




OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

 THE NATIONAL ASSEMBLY PAPERS LAID <b>REPORT</b> DATE: 02 MAR 2021		DAY: TUESDAY
TABLED BY:	LOM	
CLERK-AT THE-TABLE:	Ahmed Kadhi	

PARLIAMENT OF KENYA LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**KISII UNIVERSITY**

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





---


# KISII UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE, 2019.

---

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAR 2021	DAY
TABLED BY:	
CLERK-AT THE-TABLE:	

**TABLE OF CONTENTS**

**Page**

I. KEY ENTITY INFORMATION AND MANAGEMENT.....	iii
II. CORE BUSINESS OF THE UNIVERSITY.....	v
III. UNIVERSITY COUNCIL MEMBERS.....	vi
IV. UNIVERSITY MANAGEMENT TEAM.....	ix
V. STATEMENT FROM THE CHAIRMAN OF THE COUNCIL.....	xi
VI. STATEMENT FROM THE VICE CHANCELLOR.....	xii
VII. CORPORATE GOVERNANCE STATEMENT.....	xiii
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xx
IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES.....	xxiii
X. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XI. STATEMENT OF FINANCIAL POSITION.....	2
XII. STATEMENT OF CHANGES IN NET ASSETS.....	3
XIII. STATEMENT OF CASH FLOWS.....	4
XIV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS.....	5
FOR RECURRENT BUDGET.....	5
XV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS.....	6
FOR CAPITAL DEVELOPMENT BUDGET.....	6
XVI. NOTES TO THE FINANCIAL STATEMENTS.....	7

## **I. KEY ENTITY INFORMATION AND MANAGEMENT.**

### **(a) Back ground Information**

Kisii University is a body corporate established through the Kisii University Charter of 2013 and the University's Act No 42 of 2012.

### **(b) Principal Activity**

(i) The University's core activity is to provide University Education and conduct research.

#### **(ii) Vision**

To be a World Class University in advancement of Academic Excellence, Research and Social Welfare.

#### **(iii) Mission**

To train high level human resource that meets the development needs of the country and International Labour Market, sustain production of quality and relevant research and consultancy; disseminate knowledge, skills, values and competencies for the advancement of humanity.

#### **(iv) Community Service**

To provide community service to the public.

### **(c) Registered Office and Principal Place Of Business**

Kisii University  
Along Kisii - Kilgoris Road  
P.O. Box 408 - 40200  
KISII, Kenya.

**(d) University Contacts**

Kisii University  
P.O. Box 408- 40200  
**KISII**, Kenya.  
Tel.058-30826  
Website: [www.kisiiuniversity.ac.ke](http://www.kisiiuniversity.ac.ke)  
Email: [info@kisiiuniversity.ac.ke](mailto:info@kisiiuniversity.ac.ke)

**(e) University Bankers**

- (i) National Bank of Kenya  
P.O. Box 4566-40200  
**KISII.**
- (ii) Kenya Commercial Bank  
P.O. Box 3684-40200  
**KISII.**
- (iii) Co-operative Bank of Kenya  
P.O. Box 3689-40200  
**KISII.**

**(f) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084- 00100  
**Nairobi**, Kenya

## **II. CORE BUSINESS OF THE UNIVERSITY.**

The Core business of the University as provided by Kisii University Charter and the University's Act No 42 of 2012 include:

- Provision directly or in collaboration with other institutions of higher learning, facilities for University Education (including technological, scientific and professional education), the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya and beyond.
- Participation in technological innovation as well as in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellectual life in economic, social, cultural, scientific and technological development in Kenya;
- Provision and advancement of University education and training of appropriately qualified candidates leading to conferment of degrees and award of diplomas, certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing contribute to human resource needs;
- Conducting the examinations for such academic awards as may be provided in the statutes pertaining to the University, examining and making proposals for new Faculties, Schools, Institutes, Departments, Resources and Research centres, degree courses and subjects of study;
- Contributing to Industrial and Technological Development of society in collaboration with industry and other organisations;
- Inculcating a culture of innovation in science, technology and engineering amongst staff, students and society.

