottom line: people, planet and revenue. Increased revenue in form of profits is put into programs that benefit people in the communities around the University. This is achieved by focusing on the following categories:

1. **Philanthropy:** With the resources the University has, social responsibility is practiced by making donations in form of products, money and services to social causes and nonprofits to benefit charities and local community programs.
2. **Environmental efforts:** At the heart of Kenyatta University's focus of CSR is the environment. The University reduces the large carbon footprints to levels that are considered favourable and beneficial to both the organization and the community.
3. **Ethical labour practices:** Kenyatta University is committed to treating its employees fairly and ethically by ensuring both governing and international labour laws are operationalized.
4. **Volunteering:** The University tackles various community issues by engaging the community with its staff and students in activities and deeds that do not expect any form of return.

For the University to implement and accomplish these key areas of focus, the University initiated the Directorate of Community Outreach and Extension Programmes (COEP) in August 2007. The main objective of the Directorate was to reach out to communities by extending knowledge, skills and other resources to improve their quality of life. The Directorate further helps communities identify, mobilize and utilize their resources that are available to them not only for their own development but for empowerment.

Kenyatta University is endowed with human, financial, tangible and information resources. Because of its diversity in areas of training, research and experiences, the Directorate of COEP gives both staff and students an opportunity to extend its services to communities in any part of this nation and beyond. It is this gesture that KU draws inspiration from- Service to humanity.

CSR Programmes

Driven by inclusivity; enhancing natural capacities and networks; coordination; need-driven and holistic, reflective and evaluative; socially, collaboratively and democratic; and celebratory, as the seven guiding principles, the Directorate of COEP achieves the University's CSR objective through the following programmes:

1. **Community Need Based (CNB) programmes:** These are programmes that involve participatory identification of specific needs within a community and using that information to develop and implement interventions. Activities in these programmes are further divided into:
 - i) **Training need based:** These activities involve teaching and training a particular community in areas of focus to the development of the community.
 - ii) **Philanthropy based:** These activities involve giving products and services to a community that is in need with an objective of improving their lives.
2. **Response to National Crises (RNC) programmes:** These are programmes that ensure a prompt address to occurrences that lead to disruption of normal living conditions affecting the entire section of the population based on the affected people's needs.

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

CSR Activities

Notably, activities run by the Directorate are determined by the Government's Performance Contracts to the University or those that are initiated by the Directorate as a unit. In view of the above, below is a summary of the activities that the Directorate of COEP has successfully accomplished in the 2018/2019 financial year:

No.	Date	Activity	Category	Venue	No. of participants
Community Need Based					
1.	26 th August, 2018	Medical camp	Philanthropy and Volunteering	ACK Canon Hesbon Eastern Bypass, Ruiru	24
2.	12 th October, 2018	Medical Camp	Philanthropy and Volunteering	Free Pentecostal Church of Kenya, Solai, Nakuru County	76
3.	2 nd February, 2019	Clean Up	Environmental efforts	IYF Nairobi National Park(KWS)	37
4.	4 th February, 2019	Medical Camp	Philanthropy and Volunteering	Cordis Maria, Githurai Kimbo, Nairobi County	32
5.	2 nd March, 2019	Clean Up	Environmental efforts	Kibera, Kamukunji (USESCO)	67
6.	8 th March, 2019	Medical Camp	Philanthropy and Volunteering	Solai, Nakuru County (Post visit)	21
7.	15th April - 8th May, 2019	Training	Volunteer coaches on sport management	KU	20
8.	13th June,2019	Training	Fire fighters on response to disaster management	Murang'a County	21
Response to National Crisis					
9.	22 nd June, 2018 (1 st Visit)	Solai Dam Tragedy Response	Philanthropy and Volunteering	Solai Boys Secondary School	6
10.	12 th October, 2019 (1 st follow-up Visit)			Solai Boys Secondary School and Solai Nyakinyua Primary School	76
11.	8 th March, 2019 Post- Visit			Solai Nyakinyua Primary School	21
	30 th August, 2019 (2 nd follow-up Visit)			Solai Boys Secondary School	5

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Besides these activities, the University acknowledges partnerships, collaborations and associations geared towards attainment of its objective as far as corporate social responsibility is concerned. Some of the partnerships drawn to the Directorate of COEP include:

- i) Navigators Economic Projects Transformational Facility (EPTF), Kenya
- ii) United Cultural Empowerment and Social Community Organization (UCESCO)
- iii) University of Hungary

Achievements of the CSR activities

Kenyatta University through the Directorate of COEP has ensured that the CSR activities are integrated into its economic, social, societal and environmental objectives to create a socially responsible work environment. By so doing, the following has been achieved:

- i) Generation of a positive publicity and reputation
- ii) Increased patronage and consumer appeal
- iii) Talent attraction and Employee satisfaction and retention
- iv) Strong client and community relations
- v) Triple bottom line effect towards people, planet and revenue

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 15 of the State corporation Act and section 47 of the University Act, 2012, require that the Council prepares financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University and is responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2019. 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 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) Accrual, and in the manner required by the University Act, 2012 and Kenyatta University Charter. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2019, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

The University Council is committed to have the University be and remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Board and signed on its behalf by:



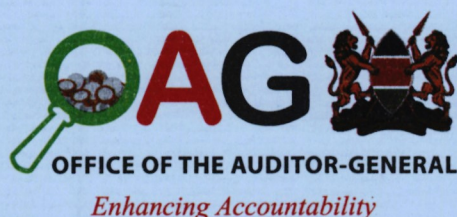
Prof. Paul K. Wamaina, Ph.D.
VICE-CHANCELLOR



Prof. Shem E. Migot-Adholla, Ph.D.,
CHAIRMAN OF COUNCIL

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYATTA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta University set out on pages 3 to 39, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta University as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the University's Act, 2012.

Basis for Qualified Opinion

1.0 Going Concern

During the year under review, the University recorded a deficit of Kshs.677,803,757 (2018-deficit of Kshs.2,109,408,511) thus reducing the accumulated surplus from Kshs.6,522,406,889 in June, 2018 to Kshs.5,844,603,131 as at 30 June, 2019. Further, the current liabilities of Kshs.5,497,338,841 exceed the current assets of Kshs.1,675,332,451 resulting to a negative working capital of Kshs.3,822,006,390 which indicates that the University was unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and taxes amounting to Kshs.2,920,340,762, audit fees of Kshs.6,400,000 and other deductions of Kshs.412,300,504 to the respective beneficiaries thereby risking fines and penalties. Although the University Management has put in place stringent cost cutting and revenue enhancement measures to address the financial challenges, the debt still remains unpaid.

The University is therefore operating under financial difficulties and has currently resulted to financing its operations using costly short-term borrowings which may further worsen the liquidity position. Therefore, the University is technically insolvent and it may not be able to meet its mandate in future. The financial statements have therefore been prepared on a going concern basis on assumption that it will continue to receive financial support from Government, creditors and donors.

2.0 Property, Plant and Equipment

2.1 Encroached Land

As reported in the previous years, the property, plant and equipment balance of Kshs.17,766,272,655 reflected in the statement of financial position includes land registration No.11026/2 measuring 445.17 hectares on which the main campus of the University stands. Included in the 445.17 hectares is a portion of land measuring 12.472 hectares valued at Kshs.123,281,555 that has been illegally encroached upon by informal settlers. Although the University has filed a case in a Court of law against the illegal encroachment, the matter has not been determined and the informal settlers continue to erect buildings on the land.

2.2 Land without Ownership Documents

The property, plant and equipment balance of Kshs.17,766,272,655 further includes land measuring thirty-two (32) hectares allocated to the University from Lagdera Constituency Development Fund in Garissa County. The University has paid registration fees of Kshs.880,000. Available information indicates that the University has obtained a Letter of No Objection dated 20 August, 2019 from the County Government of Garissa. The University has also obtained drawings for the Part Development Plan (PDP) awaiting advertisement, before submitting them to the National Director of Physical Planning for approval and issuance of an Allotment Letter.

