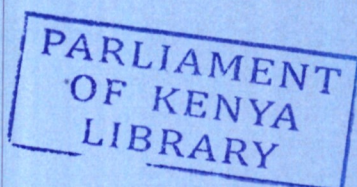


REPUBLIC OF KENYA



*Paper laid
by Leader of
Majority Party
Thursday 2/8/2018
Agh.*

OFFICE OF THE AUDITOR-GENERAL



REPORT

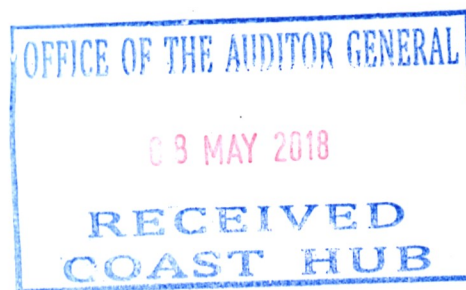
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PWANI UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2017**



PWANI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

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I. KEY UNIVERSITY INFORMATION AND MANAGEMENT**(a) Background information**

Pwani University is a Public University established by Charter on 30th January 2013 located in Kilifi. The Cabinet Secretary for Education through the University Council is responsible for the general policy and Strategic direction of the University.

(b) Principal Activities

The principal activity of the University is to provide quality education, training, research, outreach and opportunities for innovation for the advancement of the individual and society.

(c) Key Management

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

- Council,
- Senate,
- Management Board
- Vice Chancellor
- Deputy Vice Chancellor (Administration, Finance and Planning)
- Deputy Vice Chancellor (Academic and Student Affairs) and
- Deputy Vice Chancellor (Research and Extension).

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	Prof. Mohamed S. Rajab
2.	Deputy Vice Chancellor (Admin, Finance and Planning)	Prof. Mwakio P. Tole
3.	Deputy Vice Chancellor (Academic and Student Affairs)	Prof. James H.P. Kahindi
4.	Deputy Vice Chancellor (Research and Extension)	Prof. Muniru K. Tsanuo
5.	Finance Officer	Mr. Mwinyi M. Ali
6.	Procurement Officer	Mrs. Anne Chebet

(e) Fiduciary Oversight Arrangements

The Finance and Planning committee approves Budgets, Financial Statements and Quarterly reports, The Audit and Risk Committee reviews Internal and External Audit reports. Both Committees report to the University Council which provides the overall oversight on the activities of the University. The reports and recommendations when adopted by the Council are forwarded to the Vice Chancellor for action. The Kenya National Audit Office provides independent Audit oversight and report to the National Assembly.

(f) Pwani University Headquarters

P.O. Box 195 – 80108
Off Mombasa-Malindi Road
Kilifi, KENYA

II. KEY UNIVERSITY INFORMATION AND MANAGEMENT (CONTINUED)**(g) Pwani University Contacts**

Tel: +254 41 7525 102/ 3 / 4/ 5

E-mail: info@pu.ac.keWebsite: www.pu.ac.ke**(h) University Bankers**
Equity Bank Ltd.P.O.Box 381 – 80108
Kilifi, Kenya**Barclays Bank of**
KenyaP.O.Box 423 - 80108
Kilifi, Kenya**Kenya Commercial**
BankP.O.Box 528 - 80108
Kilifi, Kenya**Cooperative Bank**P.O.Box 96 - 80108
Kilifi, Kenya**(i) Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O.Box 30084

GPO 00100

Nairobi, KENYA

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O.Box 40112

City Square 00200

Nairobi, KENYA

II.THE UNIVERSITY COUNCIL



Dr. Musangi J Mutua
Chairperson from March 2017

Date of Birth; 1962
Key Qualification : Human Resource Professional
Experience: Over 10 years Human Resource Management
Ethnicity : Kamba



Prof. Francis K. Sang
Chairman up to February 2017

Date of Birth: 1943
Key Qualification: Professor
Experience: 45 years Teaching & Administration
Ethnicity: Keiyo



Esther Karema
Member

Date of Birth; 1968
Key Qualification : PS Representative MOE. State dept. for Science and Technology since May 2016
Experience: 26 years Education Administration
Ethnicity : Meru



Lawy Aura
Member

Date of Birth; 1957
Key Qualification : CS Representative The National Treasury since Oct 2015
Experience: 33 years Supply Chain Management
Ethnicity : Luo

 Prof. Dr. Dr Moni Wekesa Member from March 2017	Date of Birth; 1959 Key Qualification : Prof. of Law & Prof ,of Sports Medicine Experience: Over 30 years of Law Practise and University Teaching. Ethnicity : Luhya
 Gift K. Dzombo Member from March 2017	Date of Birth; 1974 Key Qualification : Certified Public Accountant Experience: Over 15 Years in Finance and Risk. Ethnicity : Giriama
 Dr. Jak S. Nyabundi Member from March 2017	Date of Birth;1944 Key Qualification : Med. Medicine Experience: Over 10 Years Medical Practitioner Ethnicity : Luo
 Samuel Nyachae Member from March 2017	Date of Birth; 1967 Key Qualification : Banker Experience: Over 10 Years Banking and Finance Ethnicity : Kisii

 Joel Yego Member from March 2017	Date of Birth; 1954 Key Qualification : MA Remote Sensing Experience: Over 10 Years Survey Ethnicity : Kalenjin		
 Chris Khaemba Ag.Company Secretary	Date of Birth : 1977 Key Qualification: LLB and Diploma (KSL) Experience: 10 years Advocate High Court of Kenya ICPSK No. RCPSB/3265 Ethnicity: Luhya		
 Anne Marie Nyamu Member up to February 2017	Date of Birth : 1960 Key Qualification: Msc Hydrology Experience: 31 years Communication Consultant Ethnicity: Kikuyu	 Eunice Muthoni Member up to February 2017	Date of Birth: 1953 Key Qualification: Msc. Entrepreneurship Experience: 16 years Teaching administrator Ethnicity: Mbeere
 Simon Larama Member up to February 2017	Date of Birth: 1957 Key Qualification: Representative M.A.Meds. Experience: 31 years Medicine Ethnicity: Samburu		
 Delilah K. Ngala Member up to February 2017	Date of Birth: 1960 Key Qualification: MBA.. Experience: 29 years Banking Ethnicity: Giriama	 Gitonga M'aciuru Member up to February 2017	Date of Birth: 1971 Key Qualification: Advocate MBA Experience: 20 years Advocate Ethnicity: Meru

III. THE MANAGEMENT TEAM



Prof. Mohamed S. Rajab PhD EBS
Vice Chancellor



Prof. Mwakio P. Tole PhD
Deputy Vice Chancellor
Administration, Finance
and Planning



Prof. Muniru K. Tsanuo PhD
Deputy Vice Chancellor
Research and Extension



Prof. James H.P. Kahindi PhD.
Deputy Vice Chancellor
Academic & Student Affairs

IV. CHAIRMAN'S STATEMENT

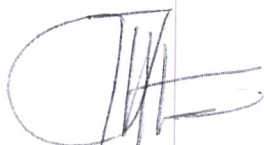
It is with great pleasure that I present these fourth financial statements since the award of University charter. I am pleased to report that the University continues to deliver on its key mandate of provision of quality education, training, and research.

In EXERCISE of the powers conferred by section 36 (a) and (d) of the Universities Act, 2012 the Cabinet Secretary for Education appointed the following persons to be members of the University Council from 10th March, 2017 for a period of three years:

Dr. Musangi J Mutua	-	Chairperson
Gift Kimonge Dzombo	-	Member
Dr. Jack Sijenyi Nyabundi	-	Member
Prof. Dr. Dr. Moni Wekesa	-	Member
Joel Yego	-	Member
Samuel M. Nyachae	-	Member

The success of the University emanates from its ability to put in place structures that promote academic excellence and good Corporate Governance with a conducive intellectual, social and physical environment for research, teaching and learning. The achievement of our strategic goals during the year enabled us manage the challenges of constrained accommodation and teaching facilities by pursuing modes of teaching and learning utilizing both traditional and new ICT based approaches. We continue to strive to support innovative teaching, learning and research activities.

I wish to acknowledge with gratitude the Government of Kenya for its goodwill and invaluable support to the University as it strives to implement its goals and objectives. I also wish to appreciate the vital support that we have continued to receive from our development partners, students, staff and sponsors.