### III. UNIVERSITY COUNCIL MEMBERS.



**Name:** Dr. Mildred A. Mudany, PhD.

**County:** Siaya

**Position:** Chairperson

**Date of Birth:** 24/02/1963

**Academic Qualifications:** PhD, MBChB. (UoN); MMed. (UoN); PhD. (Tokyo Women's Medical University)



**Name:** Prof. John S. Akama, PhD.

**County:** Nyamira

**Position:** Secretary to the Council (Vice Chancellor)

**Date of Birth:** 08/09/1959

**Academic Qualification:** Doctor of Philosophy (Geography)



**Name :** Ms. Florence W. Kimani

**County:** Nakuru

**Position:** Member

**Date of Birth:** 18/12/1974

**Academic Qualification:** MBA, Strategic Management, Daystar University



**Name:** Mr. Harrison O. Okeche  
**County:** Homabay  
**Position:** Member  
**Date of Birth:** 27/07/1966  
**Academic Qualification:** LLM University of South Africa



**Name:** Ms. Annerose N. Ngemu  
**County:** Makueni  
**Position:** Member  
**Date of Birth:** 10/09/1973  
**Academic Qualification:** MBA Information Systems Management, University of Nairobi



**Name:** Mr. Robin Achoki  
**County:** Nyamira  
**Position:** Member  
**Date of birth:** 15/08/1960  
**Academic Qualification:** Post Graduate Diploma in Integrated Regional Development and Planning.



**Name:** Mr.M'Limbine Joseph Gitonga  
**County:** Meru  
**Position:** Member  
**Date of Birth:** 15/11/1971  
**Academic Qualification:** MBA, Strategic Management,  
University of Nairobi



**Name:** Mr. Samuel K. Gitau  
**County:** Nyandarua  
**Position:** Rep. C.S. National Treasury  
**Date of Birth:** 10/11/1965  
**Academic Qualification:** Masters in Economic Policy  
Management



**Name:** Mr. Robert Asumani Samuel  
**County:** Kisii  
**Position:** Rep. PS Ministry of Education  
**Date of Birth:** 1982  
**Academic Qualification:** MBA (Finance) JKUAT

#### IV. UNIVERSITY MANAGEMENT TEAM.



**Name:** Prof. John S. Akama, PhD.

**Position:** Vice chancellor

**Date of Birth:** Sept. 1959

**Academic Qualification:** Doctor of Philosophy (Geography)



**Name:** Prof. Joseph T. Mailutha, PhD.

**Position:** D.V.C (Administration, Planning and Finance)

**Date of Birth:** 1954

**Academic Qualification:** Doctor of Philosophy Agricultural Engineering 1998



**Name:** Prof. Fredrick O. Wanyama, PhD.

**Position:** DVC (Academics and Student Affairs)

**Date of Birth:** 16/03/1967

**Academic Qualification:** PhD in Political Science



**Name :** Prof. Anakalo Shitandi, PhD.  
**Position:** Registrar Research and Extension  
**Date of Birth:**1963  
**Academic Qualification:** Doctor of Philosophy in Food Science (Microbiology)



**Name:** Prof. Philip O. Owino, PhD.  
**Position:** Registrar Academic Affairs  
**Date of Birth:** Sept. 1960  
**Academic Qualification:** Doctor of Philosophy, Master of Science.



**Name:** Rose Ogata  
**Position:** AG. Registrar Administration Human Resource and Central Services  
**Date of Birth:**1986  
**Academic Qualification:** M.A Project Planning and Management



**Name:** Charles M. Mwangi  
**Position:** Finance Officer  
**Date of Birth:**1984  
**Academic Qualification:** MBA (Finance), C.P.A.(K), B.B.M(Accounting),C.S.(Finalist).

## V. STATEMENT FROM THE CHAIRPERSON OF THE COUNCIL.



The University Council was constituted by the Cabinet Secretary Ministry of Education through Gazette Notice No. 2341 dated 10<sup>th</sup> March 2017. The mandate of the Council amongst other responsibilities is to give policy guidelines in order to ensure the smooth operations of University activities.

### **Dr. Mildred A. Mudany, PhD**

It is my pleasure to note that the staff members of this University, under the able leadership of the Vice Chancellor, worked hard during the last financial year towards attaining this objective.

During the period under review, the University faced quite a number of challenges especially decrease in number of students under module two intake which has led to reduction in tuition fee collection. Due to reduction of module two students intake over the last two financial years, the University has been forced to close down three of its campuses (Kitale, Kisumu and Kabarnet). The remaining campuses are still being observed by the Council to determine their long term survival and self – sustainability.