2.3 Kenyatta University Teaching, Research and Referral Hospital

The property, plant and equipment balance of Kshs.17,766,272,655 as at 30 June, 2019 excludes the value of Kenyatta University Teaching, Research and Referral Hospital that stands on the Universities 7.97 hectares of land. The Hospital was built after the Kenya Government entered into a concessional loan agreement with Export-Import Bank of China for a concessional loan of Kshs.8,756,625,600. However, supporting documentation of the construction of the hospital were not availed for audit verification. Further, the Government through Legal Notice No.4 of 25 January, 2019 gazetted Kenyatta University Teaching, Research and Referral Hospital into a state corporation.

In view of the foregoing, the University's property, plant and equipment balance of Kshs.17,766,272,655 as at 30 June, 2019 could not be confirmed as fairly stated.

3.0 Receivables from Non-Exchange Transactions

3.1 Car Loans

As previously reported, the receivables from non-exchange transactions balance of Kshs.730,322,130 reflected in the statement of financial position as at 30 June, 2019 includes an amount of Kshs.6,327,583 in respect of staff debts, out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the University. The amount has been outstanding for long period of time. The loans were issued by the National Bank of Kenya and guaranteed by the University but the staff defaulted in repayment after they left the University. The bank however recovered the amounts owed together with accrued interest from the fixed deposit account of the University. Although the car loan debts are being followed by the University lawyer through legal channels and the appointed debt collection firm, the University has not fully recovered the outstanding loans from them. It is also not clear how the vehicle logbooks were released to the ex-staff and how the ex-employees were cleared by Management before the University had fully recovered the outstanding loans from them.

3.2 Outstanding Imprest

The receivables from non-exchange transactions balance of Kshs.730,322,130 also includes outstanding imprests totaling Kshs.14,448,286 out of which imprest amounting to Kshs.9,380,326 has been outstanding for over a year. The University has indicated that recovery of the long outstanding imprests is being followed through legal channels and a debt collection firm has been appointed to assist in collecting the debts.

Under the circumstance, recoverability of the receivables amounting to Kshs.10,801,771 is doubtful.

4.0 Nugatory Expenditure - Closure of Kigali and Arusha

As previously reported, Kenyatta University incurred a total of Kshs.518,174,359 to set up both Kigali campus in Rwanda (Kshs.420,749,207) and Arusha campus in Tanzania (Kshs.97, 425,152). However, the University closed down the two campuses due to operational challenges apparently imposed by change in legislation by both the Government of Rwanda and the Government of the United Republic of Tanzania after the University had just met all the requirements and was ready to roll out programmes.

Management had indicated that, out of Kshs.97,425,152 investment in Arusha Campus in Tanzania, an amount of Kshs.90,016,542 was expenditure on salary, rental, operations and maintenance expenses hence not recoverable. A balance of Kshs.7,408,610 was in relation to furniture and equipment that were brought to the main campus and distributed to various departments. However, the inventory of such assets was not availed for audit verification. Further, The National Treasury has granted approval for disposal of the property in Kigali Campus.

Although the university has explained that all the due diligence was done before the decision to open up the two campuses, the Management has not made any recovery on the amount so far incurred totalling Kshs.518,174,359.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the University had an approved revenue budget of Kshs.7,335,002,303 against actual receipts of Kshs.8,860,788,646 resulting to a surplus of Kshs.1,525,786,343. Similarly, the University had an approved expenditure budget of Kshs.9,301,246,904 against actual expenditure of Kshs.9,538,592,402 resulting into an over-expenditure of Kshs.237,345,498 or 3%. The receipts surplus was attributed to stringent measures implemented on fees collection while the over-expenditure occurred mainly due to an increase in depreciation of assets that was not considered in the budget. However, there is need by the University to refocus on budgeting on its own locally generated funds.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Ethnic Diversity

A review of the University staff data as of 30 June, 2019 revealed that one ethnic community accounted for 40% of Council members, 45.4% of senior management and 40.7% of permanent staff. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from same ethnic community.

The University was therefore in breach of the Law.

2.0 Non-Compliance with One Third Basic Pay Rule

Analysis of the payroll data for the year ended 30 June, 2019 revealed that there was a monthly average of one hundred and sixty (160) University employees who were being paid net salary that is less than a third (1/3) of their basic pay. This is contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service dated May, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 July, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	<u>NOTES</u>	<u>2019</u> Kshs.	<u>2018</u> Kshs.
Revenue From Non-Exchange Transactions			
Government Grant	6	3,421,558,999	4,148,305,985
		3,421,558,999	4,148,305,985
Revenue From Exchange Transactions			
Tuition & Other Fees	7	4,635,730,730	4,347,821,552
Income Generating Activities	8	33,680,518	91,968,859
		4,669,411,248	4,439,790,411
Other Incomes	9	446,373,351	465,441,482
Total Revenue		8,537,343,598	9,053,537,878
Expenses			
Telephone, Electricity and Water	10	295,703,534	249,050,363
Personnel Emoluments	11	6,666,580,038	7,726,090,829
Council Expenses	12	8,479,320	9,777,840
Depreciation	13	532,367,988	549,888,557
Repairs and Maintenance	14	123,301,563	616,729,470
Contracted Professional Services	15	23,526,057	36,918,502
Operation Expenses	16	1,474,793,003	1,861,096,802
Finance Cost	17	90,395,851	113,394,025
Total Expenses		9,215,147,355	11,162,946,388
DEFICIT FOR THE PERIOD		(677,803,757)	(2,109,408,511)

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	NOTES	2019 Kshs.	2018 Kshs.
ASSETS			
CURRENT ASSETS			
Cash and Bank Balances	18	669,648,577	348,490,938
Receivables from exchange transactions	19a	192,078,954	179,868,949
Receivables from non-exchange transactions	19b	730,322,130	232,126,977
Inventories	20	68,605,664	58,593,509
Investments	21	14,677,126	28,569,944
		1,675,332,451	847,650,317
NON - CURRENT ASSETS			
Property, Plant and Equipments	22	17,766,272,655	18,169,653,855
		17,766,272,655	18,169,653,855
TOTAL ASSETS		19,441,605,106	19,017,304,172
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	23a	4,383,025,754	3,034,190,354
Refundable deposits from customers	23b	85,954,000	89,972,000
Payment received in advance	23c	285,796,669	274,392,037
Current portion of borrowings	23d	742,562,419	941,205,975
		5,497,338,841	4,339,760,366
NON-CURRENT LIABILITIES			
Borrowings	24a	659,685,393	714,659,176
Deferred Income	24b	22,000,000	22,500,000
		681,685,393	737,159,176
Total Liabilities		6,179,024,234	5,076,919,541
NET ASSETS			
Revaluation Reserve	25a	4,394,045,564	4,394,045,564
Accumulated Surplus	25b	5,844,603,131	6,522,406,889
Capital Fund	25c	3,023,932,178	3,023,932,178
TOTAL NET ASSETS AND LIABILITIES		13,262,580,873	13,940,384,630

The Financial Statements set out on pages 3 to 36 were signed on behalf of the University council members by:



Prof. Paul K. Wainaina, Ph.D.
Vice Chancellor

Date: 23/09/2019



CPA Mwai Samuel
Ag. Chief Finance Officer
ICPAK Member No.: 5257

Date: 23.09.2019



Prof. Shem E. Migot-Adholla Ph.D.
Chairman of Council

Date: 23.09.2019

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2019

	<u>NOTES</u>	2019 Kshs.	2018 Kshs.
Cash flow from operating expenses			
Deficit for the period		(677,803,757)	(2,109,408,510)
Non-Cash Movement			
Depreciation	13	532,367,988	549,888,557
Bad & Doubtful Debts	16	(6,614,569)	24,176,653
Loss through Fire	22	-	47,744,524
Bank Loan Interest	17	90,395,851	113,394,025
Interest Received	9	(9,713,285)	(10,286,269)
Amortisation of Deferred Income	9	(500,000)	(500,000)
		(71,867,772)	(1,384,991,021)
Increase in Inventories	20	(10,012,155)	30,253,338
Increase in Debtors & Receivables	19	(503,790,589)	409,747,845
Increase in Trade & Other Payables	23	1,356,222,031	1,246,289,092
CashFlow From Operating Activities		842,419,286	1,686,290,274
Net Cash from Operating Activities		770,551,514	301,299,253
Cash Flows From Investing Activities			
Property, Plant and Equipment	22	(128,986,788)	(182,438,714)
Interest Income Received	9	9,713,285	10,286,269
Net Cash Flow From Investing Activities		(119,273,503)	(172,152,445)
Cash Flow From Financing Activities			
Bank Loan Repaid	24a	(54,973,783)	(211,868,408)
Bank Loan Interest Paid	17	(90,395,851)	(113,394,025)
Net Cash Flow used in Financing Activities		(145,369,634)	(325,262,433)
Net Increase in Cash & Cash Equivalents		505,908,378	(196,115,625)
Net Cash & Cash Equivalents - Brought Forward		(564,145,093)	(368,029,468)
Cash and Cash Equivalent as at 30th June 2018		(58,236,715)	(564,145,093)
Analysis of Cash & Cash Equivalents			
Cash and Bank Balances	18	669,648,577	348,490,938
Short Term Deposits	21	14,677,126	28,569,944
Current portion of borrowings	23d	(742,562,419)	(941,205,975)
		(58,236,715)	(564,145,093)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation Reserve	Accumulated Surplus	Capital Fund	Total
Balance as at 30th June 2017	4,394,045,564	8,631,815,399	3,023,932,178	16,049,793,141
Government Grants (Deficit)/Surplus for the period		(2,109,408,510)	-	(2,109,408,510)
Balance as at 30th June 2018	4,394,045,564	6,522,406,889	3,023,932,178	13,940,384,630
Government Grants (Deficit)/Surplus for the period		(677,803,757)	-	(677,803,757)
Balance as at 30th June 2019	4,394,045,564	5,844,603,131	3,023,932,178	13,262,580,873

Note: Capital Funds are grants received from the government for development projects.

KENYATTA UNIVERSITY

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
Revenue	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
Government Grant	3,405,202,726	665,445,423	2,739,757,303	3,421,558,999	681,801,696	24.89	Supplementary Recurrent Grant not budgeted for.
Tuition & Other Fees	4,982,025,539	889,273,475	4,092,752,064	4,635,730,730	542,978,666	13.27	Stringent measures implemented on fees collection
Other Income (IGAs)	611,674,639	109,181,703	502,492,936	803,498,917	301,005,981	59.90	Revenue enhancement measure implemented by Management
Total Income	8,998,902,904	1,663,900,601	7,335,002,303	8,860,788,646	1,525,786,343		
Expenses							
Telephone, Electricity and Water	343,000,000		343,000,000	295,703,534	47,296,466	13.79	Cost cutting measures implemented by Management
Personnel Emoluments	6,000,223,904		6,000,223,904	6,666,580,038	(666,356,134)	(11.11)	
Council Allowances	9,500,000		9,500,000	8,479,320	1,020,680	10.74	Cost cutting measures implemented by Management
Depreciation				532,367,988			
Repairs and Maintenance	235,340,817		235,340,817	123,301,563	112,039,254	47.61	Cost cutting measures implemented by Management
Contracted Professional Services	39,700,000		39,700,000	23,526,057	16,173,943	40.74	Cost cutting measures implemented by Management
Operation Expenses	3,307,679,000	725,196,817	2,582,482,183	1,798,238,051	784,244,132	30.37	Cost cutting measures implemented by Management
Finance Cost	91,000,000		91,000,000	90,395,851	604,149	0.66	
Total Expenditure	10,026,443,721	725,196,817	9,301,246,904	9,538,592,402	295,022,490		
(Deficit)/Surplus for the period				(677,803,757)			

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: General Information

The University is established by and derives its authority and accountability from the University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide quality education and training.

NOTE 2: Statement of compliance and basis of preparation

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

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

NOTE 3: Adoption of New and Revised Standards

i Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>Not applicable to the University</i>

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 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2019.

NOTE 4: Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from non-exchange transaction

These are revenues received by the University from the Government for recurrent expenditures. The University recognizes revenue from non-exchange transaction on accrual basis.

ii) Revenue from exchange transaction

The University recognizes revenue from exchange transaction on accrual basis. This is done when the students register and the amount of revenue can be reliably measured and it's probable that the economic benefit associated with the transaction will flow to the University.

b) Budget information

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

c) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Furniture and Equipments	-	10%
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor Vehicles	-	25%
Academic Gown	-	5%
Buildings	-	2%
Computers Hardware	-	30%
Computer Software	-	30%
Patent & Rights	-	20%

d) Intangible assets

Intangible assets such as patent rights 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. 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.

e) Research and development costs

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

- 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 such as buildings, the asset is carried at cost less any accumulated amortization. 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.

f) Financial Instruments

Investments

Investments (Fixed Deposits) are recognized at their initial cost add interest earned. The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated.

Receivables

Receivables from exchange transactions (Fees) are recognized when students register with the University. Receivables from non-exchange (other debtors) transactions are recognized when an invoice is raised or at a time when the debt is determinable.

g) Financial Liabilities

Loans and Borrowing

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

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the University.

The cost of library books is expensed in statement of Financial Performance in the year that such cost arises.

As at 30th June 2019, the University did a stock take and the stock taking figures were reconciled to the ledger balances for preparation of the Financial Statement.

h) Employee Benefits

The University operates a defined contribution benefit scheme, Kenyatta University Pensions Fund for its employees who are on permanent employment. Defined contribution plans are post employment benefit plans under which an University 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The University contributed Kshs 407,170,170 in the year 2019, Kshs 461,842,842 in the year 2018, and Kshs 309,745,056 in the year 2017 towards the pension scheme.

i) Foreign currency transactions

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

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

The University had an outstanding balance on long term borrowings of Kshs 659,685,393 (being loan borrowed from Co-operative Bank in the year 2015) as at 30th June 2019. The total interest for the year was KShs 90,395,851 recognized as an expense in the statement of financial performance.

k) 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 various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

In the year 2017-2018, the University had KShs (564,145,093) in cash and cash equivalent compared to KShs (58,236,715) in the year 2018-2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Provision on bad and doubtful debts

The University provides for bad and doubtful debts at the rate of 10% of the value of debtors at the end of the financial year. The amount recognized as an expense in the statement of performance is the difference between last year's provision (2018) and this year's provision (2019).

	2018	2019
Bad and doubtful debts	457,773,251	391,627,566
Provision for Bad debts @ 10%	45,777,325	39,162,757

Amount recognized in the Statement of performance 2019 is the difference between 2018 and 2019 provision which is Kshs 6,614,569.

m) 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, 2019.

o) Related Parties

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. The National Government, Council Members and Members of Management Board are regarded as related parties.

As at 30th June 2019, The National Treasury had not remitted Kshs 569,936,274.15 for recurrent grant (capitation) which was remitted in the month of July 2019.

Kenyatta University Teaching Hospital

Erected on the University land is the Kenyatta University Teaching Hospital project. The project is through a bi-lateral agreement between the People Republic of China and the Kenya Government through a loan of Kshs 8,756,025,600 processed by the Exim bank of China.