Musangi J Mutua PhD.
COUNCIL CHAIRPERSON

Date:

07th-05-18

V. REPORT OF THE VICE CHANCELLOR

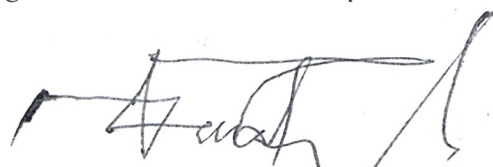
The year 2016/2017 was one of remarkable improvements in performance in terms of Students enrolment, improved staff profiles and development of new infrastructure. During the year under review the University operated on government recurrent grant of KSh591,797,972- supplemented by income from other activities and a government funded development grant of KSh130,589,364-

The University planned for and embarked on infrastructure development in order to facilitate increased access to University education. This included construction of additional lecture halls and improvement of other facilities to cater for increasing student enrolment and implementation of new programs. During the year, the University initiated and completed construction of underground water tank and full body security scanners to cater for the increased student enrollment. The installation of two lifts in the library and learning centre and the construction of lecture theater and laboratories was also initiated.

So as to ensure that the University implements its strategic plan and the governments goals and objectives in the higher education sector as a public institution, the University developed the 12th cycle draft performance contract.

I take this opportunity to convey my appreciation and gratitude to the University Council, Management, and all members of staff for their commitment and their tireless and splendid efforts that have led to the achievement of University goals and objectives.

Finally, I would like to thank the government and donor agencies, suppliers and service providers for the trust, guidance and continued co-operation.



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date... 4TH MAY 2018

VI. CORPORATE GOVERNANCE STATEMENT

Pwani University strictly adheres to Corporate Governance rules, practices and processes. This involves balancing the interest of stakeholders who include the Government of Kenya, staff, students, suppliers, financiers and the community. It also provides the framework for achieving our objectives and covers every area of management from strategic plans, action plans and internal controls to performance measurement.

The University Council

IN EXERCISE of the powers conferred by section 36(a) of the Universities Act, 2012 the Minister for Higher Education appointed the following persons to be members of Pwani University Council for a period of three (3) years with effect from the 10th March, 2017.

Dr. Musangi J Mutua	-	Chairperson
Gift Kimonge Dzombo	-	Member
Dr. Jack Sijenyi Nyabundi	-	Member
Prof. Dr. Dr Moni Wekesa	-	Member
Joel Yego	-	Member
Samuel M. Nyachae	-	Member

Section 36(b), (c), and (e) of the Universities Act, 2012 provides that the following members shall be members of Council of public universities:

- The Principal Secretary in the State department for the time being responsible for the University education
- The Principal Secretary in the State department for the time being responsible for Finance
- The Vice Chancellor shall be an ex-officio member of the Council

Sub committees of Council

In line with recommendations of the Mwongozo Code of Governance for State Corporations the University has aligned its Committees of Council as follows:

1. Finance and Planning Committee
2. Human Resource Committee
3. Academic and Research Committee
4. Audit and Risk Committee

VI. CORPORATE GOVERNANCE STATEMENT

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Dr. Jack Sijenji Nyabundi	-	Member
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Joel Yego	-	Member
Samuel M. Nyachae	-	Member

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VII. MANAGEMENT DISCUSSION AND ANALYSIS

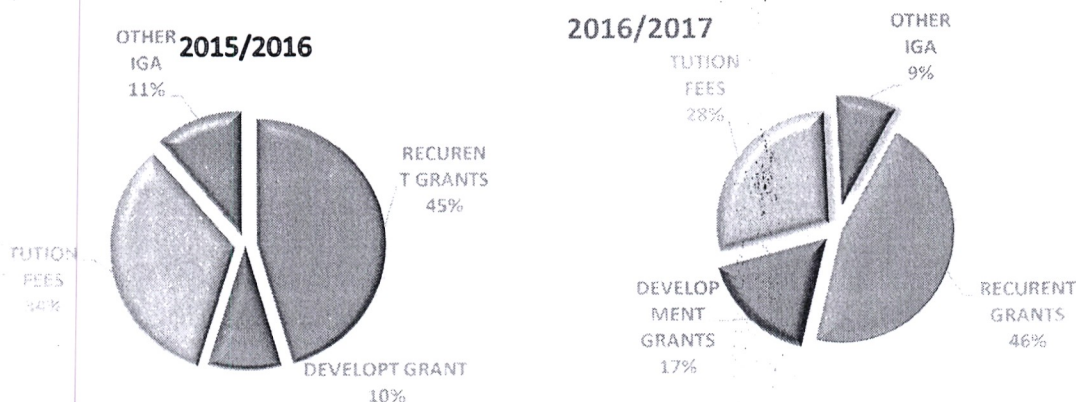
During the period under review the University admitted a total of 1,700 KUCCPS placed students, increasing the student population to about 7,000 students thus meeting its key mandate of expanding access to higher education. The University graduated one PhD candidate, 26 masters and 1,100 undergraduate degree candidates during its 4th Graduation Ceremony held on 22th September, 2016.

Total number of Continuing students	No. of New students		Grand Total
	SSP	KUCCPS	
4923	329	1726	6978

Table 1. STUDENT ENROLMENT

So as to cater for the increased student numbers, the University has started utilizing space in the recently completed new Library and Learning Centre and has put up additional teaching space. To ensure quality of teaching and learning, the University is systematically revising and updating its academic programs and developing new areas.

A graphical presentation showing income trends over the period 2015/2017



Pwani University remains focused on achieving its strategic goals and managing the challenges of constrained accommodation and teaching facilities by pursuing modes of teaching and learning focusing on both traditional and new ICT based approaches. We continue to strive to support innovative teaching, learning and research

The University is in the process of implementing phase two of its flagship projects as per the Strategic Plan 2014-2024. The University planned for and embarked on infrastructure development in order to facilitate increased access to University education. This included construction of additional lecture halls and improvement of other facilities to cater for increasing student enrolment and implementation of new programs.

Table 2 Completed and ongoing Capital Projects

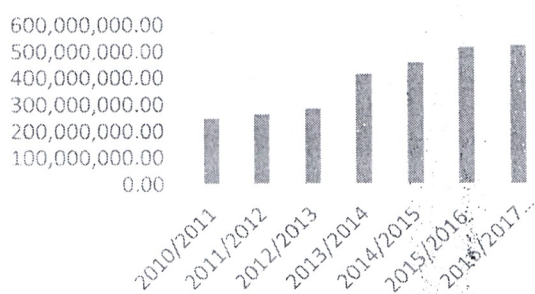
	PROJECT	COST	STATUS
1	Prefab Classrooms	20m	Completed
2	Library and Learning Centre	350m	98% complete
3	Library road and walkways	4.2m	Completed
4	Lecture Theater and laboratories	119m	60% complete
5	Perimeter Fencing	36m	30% complete

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED).

The University continues to deliver on its key mandate of provision of quality education, training, and research, during the year 2016/2017 the University reported an operational surplus of Kshs.125million compared to a surplus of Kshs.55million in the FY 2015/2016. The excellent result in the year under review is attributable to improvement in Student Numbers and effective cost control.

Income Trends 2010-2017

RECURENT GRANTS



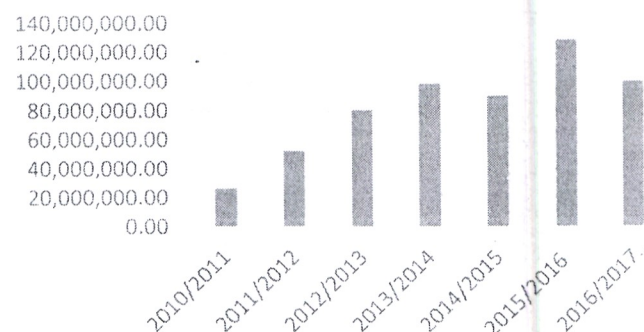
DEVELOPMENT GRANTS



TUTION FEES



OTHER IGA



During the year under review the University complied with all its statutory obligations including compliance to public procurement regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The University does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations

During the period under review the University identified and recorded in the risk register several risks including the emerging risk of terrorism. Mitigation measures were put in place to address the high risks including development of programmes review calendar to reduce the risk of delay in programmes review; construction of lecture theatre and laboratories to address the risk of inadequate teaching and learning facilities, acquisition of full body scanners, continued construction of the perimeter wall, CCTV cameras and flood lights to address security related risks and construction of additional underground water tank to mitigate against unreliable water supply. Risk management and control processes have been in place throughout the period under review and risk review is embedded within the management culture and applied to risks on the register.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING

Pwani University observes corporate social responsibility by undertaking social investments in its areas of operation and other parts of the region with a view to bringing about positive changes and strengthening its relationship with various stakeholders particularly the neighboring communities.