In the period under review the University through the Government is still undertaking the construction of phase 2 of the hostels project. The other key projects which are still being implemented include the ICT centre and the Lecture Theatres. The ICT centre is one of the landmark projects which is anchored in vision 2030 blue print. I would therefore like to request the National Government to consider allocating more development funds to the University. The three projects are expected to be completed by the end of this year.

In conclusion therefore, the University's future is dependent on Government support and other key stakeholders. In this regard, I would like to register my special gratitude to National Government through the Ministry of Education for the support and look forward to more of it during this financial year.

A handwritten signature in blue ink, appearing to be 'M. Mudany', written over a faint circular stamp.

Dr. Mildred A. Mudany, PhD

**Chairperson of the Council**

## **VI. STATEMENT FROM THE VICE CHANCELLOR.**



It is my pleasure to present the Annual Report and Financial Statements of Kisii University for the year ended 30<sup>th</sup> June, 2019. During the year under review the University reported a positive working capital.

It is also important to note that over the last two financial years the number of module two students joining the University has been decreasing tremendously.

The tuition fee collected decreased from Kshs.1,570,834,000 collected during the year 2017/2018 to Kshs.1,286,749,000 in the year 2018/2019. The decrease in tuition fee is attributed to the declining number of students especially the module two students. Since the University relies on this stream of revenue to finance its operations most of the programs have been greatly affected.

The University continued with its core business of teaching, training and research. On behalf of Kisii University I wish to take this opportunity to thank the National Government for financial support accorded to the University.

Finally, I would like to express my thanks to the University Council for providing policy guidelines and the entire University community for working tirelessly to ensure successful and smooth operations of the University.

A handwritten signature in blue ink, appearing to read 'John S. Akama'.

Prof. John S. Akama, PhD.

**Vice Chancellor**

## **VII. CORPORATE GOVERNANCE STATEMENT.**

Kisii University is a body corporate established through the Kisii University Charter of 2013 and the University's Act No 42 of 2012. The University's core activity is to provide University education and conduct research. The University vision is to be a World Class University in Advancement of Academic Excellence, Research and Social Welfare.

### **1. Current constitution and appointment of the University council.**

**The current membership of the University Council is as follows:**

- a) Chairman- The Chairman is appointed by the Cabinet Secretary Ministry for Education,
- b) Two Members- one person representing the P.S National Treasury and the other one representing the P.S Ministry of Education,
- c) Four other members appointed by the Cabinet Secretary, Ministry of Education,
- d) Vice Chancellor, who is the Secretary to the Council.

### **2. Responsibility of the University Council.**

**The University Council is ultimately responsible for:**

- a) The Mission and the Vision of the University;
- b) Promoting the aims and objectives of the University;
- c) Setting strategic directions for the University;
- d) Oversight of Management;
- e) Make and approve statutes for gazettelement in accordance with the provisions of the Act;
- f) The appointment and performance management review of the Vice Chancellor;

- g) Setting and monitoring broad budget and planning framework, ensuring that the University finances are sound, and taking major financial decisions;
- h) Monitoring University performance against strategic objectives;
- i) Setting and clearly examining Council policy and risk management;
- j) Extending links and communication between the University and the wider community;
- k) Legislative roles, including ensuring that the University is acting without ethnic bias and is in conformity with all legal requirements;
- l) Fundraising and resource mobilisation;
- m) Approve budgets of the University;
- n) Council performance and succession planning.

The current University Council was constituted by the Cabinet Secretary Ministry Of Education on 10<sup>th</sup> March 2017. The profile of the current University Council members is provided on page (vi)

### **3. Remuneration of the Council Members.**

The University Council members other than the Vice Chancellor do not receive a salary. They are however paid a sitting allowance for every meeting attended. The allowances paid to Council members are disclosed in note 7 of the Financial Statements.

### **4. University Council Meetings.**

The meetings of the University Council are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the University Council establishes such committees with membership and with such terms of references as it may deem fit. A calendar of University Council and its committees is prepared before the beginning of each financial year.

### **5. Committees of the University Council.**

The University Council has established the following committees:

**a) Planning, Finance, Building, Development and General purpose committee.**

**The committee is responsible for the following:**

- Making recommendations to the Council on Annual Budgets in the light of overall plan, the annual operating budgets from the academic division , other cost centres and other relevant information;
- Reviewing the University’s financial strategy for approval by the Council;
- Reviewing the University’s Annual Financial Statements and reporting to the Council;
- Reviewing the University’s financial regulations from time to time and recommending any necessary changes in those regulations to the Council;
- Reviewing the University’s Investment Policy from time to time and reporting to Council;
- Overseeing the University’s Financial Management and Financial Control Systems and making quarterly reports to the Council;
- Such other action on behalf of the University Council in relation to the University’s financial business as may be required from time to time.