Through the order of the President and Commander in-Chief of Kenya Defence Forces in the Kenya Gazette Supplement No.2, dated 25th January 2019, Legal Notice No. 4, The Kenyatta University Hospital was established as a State Corporation to be known as the Kenyatta University Teaching, Referral and Research Hospital.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The project having been supervised by the University there are unresolved administrative and legal issues including the issue of 7.97 hectares of land. The University Management is pursuing the unresolved issues.

The Council expenses in terms of honoraria, sitting allowances and other expenses are indicated in note 12 of the financial statement.

p) University Performance

In the year 2018-2019, the University reported an improved performance deficit of Kshs 677,803,757 compared to 2017-2018 deficit of Kshs 2,109,408,510.

The improved performance can be attributed to cost cutting and revenue enhancement measures implemented by Management.

The deficit was financed with a bank overdraft approved by the University Council and Treasury which was sourced from Equity bank.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University'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 University did not make any 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.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: Government Grants		2019	2018
		Kshs.	Kshs.
A10001	Recurrent Grants:Kenya University	3,290,027,070	4,002,740,983
A10006	Mama Ngina (Gatundu) University College	131,531,929	145,565,002
		3,421,558,999	4,148,305,985
NOTE 7: Tuition & Other Fees		2019	2018
		Kshs.	Kshs.
A20001	Tuition Fees JAB	684,363,000	608,443,552
A20002	Tuition Fees SSP	2,149,727,916	2,263,749,309
A20003	Tuition Fees ICE	539,836,500	155,629,000
A20005	Tuition Fees Open Learning	444,872,100	473,815,800
A20007	Activity Fees	54,480,000	53,615,247
A20008	Examination Fees	228,810,000	226,387,359
A20009	Library Fees	53,615,000	57,953,668
A20010	Registration Fees	59,925,000	59,578,500
A20011	Identity Card	10,009,500	10,895,200
A20012	Medical Fees	92,468,000	96,013,500
A20013	Material Development Fee	107,860,500	108,142,100
A20015	Accommodation Fees JAB	42,445,444	45,502,700
A20016	Accommodation Fees SSP	7,639,800	6,604,000
A20017	Accommodation Fees I.C.E.	1,516,500	
A20025	Tuition Fee - Chinese Language	659,470	8,719,370
A20026	Computer Fees	157,502,000	172,772,247
		4,635,730,730	4,347,821,552

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: IGA

	2019	2018
	Kshs.	Kshs.
IGA Income		
A20020 Regional Centre for Capacity Development	3,041,585	72,766,782
A30020 KU Service Station	-	90,449,343
A30003-A30013 Catering	99,334,054	102,985,052
A30004-A30009 Cyber Café	25,516,827	28,866,166
A30003-A30017 KU Conference Centre	54,317,881	41,310,026
A30004-A40028 KU Funeral Home	79,527,602	85,016,120
A30003-A30017 North Coast Beach Hotel	70,900,161	69,164,038
A20021-A30016 Other IGAs	24,487,455	52,917,424
	357,125,566	543,474,951
IGA Expenditure		
K19001-K19019 Regional Centre for Capacity Development	3,942,364	380,068
K19001-K19180 KU Service Station	-	85,689,680
K19001-K19525 Catering	135,403,761	201,796,248
K19001-K19039 Cyber Café	17,770,466	20,701,711
K19001-K19019 KU Conference Centre	25,598,176	11,206,011
K19001-K19018 KU Funeral Home	26,015,312	9,335,457
K19001-J18011 North Coast Beach Hotel	99,857,044	109,930,451
K19001-K19019 Other IGAs	14,857,925	12,466,466
	323,445,048	451,506,092
Surplus	33,680,518	91,968,859

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9 : Other Income		2019	2018
		Kshs.	Kshs.
A20022	Consultancy & other Prof. Services	21,337,480	15,332,186
A20028	East Africa Games Fees		8,971
A20029	KU Shuttle Transport Income		24,271,463
A20030	KU Radio Service Income		2,000,000
A20031	Affiliation Fees	296,226	110,724
A30012	Conferences & Seminars fees	19,189,005	129,819
A30019	Hire of Hall & Conference Facilities	10,000	149,450
A40001	Convocation Fees	40,076,000	38,661,000
A40002	Hire of Gowns	1,352,000	121,900
A40007	Surcharge & Fines	253,785	477,524
A40009	Commission	3,855,659	7,318,575
A40011	Forex Gain	21,352,803	22,639,107
A40012	Interest Income	9,713,285	10,286,269
A40013	Sale Of Application Forms	23,418,021	26,885,476
A40014	Miscellaneous Income	117,799,102	108,022,859
A40015	Rent/Lease income	57,209,074	40,470,334
A40016	Health Unit	279,691	69,609
A40017	Sale Of Obsolete Items	220,557	2,206,995
A40018	Security Staff Charge	975,600	957,200
A40020	Dustbin Staff Charge	2,124	2,475
A40027	Sale of Tender Documents	39,500	79,000
A40028	University Bookshop	4,022,248	3,917,828
A40029	Culture week Income	53,893	
A40030	Administrative Research Fees	6,693,727	7,132,054
A40031	Community Outreach Income	960,292	160,000
A40032	Disability Day	500,000	500,000
A40034	Un Women Leadership Centre	6,169,828	16,820,101
A40036	Income Ethics Review Board	830,324	598,000
A40038	Library Fines	2,123,140	4,787,061
A40040	Amortisation of Deferred Income	500,000	500,000
A40044	YALI Income	89,617,945	128,831,412
A40046	KU Health Service Reimbursement	17,522,041	1,994,090
		446,373,351	465,441,482

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: Telephone, Electricity and Water Expenses

	2019	2018
	Kshs.	Kshs.
K19133 Telephone And Postage	7,472,041	8,925,497
K19134 Electricity Expenses	194,783,765	186,180,870
K19136 Water Reticulation & Sewerage	93,447,728	53,943,996
	295,703,534	249,050,363

NOTE 11: Personnel Emoluments

	2019	2018
	Kshs.	Kshs.
J18001 Basic Pay	2,648,538,660	3,517,852,162
J18002 House Allowance	1,262,869,545	1,395,624,725
J18003 Entertainment Allowance	12,730,068	15,458,587
J18004 Headship/Directorship Allowance	110,273,745	121,756,953
J18005 Responsibility	90,495,334	106,883,020
J18006 Car Allowance	5,291,797	7,804,640
J18007 Domestic Servant Allowance Office	3,426,120	3,746,376
J18008 Commuting & Bus fare	523,532,875	530,956,078
J18009 Leave Travelling Allowance	40,261,805	59,864,200
J18010 Gratuity	258,729,218	241,845,132
J18011 Wages	540,538,881	529,587,650
J18012 Part Time Teaching	594,592,705	518,223,503
J18014 Passage & Baggage	2,569,875	1,830,300
J18016 NSSF Employer Contributions	2,209,800	3,177,000
J18017 Telephone Allowance	16,923,791	21,818,831
J18018 Book & Computer Allowance	-	62,935
J18019 Exam Coordination Allowance	29,397,611	30,095,855
J18020 Acting Allowance	3,153,675	3,555,749
J18022 Overtime	4,997,203	38,861,425
J18023 Pensions Employer Contribution	407,170,170	461,842,842
J18024 Health Risk Allowance	12,582,579	12,555,728
J18025 Special Readers Allowance Special Education	2,213,399	675,000
J18026 Terminal Benefits	8,022,939	21,784,652
J18029 Emergency Call Allowance	14,832,000	16,320,919
J18030 Extraneous Allowance	71,226,242	63,906,568
	6,666,580,038	7,726,090,829