The University is actively engaged in fostering partnerships and Linkages with other institution of higher learning, research organization, industry and the private sector.

a) Biogas Adaptability

Pwani University scientists successfully completed adaptability studies on a Biogas Unit at the University farm. This technology is now ready for up scaling to farmers. Installation of the Biogas Unit has been done for over ten (10) farmers' homesteads.

b) Coconut Dissemination

The University multiplied 20,000 high quality disease free coconut seedlings in the 2016/2017 financial year for coconut farmers to rejuvenate their coconut plantations.

c) Community Programs

During the period under review the University staff and students jointly held a number of outreach activities in line with targets for Corporate Social Responsibilities:

i) Donation to Children's home

Staff and students donated food, clothing and fabric materials and learning / teaching aids to the Kilifi Upendo Orphanage.

ii) Workshop for English Teachers

The University in collaboration with USAID-Kenya sponsored a two (2) day workshop for English teachers drawn from the region to improve teaching skills and mastery of the English language. 50 teachers attended the workshop

iii) Book Donations

The University in partnership with Books for Africa donated about 2000 volumes of books to 20 secondary schools and 20 primary schools distributed across the coastal region.

iv). Deworming of Children

Staff and students in the Department of Nursing and Public Health conducted clinics for deworming children under the age of 7 years in Kilifi. The exercise was sponsored by the University, MOH, and Funzo Kenya. About 50 students and 3 members of staff were involved

v) Kilifi County Run for Education

The University sponsored one hundred (100) pupils from 5 primary schools to take part in the Kilifi County Run for Education by providing the pupils with T-shirts and refreshments during the event.

vi). Advisory/ Extension Services to Farmers

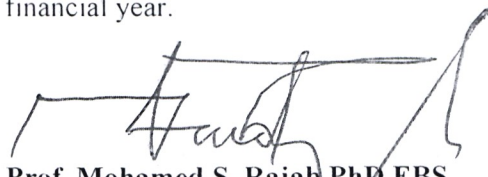
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)..

The University Council has established an oversight mechanism to ensure that the University meets its financial obligations as they fall due. During the period under review the University was able to meet its obligation towards full implementation of the 2013/2017 CBA award to staff after the funds to fully implement the agreed CBA were received from the Ministry of Education however the pension element for the period 2010-2017 is still pending and exposes the University to possible industrial action by the unions.

In the FY2016/2017 the University faced some challenges which slowed its growth momentum and some of which are still pending. Slashing down of the Development Capitation by Kshs.50million by the Ministry of Education slowed down the completion of the School of Earth and Environmental Sciences lecture theatres and laboratories.

Kilifi is an emerging urban area with few physical facilities making it a challenge for our increasing student population to access decent accommodation outside the campus and the University has not managed to secure development funding from GOK for putting up of additional hostel facilities. The current number of bed spaces is ~~mere~~ 800 against a student population of 7,000-.

Pwani University is sited on 600 acres of land covering a perimeter of about 6km. So far 1.5km is secured with a perimeter wall the rest being exposed to both squatters and intruders posing a serious security risk. It is our hope that efforts to secure adequate development funding from the Ministry of Education shall bear fruits in the coming financial year.


Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date 4TH MAY 2018



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

REPORT OF THE COUNCIL

The Council submits its report together with the audited financial statements for the year ended June 2017 which show the state of affairs for Pwani University.

Principal activities

The principal activities of the University as provided for in the Pwani University Charter 2013, include:

- a) To provide directly or in collaboration with the other institutions higher learning, facilities for University education and research including technological, scientific and professional education.
- b) Conduct research and create knowledge
- c) To determine who may teach and what may be taught and how it may be taught in the University.
- d) Conduct examinations.
- e) Grant degrees, diplomas, certificates and other awards.
- f) Participate in commercial ventures and activities that promote the objectives of the University
- g) Provide opportunities for development and further training for staff of the institution and promote community service.
- h) Play an effective role in social development and expansion of opportunities in line with the University's aims and objectives.

Results

The result of the University for the year ended June 30, 2017 are set out in pages 1 to 4.

Dividends

Pwani University being a wholly owned Government not for profit organization shall not pay dividend to the Government of Kenya.

Council

The members of the University Council who served during the year are shown on page IV in accordance with the regulation of the Pwani University Statutes 2013.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the section 68(2) of the Public Finance Management (PFM) Act, 2012 and article 229 of the constitution.

By Order of the Council

**MUSANGI J. MUTUA PhD
COUNCIL CHAIRPERSON**

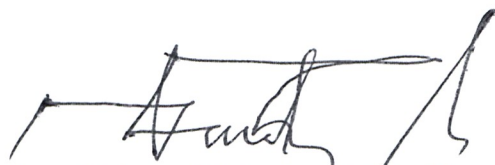
Date... 07th 05 - 2018

Ten (10) students were sponsored by the University for an Outreach Camp in Kwale County. The students interacted with and provided advisory/ extension services to farmers and the Community in Kikoneni Village.

vii) University Open Day

An Open Day was conducted at the main campus, Kilifi. Three hundred and sixty seven (367) Students from 14 secondary schools attended the Open Day.

The University community is offering a vibrant market for both goods and services to Kilifi investors especially those offering accommodation facilities as most students are encouraged to stay off campus.



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date.....

4TH MAY 2018



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

**REPORT OF THE AUDITOR GENERAL ON PWANI UNIVERSITY FOR
THE YEAR ENDED 30 JUNE 2017**

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2017

Section 68(2) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require Pwani University Council to prepare statements which give a true and fair view of the state of affairs of the University as at the end of the financial year, and of any surplus or deficit for the year. The University Council is required to ensure that the University maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

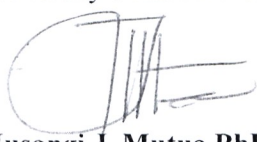
The Council accepts responsibility for the preparation and presentation of the University's financial statements, which give a true view of the state of the University for and as at end of the financial year ended June 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University, (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 misstatement, 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 accepts responsibility for the University's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards, and in the manner required by the PFM Act (2012) and the State Corporation Act. The Council members are of the opinion that the University's financial statements give true and fair view of the state of the University's transactions during the financial year ended June 30, 2017, and of the University's financial position as at that date. The Council further confirms 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 system of internal financial control.

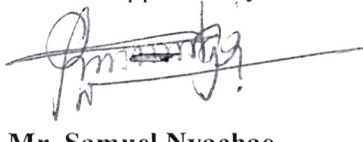
Nothing has come to the attention of the Council that the University will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

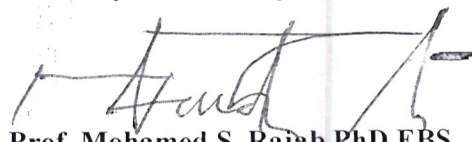
The University's financial statements were approved by the Council on 14th July 2017 and signed on its behalf by



Dr. Musangi J. Mutua PhD
COUNCIL CHAIRPERSON



Mr. Samuel Nyachae
CHAIR FINANCE & PLANNING



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date 07-05-2018

Date 14 May 2018

Date 4TH MAY 2018

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2017

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The Council accepts responsibility for the University's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards, and in the manner required by the PFM Act (2012) and the State Corporation Act. The Council members are of the opinion that the University's financial statements give true and fair view of the state of the University's transactions during the financial year ended June 30, 2017, and of the University's financial position as at that date. The Council further confirms 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 system of internal financial control.