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12: Council Expenses

		2019	2018
		Kshs.	Kshs.
J18027	Sitting Allowance	4,650,000	4,280,000
J18001	Honoraria	1,044,000	2,160,000
K19139	Other Expenses	2,785,320	3,337,840
		8,479,320	9,777,840

NOTE 13: Depreciation

		2019	2018
		Kshs.	Kshs.
K20152	Depreciation Of Buildings	257,959,995	254,761,891
K20153	Depreciation Of Motor Vehicles	24,849,974	29,021,835
K20156	Depreciation Of Computer Hardware	32,085,468	53,438,703
K20157	Depreciation Of Computer Software	9,901,930	13,933,135
K20158	Depreciation Of Furniture & Fittings	207,010,282	198,172,654
K20159	Depreciation Of Academic Gowns	560,339	560,339
		532,367,988	549,888,557

NOTE 14: Repairs and Maintenance

		2019	2018
		Kshs.	Kshs.
K19029	Maintenance of Sports Ground		180,000
K19157	Maintenance of Furniture & Equipment	32,886,854	32,955,625
K19158	Maintenance of Swimming Pool	95,700	404,410
K19159	Maintenance of Motor Vehicle	6,423,203	4,508,669
K19160	Minor Works & Alterations	61,907,971	500,888,749
K19161	Maintenance Of Hostels	36,500	2,502,752
K19162	Maintenance Of Residential Quarters	153,580	559,879
K19163	Maintenance Of Grounds & Roads Main Campus	2,478,813	6,252,220
K19164	Maintenance Of Building & Stations Main Campus	19,038,592	67,400,806
K19166	Repainting of University Building	271,850	1,076,360
K19169	Maintenance of Kitui Campus	8,500	
		123,301,563	616,729,470

NOTE 15: Contracted Professional Services

		2019	2018
		Kshs.	Kshs.
K19152	Audit Fees	3,000,000	1,740,000
K19153	Professional Contracted Services	20,526,057	35,178,502
		23,526,057	36,918,502

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2019	2018
	Kshs.	Kshs.
K19001 Stationery	71,298,372	49,398,042
K19002 Staff Uniforms	6,595,875	4,168,637
K19003 Photocopying & Printing	24,831,916	27,313,468
K19004 Cleaning Materials	9,217,807	7,447,315
K19005 Office Tea Expenses Office	4,713,273	5,603,891
K19006 Departmental Meetings	7,248,208	6,841,350
K19007 Other Office Consumables Office	21,365,098	21,271,523
K19008 General Office Equipment Office	33,218,071	26,903,283
K19009 Teaching Materials/Chemicals	6,115,176	17,452,343
K19010 Field Courses	40,909,258	25,800,171
K19011 Laboratory Glassware	39,212	988,701
K19012 Tools & Apparatus	581,170	1,768,386
K19015 Animal Feeds Sciences	431,692	669,698
K19018 Travelling & Accommodation	47,156,701	80,756,994
K19019 Fuel & Gases	1,607,182	3,684,434
K19020 Purchase of Bicycle		10,000
K19023 Regional Expenses Open Learning	52,736,477	114,211,580
K19025 Rent for Regional Centres Open Learning	23,202,092	37,707,958
K19027 Examination Stationery	18,160,560	18,971,756
K19028 Research and Travel Grants	1,625,072	12,764,013
K19121 Advertising and Publicity	27,703,396	58,457,962
K19122 Inaugural & Public Lectures		12,000
K19123 Newspapers Magazines & Publications	6,695,756	7,682,950
K19126 Culture Week Expenses	1,500,611	76,300
K19127 Drugs Health Unit	28,428,457	51,131,130
K19128 Drugs Nairobi Hospital	-	5,518,239
K19129 Medical Reimbursement	1,290,533	9,290,452
K19130 Medical Insurance Inpatient Grades A and above	179,865,423	224,085,275
K19132 Medical Referrals		15,989,479
K19135 Sanitary Services	8,557,548	6,028,926
K19137 Land Rent & Rates	4,602,114	2,472,602
K19138 Fumigation		531,140
K19140 Public Celebrations	9,433,132	5,315,095
K19141 Bursary	14,319,105	1,694,200
K19142 Graduation Expenses	22,576,525	18,088,232
K19143 External Examiners Expenses	20,564,343	3,066,036
K19145 Staff Development & Training	5,604,051	5,603,393
K19146 Funeral Expenses	2,044,342	1,988,350
K19147 Insurance Premiums	60,644,903	56,017,697
	764,883,451	936,783,001

KENYATTA UNIVERSITY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2019 Kshs.	2018 Kshs.	
K19148	Bank Charges	116,703,868	105,123,327
K19150	Obsolete Stock Main Campus	237,600	
K19151	Provision for Bad & Doubtful Debts	(6,614,569)	24,176,653
K19154	Ex gratia Payments	4,580,911	4,363,350
K19155	Fees Commission Awards & Honoraria	4,700,421	39,114,527
K19156	Rental/Hire Of Premises Expenses	13,243,715	21,742,171
K19171	Medical Expenses Students	1,819,043	1,663,775
K19176	Contracted Cleaning Services	37,107,204	26,217,659
K19178	Curriculum Review Seminar	378,200	129,650
K19181	Medical Examination & Vaccination	0	278,000
K19182	Community Outreach and Extension Work	36,325	338,285
K19183	International Collaborations Expenses	444,743	310,540
K19200	Computerisation & Networking	8,036,102	41,116,740
K19201	Motor Vehicle Fuel	33,954,693	42,138,889
K19204	Senate Affairs	891,300	156,411
K19206	IAAF Expenses	-	4,455,000
K19207	Games & Tournament Other Campuses	4,252,557	5,590,010
K19208	Games & Tournaments Main Campus	10,034,783	16,036,875
K19209	E. A. University Games	4,883,019	
K19210	Vice Chancellor's Committees	7,858,774	6,421,271
K19214	Foreign Exchange Loss	14,320,362	10,578,388
K19215	ISO Certification	752,400	2,104,640
K19216	Management Board Expenses	849,100	173,890
K19217	Hire Of Security	94,092,534	102,549,224
K19218	Hire of Sport Facilities	946,500	1,790,500
K19219	Clearing & Forwarding	4,545,417	13,645,149
K19220	Performance Contract	2,901,474	2,094,280
K19221	Board Room Supplies	276,000	93,328
K19222	Internet Connectivity	80,122,771	73,019,278
K19223	Sports Uniform	72,450	8,395
K19225	Career Week	2,954,025	2,552,449
K19226	Library Journals		226,680
K19227	Interuniversity Games		3,496,300
K19233	Academic Dress	381,710	215,080
K19235	Rented Accomodation for University Guests		121,200
K19236	Professional Boards Registration		1,020,000
K19237	Mentoring Activities	20,000	43,700
K19239	Hire of Tents	639,000	369,148
K19242	KU US Foundation	4,000	44,000
	445,426,431	553,518,762	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2019	2018	
	Kshs.	Kshs.	
K19246	Invigilation Expenses	3,078,700	3,714,490
K19500	Conference Seminars & Workshops	5,623,142	8,510,178
K19501	External Travel & Accommodation	25,669,539	22,265,608
K19502	Local Passage & Baggage	1,074,330	1,608,585
K19503	Subscriptions	33,769,941	31,062,205
K19504	Placement Board Expenses	7,512,000	8,611,500
K19505	Postgraduate Stipend Expenses	200,000	11,069,534
K19506	Vc's Research Grants	18,400,000	11,310,157
K19507	Admission Expenses	5,359,418	7,248,697
K19508	Teaching Practice	38,649,200	33,934,840
K19509	Library Books & Journals	484,068	7,215,479
K19511	Library Bindery & Stationery	149,640	225,480
K19512	Student Amenities	5,637,394	2,325,269
K19513	Practicum	15,910,793	16,685,666
K19517	Research Proposal & Development Main Campus	32,000	708,000
K19519	Peer Counselling	80,000	469,350
K19520	Printing University Magazines	5,373,756	5,873,215
K19524	KUSA Expenses	11,331,027	7,230,602
K19526	Summer Programme	757,000	527,426
K19530	Kenya Military Collaboration	27,438,745	19,564,457
K19532	Short term courses /training		560,000
K19535	VAT/Tax Payment		1,387,006
K19537	Wellness Centre Conferences and Seminars	79,400	43,400
K19538	Farm Expenses Kitui	114,000	200,000
K19539	Somesha Mwendako	1,724,000	
K19540	KU Equity Bank Annual Conference	21,280,759	8,345,389
K19542	Incubation Centre Mentoring Activities		51,680
K19546	AIDS/HIV Awareness Activities	125,270	767,690
K19548	Un Women Leadership Centre	5,270,468	6,244,563
K19552	Students Work Study Program	60,000	1,303,200
K19555	Operationalization Committee	123,250	3,275,317
K19557	Software Licences	11,647,932	31,666,926
K19558	KU Corporate Social Responsibility	530,485	385,101
K19559	KU Smart Cards	2,528,000	3,482,848
K19561	Consultancy Services Unit Training Expenses	9,895,442	9,673,160
K19562	Medicare Cards Expenses	1,050	
K19563	Externally Funded Training AJIRA	432,291	28,022,504
K19564	Mama Ngina (Gatundu) University Expenses	1,212,117	455,500
K19565	Loss through Fire Accident		73,751,537
K19566	Council Other expenses	2,927,966	1,018,480
		264,483,122	370,795,039
		1,474,793,003	1,861,096,802

KENYATTA UNIVERSITY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17: Finance Cost		2019	2018
		Kshs.	Kshs.
K19173	Bank Loan Interest	90,395,851	113,394,025
		90,395,851	113,394,025
NOTE 18: Cash and Bank Balances		2019	2018
		Kshs.	Kshs.
F15003	Equity Bank - TOWA Project	427	427
F15005	Equity - North Coast Beach Hotel	2,011,437	2,937,362
F15006	Equity Community Outreach	2,898,566	370,273
F15010	NBK Fees A/C No. 0359150801	49,123,748	30,472,746
F15011	Std Fees Collection A/C No. 2018814400	2,639,609	11,238,898
F15012	Std Dollar A/C No. 8702018780000	100,596,399	168,983,734
F15014	NBK Tuition A/C No. 0359150800	14,228,549	18,660,723
F15015	NBK Research A/C No. 2110781300	32,230,529	22,655,467
F15016	NBK Aicad A/C No. 2110781400	2,378,871	3,243,245
F15017	NBK Harambee A/C 0310891603 (Capitation)	671,366	1,299,360
F15018	KCB AVU	87,955,275	3,066,930
F15019	Co op Fees Collection A/C No. 0112962461400	55,818,666	22,038,211
F15020	Std Pound A/C No. 2802018780000	10,684,214	10,303,118
F15021	Cash In Hand	49,150	175,180
F15022	Equity Fees Collection A/C No. 0290518859	3,895,116	2,993,012
F15025	KCB Fees Collection A/C No. 099 250 640 601	2,801,289	2,526,598
F15026	Standard Chartered Euro A/c 9302018780000	33,382,179	5,990,127
F15027	Equity - NCBH Dollar	139,082	127,280
F15028	Equity - NCBH Euro	53,477	53,731
F15031	KU Shuttle Bank A/c No. 1130296769655	6,605	236,433
F15032	Equity KU Meals Bank A/c No. 1130296626107	20,591	142,017
F15033	Equity KU Application Bank A/c No. 1130296626073	3,167,082	1,077,140
F15034	Equity KU Rental Income A/c No. 113029701357	1,824,779	38,622
F15035	Equity Bank Referral Hosp. A/c 1130298198	1,363,023	191,544
F15037	Equity Bank A/c 1130199002464		121,540
F15038	Equity Bank City Enterprises A/C 1130299385909	20,628	20,628
F15039	Equity Bank Rec Centre A/C 1130299618873	12,840	12,840
F15040	Family Bank Collection A/C 04500023316	253,627,685	33,273,096
F15041	MPESA Virtual Account	154,590	158,805
F15042	NBK USD 02020059150800	7,892,806	6,081,851
		669,648,577	348,490,938

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19: Receivables From Non-Exchange Transactions		2019	2018
		Kshs.	Kshs.
M21003	Guarantee Deposits	20,954,962	20,839,962
M21006	Staff Debtors	6,327,583	6,437,627
M21008	Sundry Debtors	669,606,790	120,490,602
M21010	Imprest Control	14,448,286	15,397,702
M21012	Imprest Research	23,673,393	29,270,067
M21021	Staff Welfare Recoveries	386,122	305,693
M21023	Guarantee Deposit Letter of credit	16,243,432	40,861,934
M21027	Debtors-NCBH	17,844,320	44,300,717
	Total	769,484,886	277,904,303
NOTE 19a: Receivables from Exchange Transactions			
M21007	Student Fees Arrears	192,078,954	179,868,949
	Total Receivables	961,563,840	457,773,251
B11014	Provision For Bad Debts	(39,162,757)	(45,777,325)
		922,401,084	411,995,926
Total Receivables From Non-Exchange Transactions		769,484,886	277,904,303
Provision For Bad Debts		39,162,757	45,777,325
NOTE 19b: Net Receivables from Non-Exchange Transactions		730,322,130	232,126,978

Note: Included in sundry debtors is Kshs 569,936,274.15 Government Grants received in July 2019 thus not provided for.

NOTE 20: Inventories		2019	2018
		Kshs.	Kshs.
H17002	Maintenance Store	2,914,752	807,722
H17003	Health Drugs Store	5,654,523	7,587,156
H17004	Petrol Stock	3,770,699	4,223,253
H17005	Food Stuff	8,346,468	2,561,930
H17006	Finance Store General	20,243,066	11,689,837
H17007	Accommodation	903,403	393,043
H17010	Ruiru Campus Maintenance Store	3,548,536	4,031,103
H17012	Bookshop Store	23,224,218	27,299,466
		68,605,664	58,593,509
NOTE 21: Investments			
G16004	NBK Ruiru	14,677,126	28,569,944
		14,677,126	28,569,944

These are short term deposits that are renewable every three months at negotiated interest rate.

KENYATTA UNIVERSITY
PROPERTY PLANT AND EQUIPMENT
For The Year Ended 30th June 2019

Note 22

	LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & EQUIPMENT		COMPUTER HARDWARE		COMPUTER SOFTWARE		PATENT & ACADEMIC RIGHTS		CAPITAL WORK TOTAL		
	KSHS	0%	KSHS	2%	KSHS	25%	KSHS	10%	KSHS	30%	KSHS	30%	KSHS	20%	KSHS	5%	KSHS
DEPRECIATION RATES																	
COST / VALUATION																	
As at 1st July 2017	6,085,271,458		12,578,105,922		452,048,114		1,876,211,447		432,583,440		77,116,824		7,830,375		975,231,662		22,495,606,023
Additions							105,515,095		23,921,719						53,001,900		182,438,714
Capitalisation			207,733,134												(207,733,134)		-
Loss through Fire			(47,744,524)														(47,744,524)
As at 30th June 2018	6,085,271,458		12,738,094,532		452,048,114		1,981,726,543		456,505,158		77,116,824		7,830,375		820,500,428		22,630,300,213
Additions							88,376,277		2,780,871						37,829,640		128,986,788
Capitalisation			159,905,221												(159,905,221)		-
As at 30th June 2019	6,085,271,458		12,897,999,753		452,048,114		2,070,102,820		459,286,029		77,116,824		7,830,375		698,424,847		22,759,287,002