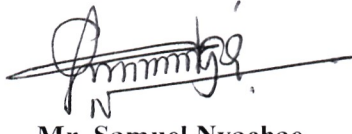
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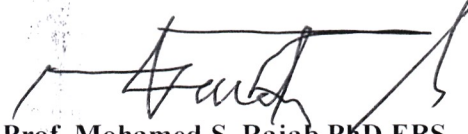
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Dr. Musangi J. Mutua PhD
COUNCIL CHAIRPERSON



Mr. Samuel Nyachae
CHAIR FINANCE & PLANNING



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date 07th 05 - 2018

Date 7th May 2018

Date 4th MAY 2018

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PWANI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Pwani University set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Pwani University as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Qualified opinion and Other Matter sections of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Refundable Deposits from Customers

Note 31 to the financial statements for the year ended 30 June 2017 reflects refundable deposits balance of Kshs.17,738,000, being caution money paid by students and which is refundable at the end of their studies. However, the supporting bank balance as at year end was Kshs.13,820,000, resulting to a shortfall of Kshs.3,918,000 which was deposited in Equity Bank Collection Account. It is not clear and the management has not explained why caution money totaling Kshs.3,918,000 was not deposited in the designated bank account.

Report of the Auditor-General on the Financial Statements of Pwani University for the year ended 30 June 2017

As a result, the accuracy and completeness of Kshs.17,738,000 on refundable deposits from customers as at 30 June 2017 could not be confirmed.

2. Unsupported Expenditure

During the year under review, the University incurred expenditure amounting to Kshs.171,169,000 which was not supported as detailed below:

Item	Note	Amount (Kshs.)	Observations/Anomalies Noted
Repairs and Maintenance	9	21,476,000	The expenditure was incurred on repair and maintenance of property, equipment, motor Vehicles and other items. However, particulars of repairs carried out and details of what was repaired were not indicated in the supporting schedules availed for audit review.
Research Expenses	10	6,966,000	Particulars or full description of what was paid for were not indicated in the supporting schedules availed for audit review.
Operating Expenses	11	59,829,000	Particulars or full description of what was paid for and payees' names were not indicated in the supporting schedules availed for audit review. Further, Note 11 reflects motor vehicle fuel expenditure of Kshs.6,228,000 of which the vehicle worksheets indicating fuel purchased, drawn, consumed and running balance were not availed for audit verification contrary to Section 106 (5) (a) and 159 (2) of the Public Procurement and Asset Disposal Act, 2015 which requires recording of goods, works and services in registers in order to support and account for expenditure incurred.
Administrative Expenses	12	2,486,000	Particulars or full description of what was paid for per transaction and payees' names were not indicated in the supporting schedule availed for audit review
Teaching Expenses	13	20,841,000	Particulars or full description of what was paid for per transaction and payees' names for expenditure amounting to Kshs.19,504,000 were not indicated in the supporting schedules availed for audit review while payment vouchers for Kshs.4,822,103 were not availed for audit verification.
Catering Expenses	14	31,318,000	Particulars or full description of what was paid for per transaction and payees' names were not indicated in the supporting schedule availed for audit review.
Health Expenses	16	5,200,000	Particulars or full description of what was paid for per transaction and payees' names were not indicated in the supporting schedule availed for audit review

Students Expenses	17	19,797,000	Particulars or full description of what was paid for per transaction and payees' names were not indicated in the supporting schedule availed for audit review. Further, included in the amount is Kshs.3,202,070 which was not supported with quotations, work/ bus tickets, attendance register and signed payment schedules. Further, the expenditure includes Kshs.3,614,380 whose payment vouchers were not availed for audit verification. In addition, student expenses figure includes sitting allowances amounting to Kshs.125,800 of which the supporting attendance register was not availed for audit review. The sitting allowances also include Kshs.55,500 paid to leaders of Pwani University Students Association who did not attend meetings for which they were paid the allowances.
Farm Expenses	18	3,256,000	Particulars or full description of what was paid for per transaction and payees' names were not indicated in the supporting schedule availed for audit review. Further, payment vouchers Kshs.964,893 were not availed for audit review while Kshs.661,515 was not supported with stores ledgers/registers to confirm that the foodstuff/store items were taken on charge and issued for official use.
Total		171,169,000	

Consequently, the propriety of expenditure totalling Kshs.171,169,000 for the year ended 30 June 2017 could not be confirmed.

3. General Expenses

The statement of financial performance for the year ended 30 June 2017 reflects general expenses balance of Kshs.36,074,000 as detailed in note 22 to the financial statements. Out of this amount, support payment vouchers for Kshs.11,159,157 were not availed for audit verification as detailed below:

Account Code	Total Amount (Kshs.)	Amount Supported (Kshs.)	Amount not Supported (Kshs.)
Insurance Expenses	5,857,000	4,012,270	1,844,730
Legal Expenses	3,960,000	150,365	3,809,635
Staff Honoraria	3,575,000	3,306,230	268,770
Internet Connection	10,463,000	8,359,598	2,103,402
Departmental Meetings	4,596,000	3,835,380	760,620
Academic Regalia	2,372,000	0	2,372,000
Total	30,823,000	19,663,843	11,159,157

Consequently, the propriety of expenditure amounting to Kshs.11,159,157 for the year ended 30 June 2017 could not be confirmed.

4. Council Expenses

Note 19 to the financial statements for the year ended 30 June 2017 reflects tax allowances of Kshs.333,000 paid at rates of Kshs.6,000 and Kshs.7,000 without supporting basis nor tax receipts availed in support of the same.

Consequently, the propriety of Kshs.333,000 on Council expenses for the year ended 30 June 2017 could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position as at 30 June 2017 reflects cash and cash equivalents balance of Kshs.115,381,000 of which the following observations were made:

5.1 Bank Reconciliation Statements

5.1.1 Barclays Bank (K) Ltd Call Account

The statement of financial position as at 30 June 2017 reflects cash and cash equivalents balance of Kshs.115,381,000, out of which a balance of Kshs.32,051,000 is held in Barclays Bank (K) Ltd call A/C. The bank reconciliation statement as at 30 June 2017 for this account reflects receipts in cash book not yet recorded in bank statement of Kshs.18,252,816. The management has not explained why these receipts have not been banked as at the time of this audit report.

5.1.2 Kenya Commercial Bank Ltd Collection Account

The statement of financial position as at 30 June 2017 reflects cash and cash equivalents balance of Kshs.115,381,000, out of which Kshs.492,988 is a balance in Kenya Commercial Bank Ltd Collection Account. The bank reconciliation statement as at 30 June 2017 for the bank account reflects receipts in bank statement not yet recorded in cash book of Kshs.6,000. The management has also not explained the failure to record this amount in cash book.

5.2 Petty Cash

The statement of financial position as at 30 June 2017 reflects cash and cash equivalents balance of Kshs.115,381,000. Included in the balance is petty cash balance of Kshs.160,000 while the Board of Survey Certificate on cash reflects a balance of Kshs.177,770, resulting to a variance of Kshs.17,770 which has not been explained nor reconciled.

As a result, the accuracy, validity, and completeness of the cash and cash equivalents balance of Kshs.115,381,000 as at 30 June 2017 could not be confirmed.

6. Receivables from Exchange Transactions

6.1 Variance in Debtors Ageing Analysis

The statement of financial position as at 30 June 2017 reflects receivables from exchange transactions balance of Kshs.129,316,000 after provision for doubtful debts of Kshs.2,148,000. However, the ageing schedule produced in support of this balance is for debtors balance of Kshs.175,060,000, resulting to a variance of Kshs.45,744,000. As such, the accuracy of the ageing analysis and validity of these debtors which are necessary for decision making on debt collection or write-off could not be ascertained.

6.2 Imprest Debtors

Note 24 to the financial statements for the year ended 30 June 2017 reflects imprest debtors' balance of Kshs.3,860,000 which was not recorded in imprests register, contrary to Section 91 (2) of the Public Finance Management (National Government) Regulations, 2015 which prescribes that the Accounting Officer shall ensure that the applicant's imprest details are recorded in the imprest register.

Further, included in the balance are imprests amounting to Kshs.667,310 which were six(6) months overdue, contrary to Section 93 (5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the same within seven (7) working days after returning to duty station.

As a result, the propriety, accuracy, validity and completeness of imprests debtors of Kshs.3,860,000 for the year ended 30 June 2017 could not be confirmed.