Depreciation and Impairment

As at 1st July 2017	-	1,784,074,153	396,955,009	1,314,466,587	350,920,571	49,981,117	7,830,375	6,529,990	3,910,757,802
Charge for the Year	-	254,761,891	29,021,835	198,172,654	53,438,703	13,933,135	-	560,339	549,888,557
As at 30th June 2018	-	2,038,836,044	425,976,844	1,512,639,241	404,359,274	63,914,252	7,830,375	7,090,329	4,460,646,359
Charge for the Year	-	257,959,995	24,849,974	207,010,282	32,085,468	9,901,930	-	560,339	532,367,988
As at 30th June 2019	-	2,296,796,039	450,826,818	1,719,649,523	436,444,742	73,816,181	7,830,375	7,650,668	4,993,014,347

NET BOOK VALUES

As at 30th June 2019	6,085,271,458	10,601,203,715	1,221,295	350,453,297	22,841,287	3,300,643	-	3,556,112	698,424,847	17,766,272,655
As at 30th June 2018	6,085,271,458	10,699,258,489	26,071,269	469,087,302	52,145,884	13,202,573	-	4,116,451	820,500,428	18,169,653,855

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23a: Trade and other Payables from Exchange Transactions	2019	2018
	Kshs.	Kshs.
B11015 Provision For Audit Fees	6,400,000	3,400,000
B11017 Tax Retention Electricity	15,843,751	14,554,858
C12001 Pay As You Earn	1,649,940,869	1,101,488,821
C12002 NHIF	5,289,270	5,446,970
C12003 NSSF	808,926	1,094,600
C12004 Pension	1,176,669,156	642,237,964
C12007 Vat	57,974,531	51,061,385
C12008 Court Attachments	136,612	170,612
C12013 Insurance Claim	2,088,976	2,461,766
C12015 Withholding Tax	19,912,455	17,063,986
C12020 Welfare Deductions	60,186,526	31,138,612
C12022 Insurance Deductions	31,553,658	15,479,844
C12023 Cooperative Deductions Cooperative	318,751,809	154,791,677
C12024 Students Clubs	260,106	204,316
C12025 Other Salary Deduction	25,929,514	7,503,872
C12026 Staff Loans Deductions	29,967,327	20,064,301
D13004 Orphans & Vulnerable Students Fund (OVS)	1,171,771	4,993,083
D13007 Rent Deposits Nakuru	89,400	89,400
D13011 Centre for Career Development & Placement		66,000
D13013 Debtors Overpayment	948,940	948,940
D13018 Recreation Centre Fund	168,000	168,000
D13019 Christian Union Chapel	25,101	25,101
D13020 KU Alumni	1,200,000	1,200,000
D13021 Mam Ngina (Gatundu) University College- Development	306,498,042	339,353,110
E14001-105 Research Fund	295,129,778	284,135,697
L20001 Hospitals	4,067,885	4,360,839
L20002 Drug Suppliers	17,269,908	12,815,292
L20003 Referral Doctors	2,401,035	3,886,597
L20004 General Creditors	352,342,407	313,984,710
Sub-Total	4,383,025,754	3,034,190,354
NOTE 23b: Refundable Deposits From Customers		
C12005 Students Caution Money	85,954,000	89,972,000
NOTE 23c: Payment Received in Advance		
C12010 Fees Paid In Advance	285,796,669	274,392,037
	4,754,776,422	3,398,554,391

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NOTE 23d: Current portion of borrowings		2019	2018
		Kshs.	Kshs.
F15013	NBK Payments A/C No. 0359002400	33,246,519	4,243,073
F15023	Equity Bank Ruiru A/C No. 0291051982	707,491,490	936,962,902
F15037	Equity Bank A/c 1130199002464	1,824,409	-
		742,562,419	941,205,975

NOTE 24a: Long Term Liabilities		2019	2018
		Kshs.	Kshs.
L20006	Equity Bank (City Campus) Loan 2010 Repayment		156,894,625
		-	156,894,625
L20017	Co-operative Bank Loan 2015 Repayment	714,659,176	769,632,959
		54,973,783	54,973,783
		659,685,393	714,659,176
	Loan Balance	659,685,393	714,659,176

Equity Bank Loan: This is a long term (non-current) loan sourced from Equity Bank for the procurement of MFI building (KU city campus) in the year 2010, repayable for a period of ten years at a revised interest rate of 18% per annum calculated on reducing balance.

Co-operative Bank Loan: This is a long term (non-current) loan granted for part finance development of a mall "Unicity" and to finance purchase of properties for satellite campuses. In the year 2015, repayable over a period of 15 years (180 months) at an interest rate of 14.25% per annum computed on reducing balance basis.

NOTE 24b: Deferred Income		2019	2018
		Kshs.	Kshs.
D13008	Balance as at 1st July 2018	22,500,000	23,000,000
		22,500,000	23,000,000
A40040	Amortisation 2%	500,000	500,000
	Balance as at 30th June 2019	22,000,000	22,500,000

Donation from Chandaria Foundation for the construction of Chandaria Business Innovation and Incubation Centre. Recognised as deferred income and amortised at the rate of 2% per annum of the original value of Kshs 25,000,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2019	2018
		Kshs.	Kshs.
B11004	NOTE 25a: Revaluation Reserve		
	Balance as at 1st July 2018	4,394,045,564	4,394,045,564
	Revaluation for the Year		
	Revaluation Reserve 2019	4,394,045,564	4,394,045,564
		2019	2018
		Kshs.	Kshs.
B11002	NOTE 25b: Revenue Reserve		
	Balance as at 1st July 2018	6,522,406,888	8,631,815,399
	Deficit for the Year	(677,803,757)	(2,109,408,511)
	Revenue Reserve 2019	5,844,603,131	6,522,406,888
		2019	2018
		Kshs.	Kshs.
B11001	NOTE 25c: Capital Fund		
	Balance as at 1st July 2018	3,023,932,178	3,023,932,178
	Government Capital Grants		
	Balance as at 30th June 2019	3,023,932,178	3,023,932,178

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2019 Kshs.	2018 Kshs.
Note 26: Capital Work in Progress			
N23029	Teaching & Referral Hospital	71,054,773	70,979,257
N23064	Recreation Centre	56,200,883	55,882,460
N23068	Children Hospital	201,451,809	200,898,575
N23069	Applied Human Sciences		68,055,389
N23070	School of Business	80,973,700	80,510,338
N23071	Perimeter Wall Referral Hospital	64,669,351	64,361,320
N23072	School of Architecture	10,620,712	10,620,712
N23073	Stadium Complex	9,814,401	9,814,401
N23079	Central Stores	20,456,693	20,456,693
N23081	Kitui Campus Boundary Wall	5,076,468	5,076,468
N23084	Rwanda Campus	72,844,469	59,093,875
N23085	Earth Dam Kitui Campus		9,946,000
N23086	International Languages and Cultural Centres	500,000	500,000
N23087	Referral Road		81,903,832
N23088	Underground Tank Kitui Campus	9,805,154	9,805,154
N23089	Water Tanks KUTeaching and Referral Hospital	77,429,037	72,595,955
N23090	Thika Road KU Access Road	17,527,397	
		698,424,847	820,500,428
Capitalized Projects			
N23010	Ruiru Campus (Boundary Wall)		26,592,370
N23014	Funeral Home Extension		119,298,747
N23063	Graduation Square		48,331,143
N23066	Ruiru Principal House		13,510,874
N23069	Applied Human Sciences	68,055,389	
N23087	Referral Road	81,903,832	
N23085	Earth Dam Kitui Campus	9,946,000	
	Total	159,905,221	207,733,134

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 27: Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University'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 does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Council. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	192,078,954	192,078,954	-	-
Receivables from non exchange transactions	730,322,130	601,866,546	128,455,584	-
Bank balances	669,648,577	669,648,577	-	-
Total	1,592,049,661	1,463,594,077	128,455,584	-
At 30 June 2018				
Receivables from exchange transactions	179,868,949	161,882,054	17,986,895	-
Receivables from non exchange transactions	232,126,977	-	232,126,977	-
Bank balances	348,490,938	348,490,938	-	-
Total	760,486,864	510,372,992	250,113,872	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The University's policy is payment on registration and thus students' receivables are categorised as either past due or impaired.