6.3 Other Debtors

Note 24 to the financial statements for the year ended 30 June 2017 reflects other debtors balance of Kshs.1,921,000, out of which staff debtors balance of Kshs.451,345 related to staff who have left the service of the University. It is not clear and the management has not explained why the dues were not recovered prior to clearance of the officers.

Consequently, the validity and recoverability of Kshs.451,345 owed by staff who have since left the service of the University remains doubtful as at 30 June 2017.

7. Inventories

The statement of financial position as at 30 June 2017 reflects inventory balance of Kshs.6,033,000, out of which Kshs.2,155,697.60 is in respect to inventories issued from central store to various departments. However, stores ledgers or registers indicating how the inventories were received and subsequently issued for use by the respective departments were not availed for audit verification. Further, stock sheets availed for audit review reflected inventories balance of Kshs.323,680 for farm inputs and feeds which was omitted from inventories balance of Kshs.6,033,000.

Consequently, the accuracy and completeness of inventories balance of Kshs.6,033,000 as at 30 June 2017 could not be confirmed.

8. Property, Plant and Equipment – Tangible

The statement of financial position as at 30 June 2017 reflects tangible plant, property and equipment – tangible balance of Kshs.1,546,433,000 as detailed in note 27 to the financial statements. The following observations were made:

8.1 Land

As reported in the year 2015/2016, the property, plant and equipment – tangible figure of Kshs.116,045,000 as at 30 June 2017 includes un-surveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000 that has reportedly been encroached upon by squatters. Available information indicates that the University went to court and obtained eviction order, which the squatters appealed against unsuccessfully. The records also indicate that a court bailiff has been appointed to effect the eviction order and which is yet to take place. Further, the value of three parcels of land measuring at least 22.3 acres situated in Kilifi Town has not been included in these financial statements. In addition, the land has been encroached upon by individuals, jua kali artisans and a benevolent fund. However, no documentary evidence of efforts to evict these squatters and take possession of the parcel of land was provided by the University.

Consequently, the accuracy and completeness equipment balance of Kshs.1,546,433,000 as at 30 June 2017 could not be confirmed. Further, the carrying amount of the property, plant and equipment is likely to be misstated due to unrecognized impairment losses.

8.2 General Equipment

Note 27 to the financial statements for the year ended 30 June 2017 reflects general equipment balance of Kshs.33,775,000, out of which Kshs.964,000 in respect of supply, delivery, installation and commissioning of a walkthrough metal detector to the University. However, the project was not in the procurement plan nor in the approved budget for the year in line with Section 45(3) (a) of the Public Procurement

and Asset Disposal Act, 2015 which provides that 'all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan'.

Consequently, the propriety of the expenditure of Kshs.964,000 on supply, delivery, installation and commissioning of a walkthrough metal detector for the year ended 30 June 2017 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budgetary Controls and Performance

The following observations were made in respect of the University's budgetary controls and performance for the year ended 30 June 2017:

1.1 Revenue Budget

During the year under review, the University had a revenue budget of Kshs.978,681,367 against actual collections/receipts of Kshs.1,069,170,000 or 109.2%, resulting to net over collection of Kshs.90,488,633 or 9.2%, attributed mainly to non-budgeting for deferred grant income of Kshs.24,559,000 or 2.5% of total budget and failure to budget for rental revenue of Kshs.11,165,000 or 11.9% of the budget as detailed below:

Item	Budgeted Amount (Kshs)	Actual Revenue Collections (Kshs)	Revenue Shortfall (Kshs)	%
Government Grants and Subsidies	523,394,400	591,798,000	(68,403,600)	13
Rendering of Services	345,378,725	333,232,000	12,146,725	3.5
Income generating activities	55,081,757	57,492,000	(2,410,243)	4.4

Farm income	6,093,441	6,488,000	(394,559)	6.5
Guest house income	32,250,000	33,720,000	(1,470,000)	4.6
General incomes	4,474,600	-	4,474,600	100
Other incomes	12,008,444	10,716,000	1,292,444	10.8
Rental Revenue	-	11,165,000	(11,165,000)	100
Deferred Grant Income	-	24,559,000	(24,559,000)	100
Total	978,681,367	1,069,170,000	(90,489,633)	9.2

The table indicates that the University failed to collect revenue from general incomes which was budgeted at Kshs.4,474,600. This situation may have negatively impacted on the operating activities of the University and service delivery to students.

1.2 Recurrent Expenditure Budget

During the year under review, the University had a recurrent expenditure budget of Kshs.978,682,000 against actual expenditure of Kshs.1,061,923,000 or 108.5%, resulting to a net over expenditure of Kshs.83,241,000 or 8.5% as detailed below:

Account Name	Approved Budget (Kshs '000')	Actual Expenditure (Kshs. '000')	Over Expenditure (Kshs.'000')	Under Expenditure (Kshs.'000')	%
Compensation of Employees	711,557	776,066	64,509	-	9.1
Depreciation and amortization expenses	43,434	66,105	22,671	-	52.2
Repairs and maintenance-Assets	12,350	21,476	9,126	-	73.89
Research expenses	7,800	6,966	-	834	10.69
Operating expenses	57,277	59,829	2,552	-	4.5
Administration expenses	23,176	2,486		20,690	89.3
Teaching expenses	21,500	20,841		659	3.1
Catering expenses	30,090	31,318	1,228	-	104
Library expenses	2,540	1,486		1,054	41.5
Healthcare	3,465	5,200	1,735	-	50.1
Student expenses	17,277	19,797	2,520		14.6
Farm expenses	3,200	3,256	56		1.8
Other admin expenses	45,016	47,097	2,081	-	4.6
Totals	978,682	1,061,923	106,478	23,237	8.5

The approval of the University Council of the excess expenditure of Kshs.106,478,000 or 10.9% was not availed for audit review. The under expenditure of Kshs.23,237,000 is a result of possible over budgeting, which may have a negative impact on implementation of planned activities and service delivery to the University stakeholders.

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

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

In preparing the financial statements, management is responsible for assessing the University's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the University or cease operations, or have no realistic alternative but to do so.

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

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

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

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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's 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 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 as a going concern to continue 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.



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

Nairobi

26 June 2018

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 Kshs. '000	2016 Kshs. '000
REVENUE			
Revenue from non-exchange transactions			
Transfers from other government -gifts and services in kind	3-A	591,798	515,861
Sub Total		591,798	515,861
Revenue from exchange transactions			
Rendering of services	4	333,232	383,214
Rental revenue from facilities and equipment	5-A	11,165	12,166
Deferred Grant Income*	5-B	24,559	14,939
Other Income	6	108,417	101,452
Sub Total		477,373	511,771
Total Revenue		1,069,171	1,027,632
EXPENSES			
Employee costs	7	776,066	658,395
Depreciation and amortization expense	8	66,105	55,061
Repairs and maintenance	9	21,476	16,122
Research expenses	10	6,966	6,051
Operating expenses*	11	59,829	56,021
Administration expenses	12	2,486	2,137
Teaching expenses	13	20,841	18,378
Catering expenses	14	31,318	31,405
Library expenses	15	1,487	1,931
Health Centre expenses	16	5,200	4,164
Student expenses	17	19,797	10,812
Farm expenses	18	3,256	1,398
Council expenses	19	9,850	6,924
Audit fees	20	406	406
Bank Charges	21	767	621
General expenses	22	36,074	31,322
Total Expenses		1,061,924	901,148
Surplus / (Deficit) for the period		7,247	126,484

The notes set out on pages 10 to 21 form an integral part of the Financial Statements



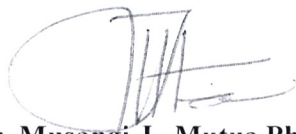
Pwani UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION

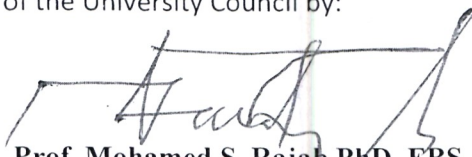
AS AT 30 JUNE 2017

	Note	2017 Kshs.'000	2016 Kshs.'000
ASSETS			
Current Assets			
Cash and cash equivalent	23	115,381	59,858
Receivable from exchange transactions	24	129,317	148,524
Inventories	25	6,033	5,078
Receivable from non-exchange transactions	26	106,172	-
Sub Total		356,903	213,460
Non-current assets			
Property, plant and equipment – Tangible	27	1,546,433	1,438,151
Property, plant and equipment – Intangible	28	20,876	7,661
Biological assets	29	9,328	9,127
Sub Total		1,576,637	1,454,939
Total Assets		1,933,540	1,668,399
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	30	267,864	123,265
Refundable deposits from customers	31	17,738	10,475
Provisions	32	406	406
Total Current Liabilities		286,008	134,146
Non-current Liabilities			
Capital Grants	33	1,411,672	1,305,640
Sub Total		1,411,672	1,305,640
Reserves			
Accumulated surplus		204,162	196,915
Revaluation reserve		31,698	31,698
Total Reserves		235,860	228,613
Total Reserves and Liabilities		1,933,540	1,668,399

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


Dr. Musangi J. Mutua PhD.
COUNCIL CHAIRPERSON


Mr. Mwinyi M. Ali
FINANCE OFFICER
ICPAK No. 9996


Prof. Mohamed S. Rajab PhD. EBS
VICE CHANCELLOR

Date: 07-05-18

Date: 07/05/2018

Date: 4TH MAY 2018

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	Accumulated Surplus	Revaluation Reserve	Total
	Kshs.'000	Kshs.'000	Kshs.'000
Balance as at 30 June 2015	66,675	31,698	98,373
Deficit / Surplus for the period	126,484		126,484
Change in biological assets	3,756		3,756
Balance as at 30 June 2016	196,915	31,698	228,613
Deficit / Surplus for the period	7,247		7,247
Balance as at 30 June 2017	204,162	31,698	235,860



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CASHFLOWS

For the year ended 30 June 2017

	Note	2017 Kshs.'000	2016 Kshs.'000
Net cash flows used in operating activities	34	112,789	64,816
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	27&28	(187,858)	(98,967)
Net cash flows used in investing activities		(187,858)	(98,967)
Cash flows from financing activities			
Development grants		130,592	107,313
Repayment of borrowings		-	(30,502)
Net cash flows used in financing activities		130,592	76,811
Net increase/ (decrease) in cash and cash equivalents		55,523	42,660
Cash and cash equivalents at 1 July 2016		59,858	17,198
Cash and cash equivalents at 30 June 2017		115,381	59,858

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference
	2017 Kshs.'000	2017 Kshs.'000	2017 Kshs.'000	2017 Kshs.'000	2017 Kshs.'000
Revenue					
Government grants and subsidies	523,394	-	523,394	591,798	68,404
Rendering of services	326,123	19,256	345,379	333,232	(12,147)
Finance income	-	-	-	-	-
Other incomes	99,826	10,082	109,908	144,141	34,233
Total income	949,343	29,338	978,681	1,069,171	90,490
Expenses					
Compensation of employees	678,780	32,777	711,557	776,066	64,509
Goods and services	270,563	(3,439)	267,124	285,858	18,734
Total expenditure	949,343	29,338	978,681	1,061,924	83,243
Surplus for the period	-	-	-	7,247	

Government Grants

- The University did not budget for 68 million Basic and House allowances arrears which was paid in by the Ministry of Education at the end of the Financial Year.

Compensation of Employees

The University recruited additional staff to cater for increased student numbers and the implementation of the 2013/2017 CBA.

Goods and services

Change of Government policy to allow for Government staff to hold conferences in Hotels reduced our Guest Numbers.

XVI. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1. GENERAL INFORMATION**

Pwani 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, training, research, outreach and opportunities for innovation for the advancement of the individual and society.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.****a) IPSAS 33: First time adoption of Accrual Basis IPSAS**

The University adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University.

b) IPSAS 34: Separate Financial Statements

The University does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply

c) IPSAS 35: Consolidated Financial Statements

The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply

d) IPSAS 36: Consolidated Financial Statements

The entity does not have investments in associates or joint ventures

e) IPSAS 37: Joint Arrangements

The entity does not have an interest in joint arrangement and therefore the standard does not apply.

f) IPSAS 38: Disclosure of Interest in Other Entities

The entity does not have interest in other entities and therefore the standard does not apply.

ii. Early adoption of standards

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

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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognized:

i) Revenue from non -exchange transactions (Transfer from other government entities)

Transfer from other National Government entities are measured at fair value and recognized on obtaining control of the asset (only amounts received or receivable in relation to the current financial year). Capital grant is recognized as deferred income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. [IAS 20.12]

ii) Revenue from exchange transactions**a) Rendering of services**

Revenue from rendering of services recognized at the stage when the outcome of the transaction can be estimated reliably. Student fees are recognized when the student register for the semester

b) Sale of goods

Revenue from the sale of goods is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the University

c) Interest income

Interest income is accrued using the effective yield method

d) Rental income

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

iii) Budget information

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

iv) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses or professional valuation. 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 fair value.

Depreciation of property, plant and equipment is expensed to statement of financial performance in the following manner:

Furniture and equipment	-	12.5% on straight line basis
Buildings	-	2.5% on straight line basis
Motor vehicles	-	25% on straight line basis
Computers	-	33.3% on straight line basis

v) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets carried at cost less any accumulated amortization and accumulated impairment losses.

vi) Biological Assets

Immature Orchard crops relates mainly to Casuarina trees. This crop takes approximately 4 years before harvesting can begin and it has a productive life of approximately 20 years.

Significant assumptions made in determining the fair value of biological assets are:

- Mango and coconut plants will have an average productive life of 30 years.
- Future production and sales estimates are based on budgets approved by the University Council and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of mangoes and coconuts will remain constant based on the average price realized over a number of years.
- Current market prices are used to determine the fair value of short-term crop.

vi) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are recognized when the University becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through surplus or deficit) are added to or deducted from fair value of the assets as liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i) Financial assets

Financial assets are classified at fair value through surplus or deficit at initial recognition. **Loans and receivables** after initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment.

SIGNIFICANT ACCOUNTING POLICIES (Continued)**Impairment of financial assets**

The University assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

ii) Financial liabilities

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

Loans and borrowings

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.

vii) Inventories

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

Inventory like library books are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

viii) Research grants

Research funds received from external donors for research purposes, are treated as payables.

ix) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) due to a past event. Bad and doubtful debts are provided for after carrying out impairment review to determine the recoverability of the receivable and any associated allowance.

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events

not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

x) Nature and Purpose of reserves

The Pwani University creates and maintains reserves in terms of specific requirements as follows:

- Capital Grant Reserve – Maintained for acquisition of Capital Assets
- Accumulated surplus reserve – Maintained for posting of surplus and deficits
- Revaluation reserve – Maintained for revaluation of assets.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and other 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 the future periods

xi) Changes in accounting policies and estimates

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

xii) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of that transaction. Trade creditors or debtors denominated in foreign currency are reported at 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.

xiii) 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. Further borrowing costs are charged to the statement of financial performance.

xiv) Related parties

A related party is a person or institution with the ability to exert control individually or jointly, or to exercise significant influence over the University and vice versa. The Government of Kenya and members of key management are regarded as related parties.

xv) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand cash at bank and short-term deposits on call 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. For the purpose of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/ or institutions which were not surrendered or accounted for at the end of the financial year.

xvi) Comparative figures

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

II. SIGNIFICANT JUDGMENT AND SOURCES OF ESTIMATION UNCERTAINTY***Estimates and assumptions***

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 32.

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

Subsequent events

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. The University has no material non-adjusting events after the reporting date. There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017

Pwani UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE	2017	2016
	Kshs.'000	Kshs.'000
3 Transfers from the national government		
3A Unconditional grants		
Operational grant (monthly 43,616 x 12) + (Sal. Arrears 68,404)	591,798	515,861
3B Conditional grants		
Other Capital grants -Development	130,590	107,130-
Total government grants and subsidies	722,388	622,991
4 Rendering of services		
Tuition fees JAB	74,154	58,165
Tuition fees SSP	159,952	236,114
Activity fees	5,999	5,534
Examination fees	31,160	25,587
Library fees	8,138	7,186
Registraion fees	8,010	6,764
Identity card fees	1,254	1,234
Medical fees	12,206	11,442
Pwani University Student Association (PUSA)	3,569	3,429
Material development	2,614	5,029
Alumni student income	13	54
Teaching practice	8,621	7,320
Field attachment fees	8,790	6,117
Facilities and material	1,119	2,405
Thesis development	120	319
Thesis examination	121	320
Computer/ Internet fees	0	19
Transport	628	650
KUCCPS Placement fees	2,863	2,630
Nursing students Placement fees	2,914	2,298
Swimming and Diving	470	315
Studio courses	517	283
Total	333,232	383,214
5-A Rental revenue from facilities and equipment		
Straight line operating lease receipts	11,165	12,166
Total rentals	11,165	12,166
5-B Deferred Grant Income		
Deferred income at 2% of cost of assets acquired through GOK capital grants	24,560	14,939
6 Other income		
Student income	57,492	43,651
Farm income	6,488	6,074
Guesthouse income	33,720	36,081
Balance c/d	97,700	85,806

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE

	2017 Ksh.'000	2016 Ksh.'000
6 Balance b/d	97,700	85,806
General income	10,716	15,646
Total other income	108,416	101,452
7 Employee costs		
Employee related costs-salaries and wages	514,482	421,212
Employee related costs-contributions to pension & medical aid	77,041	71,397
Travel, accommodation, subsistence and other allowances	10,334	6,429
Housing benefits and allowances	174,209	159,357
Total employee costs	776,066	658,395
8 Depreciation and amortization expense		
Property, plant and equipment	61,909	53,120
Amortization	4,196	1,940
Total depreciation and amortization	66,105	55,061
9 Repairs and maintenance		
Property	9,850	6,638
Equipment	5,505	4,274
Vehicles	2,752	3,846
Other	3,369	1,364
Total repairs and maintenance	21,476	16,122
10 Research expenses		
Research expenses	5,206	4,031
Botanical garden	246	463
Biotechnology	0	40
Biogas farm outreach	1514	1,517
Total research expenses	6,966	6,051
11 Operating expenses		
Stationery expenses	3,690	5,274
protective clothing	1,169	540
Publishing and printing	134	1,156
Cleaning material	1,123	673
Balance c/d	6,116	7,643

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTE

	2017 Ksh.'000	2016 Ksh.'000
11 Balance b/d	6,116	7,643
Office expenses	2,523	2,119
Office consumables	0	15
Telephone	563	990
Courier and postage	371	1,589
Electricity	11,306	10,330
Sanitary services	123	567
Water and sewerage	7,061	7,162
Security	13,457	9,491
Subscriptions	2,204	1,006
Admission expenses	910	434
Conferences, seminars and workshops	3,133	1,667
External travel expenses	532	-
Graduation expenses	4,379	6,768
Fueling of motor vehicles	6,228	5,801
Tender notices	725	175
Drinking water	79	-
Corporate social expenses	119	264
Total Operating expenses	59,829	56,021
12 Administration expenses		
Show and exhibitions	493	1,202
ISO certification	1,993	935
Total administration expenses	2,486	2,137
13 Teaching expenses		
Teaching materials	3,276	1,155
Field course expenses	8,525	4,110
Laboratory materials	83	912
Examination expenses	2,850	2,404
External examiners	740	804
Teaching practice expenses	1,312	6,809
Field attachment expenses	2,831	2,184
Inspection fees	1,224	-
Total teaching expenses	20,841	18,378

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTES

	2017 Ksh.'000	2016 Ksh.'000
14 Catering expenses		
Gas and fuel - main kitchen	1,071	1,330
Gas and fuel - guest house	371	442
Foodstuff - main kitchen	21,161	19,172
Foodstuff - guest house	5,035	6,672
Cutlery and crockery - main kitchen	437	559
Cutlery and crockery - guest house	706	300
Beds, beddings, linen - guest house	274	-
Consumables kitchen	4	414
Consumables guest house	444	896
Red buffalo expenses	1,770	1,280
External accommodation - guest house	45	340
Total catering expenses	31,318	31,405
15 Library expenses		
Newspapers and magazines	73	497
Library books and journals	796	1,052
Library subscriptions	617	382
Total Library expenses	1,486	1,931
16 Health centre expenses		
Drugs	3,929	3,939
Other medical expenditures	1,271	225
Total Health expenses	5,200	4,164
17 Student expenses		
Sports games and tournaments	3,091	2,895
Student welfare	3,605	1,214
Student activities	1,574	700
Amenities	0	22
PUSA expenses	4,185	2,521
Student medical expenses	14	10
Bursary awards	1,350	1,082
Aids control unit	591	529
Students placement	5,387	888
Students Identification	0	951
Total student expenses	19,797	10,812

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTES

	2017	2016
	Ksh.'000	Ksh.'000
18 Farm expenses		
Farm maintenance	3,092	587
Purchase of animal feeds	104	572
Fungicides, insecticides and sprays	1	7
Purchase of agricultural inputs	50	62
Vet services and supplies	9	170
Total farm expenses	3,256	1,398
19 Council expenses		
Sitting allowances	3,326	1,668
Per diem	3,249	2,996
Taxi allowances	333	345
Lunches	415	243
Air tickets	1,838	946
Council honoraria	107	40
Senate expenses	0	326
Training for state corporation	582	360
Total expenses	9,850	6,924
20 Audit fees	406	406
Total Audit fees	406	406
21 Bank charges	767	621
Total Bank Charges	767	621
22 General expenses		
Insurance expenses	5,857	5,293
Inter University	0	84
Legal services	3,960	1,800
Consultancy fees	45	120
Advertising and publicity	1,556	2,621
Networking and software	8	-
Internet connection	10,463	9,382
Staff honoraria	3,575	1,827
Bursary expenses	0	173
Departmental meeting	4,596	3,770
Funeral Expenses	258	530
Staff development	999	1,196
Fines and penalties	0	30
Staff fees subsidy	645	972
Miscellaneous expenses	919	491
Balance c/d	32,881	28,289

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES

	2017 Ksh.'000	2016 Ksh.'000
22 Balance b/d	32,881	28,289
Office furnishing	0	217
Clearing and forwarding	0	222
Ethics review	186	88
Academic Council meetings	635	226
Academic regalia	2,372	1,675
Foreign Exchange Loss	0	35
Provision for bad debts	0	570
Total general expenses	36,074	31,322
23 Cash and Cash Equivalent		
Equity Bank – Collection Account no. 0460291566381	5,603	1,384
Equity Bank – Main Account no. 0460291566407	46,474	22,773
Barclays Bank – Collection Account no. 0191046501	3,145	4,300
Barclays Bank – Caution Money Account no. 0191068378	13,820	9,672
Barclays Bank – Payment Account no. 2030242370	32,051	911
Kenya Commercial Bank – Collection Account no. 1109893868	493	5,727
Kenya Commercial Bank – Research Account no. 1114479950	3,476	5,401
Kenya Commercial Bank – Niche/Ken Account no. 1164789988	1,004	1,317
Kenya Commercial Bank – USD Account no. 1173114157	6,472	3,873
Cooperative Bank – Collection Account no. 01129465157200	2,510	534
Mpesa – Account no.	173	3,789
Petty Cash	160	177
Totals	115,381	59,858
24 Receivable from exchange transactions		
Student debtors	97,196	104,734
Provisions	(2,148)	(2,148)
Net Student Debtors	95,048	102,586
Imprest debtors	3,860	11,579
Exchange students	0	3,474
Refundable Deposits	4,879	27,254
Advance payments	20,924	1,390
External debtors	2,684	2,241
Other Debtors	1,921	0
Total current receivables	129,316	148,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)
25 Inventories

Finance stores – stationery	2,174	3,007
Maintenance stores general	754	424
Main kitchen stores	1,182	385
Health unit stores	726	746
Electrical stores	367	60
Cleaning material store	579	396
Farm inputs and feeds	251	60
Total Inventories	6,033	5,078

26 Receivables from non exchange transaction

Grants Ministry of Education June grant-Recurrent	68,404	0
Grants Ministry of Education June grant-Development	37,768	0
Total receivables from non current exchange transactions	106,172	0

ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE ACCOUNTS CONTINUED..