Past due amounts are those beyond the maximum established credit period of 30 days and represent slow but paying students. These receivables continue to be serviced even though this is not done on the contractual dates. The Students Finance Section is actively following these debts.

The overdue and impaired debt arises mainly from the students who have taken academic leave and the ones who have dropped out of school. These students have not completed their courses and the debt is payable whenever the student comes back to continue with studies. This debt has been fully provided for.

Concentration risk

Concentration risk is the risk posed to the University by any single or group of exposures which have the potential to produce losses large enough to threaten the ability of the University to continue operating as a going concern

The student receivables wholly relate to balances due from students, that are unrelated, and do not have the potential to produce large losses thus there is no concentration risk.

(ii) Liquidity Risk Management

Liquidity risk is the risk that the University may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Ultimate responsibility for liquidity risk management rests with the University management board, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk by maintaining banking facilities and through continuous monitoring of forecasts and actual cash flows.

Prudent liquidity risk management includes maintaining sufficient cash to meet the University's obligations. Senior management reviews the cash forecasts monthly and determines the University's cash requirement.

The table below analyses the University's financial liabilities into relevant maturity based on the remaining period at the end of reporting period to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Current Portion of Borrowing	42,562,419	-	700,000,000	742,562,419
Payment Received in advance	-	285,796,669	-	285,796,669
Borrowings	4,581,149	13,743,446	641,360,798	659,685,393
Trade and other payables	708,539,876	1,161,939,540	2,512,546,338	4,383,025,754
Refundable Deposits	-	-	85,954,000	85,954,000
Total	755,683,444	1,461,479,655	3,939,861,136	6,157,024,235
At 30 June 2018				
Current Portion of Borrowing	941,205,975	-	-	941,205,975
Payment Received in advance	-	274,392,037	-	274,392,037
Borrowings	4,581,149	13,743,446	696,334,581	714,659,176
Trade and other payables	98,207,367	945,513,614	1,990,469,373	3,034,190,354
Refundable Deposits	-	-	89,892,000	89,892,000
Total	1,043,994,491	1,233,649,097	2,776,695,954	5,054,339,542

(iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the University 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's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign exchange risk

The University is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognised in the books of accounts. The University also has various bank accounts denominated in other currencies other than the Kenya Shillings that is the Dollar, Euro and Pound.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Foreign currency denominated financial instruments solely consists of bank balances.

The carrying amounts of the University's foreign currency denominated bank balances at the balance sheet date are as follows:

At 30 June 2019

	KSH Sh	USD Sh	EURO Sh	GBP Sh	Total Sh
Bank balances	-192,279,819	108,628,286	53,477	10,684,214	-72,913,842
	=====	=====	=====	=====	=====

At 30 June 2018

Bank balances	-784,254,858	175,192,865	6,043,858	10,303,118	-592,715,037
	=====	=====	=====	=====	=====

The University manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by projecting for expected cash proceeds and matching the same with expected payments.

b) Interest rate risk

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

Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the University takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Fair value of financial assets and liabilities

Level 1 input are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

This note provides information about how the University determines fair values of various financial assets and liabilities.

Fair value of the University's financial assets and liabilities that are measured at fair value on a recurrent basis

Some of the University's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique (s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/06/19 Sh	30/06/18 Sh				
Property and equipment	17,766,272,655	18,169,653,855	Level 3	Observable Inputs	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Accumulated Surplus	5,844,603,131	6,522,406,889
Revaluation reserve	4,394,045,564	4,394,045,564
Capital Fund	3,023,932,178	3,023,932,178
Capital and reserves	13,262,580,873	13,940,384,630
Total borrowings	659,685,393	714,659,176
Cash and cash equivalents	-58,236,715	-564,145,093
Net borrowings	717,922,108	1,278,804,269
Gearing (Net debt to equity ratio)	5.4%	9.2%

APPENDIX I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Going Concern The University is operating under financial difficulties and currently it has resulted to financing its operations using costly short term borrowings which may further worsen the liquidity position. Therefore, the University is technically insolvent and if no urgent positive steps are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore been prepared on a going-concern basis on assumption that it will continue to receive financial support from Government, creditors and donors.</p>	<p>In addition to anticipation of financial support from the Government, bankers, creditors and donors, the University Management has implemented the following cost cutting and revenue enhancement measures to address financial challenges;</p> <ol style="list-style-type: none"> 1. Restructuring of income generating activities 2. Closed campuses operating at a loss 3. Restructuring of established Campuses 4. Merged schools and departments 5. Merger and de-establishment of directorates 6. Freeze employment of staff 7. Rationalized existing staff on seasonal contracts 8. Stopped further expansion on infrastructure 9. Reviewed all operational expenses with a view of reducing costs as we maintain quality. <p>With the above measures in place, the University will be in a position to meet its obligations as and when they fall due in the foreseeable future.</p>	Management	Not Resolved	5 years
2.0 2.1	<p>Property Plant and Equipment Encroached Land by Squatters (Kamae)</p>	<p>Land (Main campus) measuring 12.472 hectares valued at Ksh 123,281,555.00 which has been illegally encroached by the Kamae squatters. Among other measures taken, the university filled a case in a court of law against the illegal</p>	Management	Not Resolved	

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		<p>encroachment of the land and the matter is pending at the court of law.</p> <p>There was hearing on 25th June 2019 where the Defendants requested for 30 days within which to file and serve their final submissions. The Court scheduled this matter for a further Mention on 24th September 2019.</p>			
2.2	Land without ownership documents (Dadaab)	<p>The Land was allocated to the University by Lagdera Constituency Development fund in Garissa County is valued at Ksh 880,000. The amount was in respect of registration and other related charges.</p> <p>The University has at long last made some progress toward attainment of the ownership documents:</p> <p>1. The University has obtained Letter of No Objection from the County Government of Garissa in support of the allocation of the Dadaab campus- land by the then County Council of Garissa</p> <p>2. The County Government of Garissa (Physical Planning Office) has drawn and completed the Partial Development Plan (PDP) and advertisement of the Public Notice, in accordance with Physical Planning Act Cap 286 has been done. The advert is supposed to remain open for the next 60days from the date of advertisement before submitting the PDP to the National Director of Physical Planning for approval to facilitate issue of Allotment Letter.</p>	Management	Not Resolved	

3.0	Receivable from Non-exchange Transaction:				
3.1/2	Car Loans and Outstanding Imprests	Outstanding debts on Car Loans and Imprests have been handed over to the University lawyer for follow up through legal channel. The University has also appointed debt collection firm to assist in collecting debts.	University Legal Officer and Debtors Section	Not Resolved	
4.0	Nugatory Expenditure-Closure of Kigali and Arusha Campus	<p>The University incurred Kshs 518,174,359, in the establishment of Kigali and Arusha campuses. Unfortunately, due to various challenges, the campuses were unable to start off and the University Council approved that they be wound up.</p> <p>I would wish to report that Arusha campus has already been closed and the moveable property brought to the main campus and distributed to various campuses for use by staff and students.</p> <p>Approval has been granted by The National Treasury to dispose Kigali property and we are optimistic that the University will recover the cost incurred in establishing the campus.</p>	Management	Not Resolved	2 Years



Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR



Prof. Shem E. Migot-Adholla, Ph.D.,
CHAIRMAN OF COUNCIL