NOTE 27

	LAND	WORK IN PROGRESS	BUILDINGS	MOTOR VEHICLES	GENERAL EQUIPMENT	FURNITURE & FITTINGS	COMPUTERS	TOTALS
Depreciation Rates	Ksh. '000	Ksh. '000	2.5%	25%	12.50%	12.50%	33%	Ksh. '000
Cost/ Valuation								
Balance as at 30 June 2015	116,045	497,765	745,863	85,067	108,953	37,498	54,040	1,645,231
Additions		62,253		11,663	6,894	11,143	5,854	97,807
Adjustments			(1,727)					(1,727)
Balance as at 30 June 2016	116,045	560,018	744,136	96,730	115,847	48,641	59,894	1,741,311
Additions during the year	-	141,765	237,367	5,041	4,433	8,637	10,371	407,614
Transfers		(237,367)						(237,367)
Balance as at 30 June 2017	116,045	464,416	981,503	101,771	120,280	57,278	70,265	1,911,558
Depreciation / Impairment								
At June 2015	-	-	67,439	56,558	63,530	19,074	43,735	250,336
Adjustments				(296)				(296)
Charge for the year			14,939	13,319	11,832	5,291	7,739	53,120
As at 30 June 2016	-	-	82,378	69,581	75,362	24,365	51,474	303,160
Charge for the Year			17,174	22,174	11,143	4,511	6,906	61,908
NET BOOK VALUE June 2016	116,045	560,018	661,758	27,149	40,485	24,276	8,420	1,438,151
NET BOOK VALUE June 2017	116,045	464,416	881,951	9,959	33,775	28,402	11,885	1,546,433

NOTE

28 Intangible Assets	SOFTWARE
Depreciation Rates	33%
	Ksh.'000
Cost/ Valuation	
Balance as at 30 June 2015	15,364
Additions	1,160
Adjustments	
Balance as at 30 June 2016	16,524
Additions	17,411
Balance as at 30 June 2017	33,935
Impairment	
At June 2015	6,922
Charge for the year	1,941
As at 30 June 2016	8,863
Charge for the year	4,196
Balance as at 30 June 2017	13,059
NET BOOK VALUE June 2016	7,661
NET BOOK VALUE June 2017	20,876

NOTE
29 Biological assets

Biological assets are measured at fair value less cost to sell. Plants are stated at fair value on the escalated average cost, using inflation rate of 10%, of each year of remaining expected life. Livestock was characterized as mature or immature. Market comparison technique was applied in determining the fair value. Market price of livestock of similar age, weight, breed and genetic make-up was used.

	2017 Ksh.'000	2016 Ksh.'000
Carrying amount at start of the year		
Immature livestock	588	446
Mature livestock	4,472	3,219
Total livestock	5,060	3,665
Immature orchards	10	32
Mature orchards	4,057	1,674
Total orchards	9,127	1,706
Additions during the year-Mature Bull	201	
Loss arising from changes in fair value attributable to changes in Livestock	0	(41)
Gain arising from changes in fair value attributable to price changes of livestock	0	1,437
Gain arising from changes in fair value attributable to physical changes of orchards	0	2,361
Net fair value (loss)/ gain	0	3,757
Carrying amount at end of June 2017		
Immature livestock	588	588
Mature livestock	4,673	4,472
Total livestock	5,261	5,060
Immature orchards	10	10
Mature orchards	4,057	4,057
Total orchards	4,067	4,067
Totals	9,328	9,127

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 Ksh.'000	2016 Ksh.'000
30 Trade and other payables from exchange transactions		
Trade creditors	83,996	21,699
Student fees	66,267	38,075
Value added tax	0	1,724
Other control accounts	3,535	1,668
Payroll control	83,923	23,675
Other liabilities	30,143	36,424
Total payables	267,864	123,265
31 Refundable deposit from customers		
Caution money fees	17,738	10,475
Total Deposit	17,738	10,475
32 Current provisions		
Audit fees	406	406
Provision for Bad debts	-	-
Total current provisions	406	406
33 Capital Grants		
Opening Balance	1,305,640	1,213,266
Additions during the year	130,591	107,313
Sub Total	1,436,231	1,320,579
Transfer to income Statement	(24,559)	(14,939)
Balance as at 30 June	1,411,672	1,305,640
34 Cash generated from operations		
Surplus (deficit) from the year	7,247	126,484
Adjusted for Depreciation	66,105	55,061
Increase in debtors provisions	-	626
Adjustment for deferred income	(24,560)	(14,939)
Gain in sale of biological assets	(0)	(836)
Working capital adjustments:		
Decrease / (increase) in inventories	(955)	121
Decrease / (increase) in receivables from exchange transactions	19,207	(89,341)
Decrease / (increase) in receivables from non-exchange transactions	(106,172)	40,366
Increase / (decrease) in payables	151,917	(52,726)
Net cash generated from (used in) operations	112,789	64,816

35. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize 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 company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity 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 directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company'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 entity'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 2017				
Receivables from exchange transactions	129,317	129,317	0	0
Receivables from non exchange transactions	106,172	106,172	0	0
Bank balances	115,221	115,221	0	0
Total	350,710	350,710	0	0
At 30 June 2016				
Receivables from exchange transactions	148,524	148,524	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	59,681	59,681	0	0
Total	208,205	208,205	0	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

ii) Liquidity risk management

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

The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2017				
Trade payables	93,531	66,267	24,149	183,947
Current portion of borrowings	0	0	0	0
Provisions	406	0	0	406
Deferred income	24,559	0	0	24,559
Employee benefit obligation	83,923	0	0	83,923
Total	202,419	66,267	24,149	292,835
At 30 June 2016				
Trade payables	16,074	38,075	45,441	99,590
Current portion of borrowings	0	0	0	0
Provisions	406	0	0	406
Deferred income	14,939	0	0	14,939
Employee benefit obligation	23,675	0	0	23,675
Total	55,094	38,075	45,441	138,610

iii) Market risk

The University Council has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

iv). Capital Risk Management

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

	2016-2017		2015-2016
	Kshs		Kshs
Revaluation reserve	31,698		31,698
Retained earnings	204,162		196,915
Capital reserve	1,411,672		1,305,640
Total funds	1,647,532		1,534,253
Total borrowings	0		0
Less: cash and bank balances	(115,381)		(59,858)
Net debt/(excess cash and cash equivalents)	(115,381)		(59,858)
Gearing	0%		0%

36. Related Party Balances
a) Nature of related party relationships

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

The entity is related to

- i) The National Government
- ii) The Ministry of Education
- iii) Key management
- iv) University Council

b) Related party transactions

	2017 Kshs	2016 Kshs
Transfers from related parties'	722,390	623,174
Transfers to related parties	0	0
	=====	=====

c) Key management remuneration

	2017	2016
	Kshs	Kshs
Councils'	9,850	6,924
Key management compensation	45,767	41,756
	=====	=====

d) Due from related parties

Due from Parent Ministry	106,172	0
Due from xxx SC or SAGA	0	0
	106,172	0
	=====	=====

e) Due to related parties

Due to the parent Ministry	0	0
Due to xxx SC or SAGA	0	0
	0	0
	=====	=====

37. Contingent assets and contingent liabilities

The University had no pending court cases against it or issued no guarantee to any entity or person during the reporting period.

38. Capital Commitments

The University Council did not made any capital commitments during the year 2016/2017

39. Events after the reporting period

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

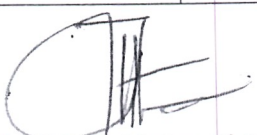
40. Currency

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

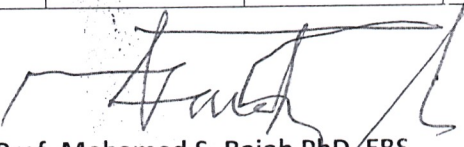
1. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The following is the summary of issues raised by the external auditors, and management responses 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	Unable to confirm carrying value due to encroachment by squatters on University land	The University has received a favorable judgment but awaits the disposal of an appeal	Prof. Mohamed S. Rajab (Vice Chancellor)	Resolution in progress	Next Twelve months


Musangi J. Mutua PhD.
CHAIRMAN OF COUNCIL

Date: 07th - 05 - 2018


Prof. Mohamed S. Rajab PhD. EBS
VICE CHANCELLOR

Date: 4th MAY 2018