**b) Human Resource and Appointment Committee.**

The committee oversees the formulation and subsequent monitoring and review of policies and strategies on employment of all University staff, including policies on recruitment and selection, staff development and training, performance management schemes, salaries and other conditions of service. The committee is responsible for the following matters:

- Reviewing and monitoring the implementation and effectiveness of the University’s employment policies through regular reports provided by the Management Board;

- Overseeing the relations between the University and its employees;
- Reviewing and making recommendations to the University Council, on the salaries, allowances and other terms and conditions of service of the Vice Chancellor, the Deputy Vice Chancellors and such other senior officers of the University as the Council may determine from time to time;
- Monitoring key performance indicators as agreed by Council;
- Receiving and considering proposals on strategy and policy in all matters relating to the recruitment, reward, retention, motivation, and development of the University's staff and make recommendations to the Council;
- Receiving reports from Management Board relating to promotion.

**c) Audit Governance, Risk Management and Sealing Committee.**

**The committee is responsible for the following:**

- Providing leadership and advising Council on strategic issues related to risk management, quality management, and compliance with bench mark standards and Statutory Regulations;
- Reviewing and monitoring the effectiveness of the University's risk Management Policies and strategies in mitigating against identified potential risks and in improving management and control;
- Receiving and considering proposals from the internal audit section on the internal audit and compliance work plans, and making recommendations to Council for approval;
- Receiving and considering quarterly internal audit and compliance reports and making recommendations to the Council;
- Receiving and considering Annual External Audit Report submitted by external auditors and making recommendations to the Council;

- Receiving and considering proposals on quality review cycle and internal quality assessment plans from the management board and making recommendations to Council for approval.

#### **d) Academic, Research, Extension Collaboration and Sealing Committee**

##### **The committee is responsible for the following**

- Receive and consider reports from Senate and make recommendations to Council on academic matters including:
  - ✓ Curriculum and academic standards of any course of study;
  - ✓ Establishment, harmonization or abolition of Campuses, Schools, Units, Departments, and Centres;
  - ✓ Promotion of research and innovation work in the University and dissemination of the findings;
  - ✓ Quality standards and assurance of education, training, research and innovation; and Students' welfare.
- To receive and recommend to the Council approval of University Statutes.
- To receive and recommend to the Council approval of the Students Handbook.
- To receive and recommend to the Council approval of the Constitution for the Students Association.
- Oversee the constitution of Alumni Association and receive reports on their proposals and recommendations;
- To advise Council on students' access and admissions, curriculum design, course and fees structure, academic and mentoring support, provision and use of learning resources and students welfare.
- To establish and review structures and mechanisms for assuring the implementation of academic policies, the maintenance of standards and enhancement of good practice;
- To oversee and co-ordinate activities associated with national and external agencies involved in quality assurance;
- To develop, amend, repeal and approve regulations concerning academic programmes;
- To receive and consider proposals and nominations for the award of honorary degrees and recommend to the full Council award of honorary degrees;
- To consider and advice Council on all matters related to research and innovation in the University.
- To receive, consider and recommend for approval regulations governing students conduct and discipline;

- To authorize on behalf of the Council the application of the University Seal on documents;
- To determine the types and amount of fees to be paid by students
- In consultation with the Human Resource and Appointments Committee, recommend to the Council on recruitment and promotion of academic staff of the University; and
- To undertake any other responsibility assigned by the Council from time to time.

The University Council nominates the Chairperson of each committee of the Council. In absence of a substantive chairperson the members present and constituting a quorum may elect a person from among them to chair the meeting. The chairperson of the University Council and the Vice Chancellor are ex-official members of every committee of the Council except the audit committee.

## **6. The Management Board**

Section 24 (1) of Kisii University Charter provides for the formation of the Management Board which shall function as the Executive Board as provided for in the provisions of the act and the statutes. The Management Board members are appointed by the University Council.

### **The current membership consists of the following:**

- a) The Vice Chancellor - who is the chairperson;
- b) Deputy Vice Chancellors;
- c) Registrars; and
- d) The Finance Officer.

### **The Management Board is responsible for the following:**

- a) Overseeing the day to day running of the University;
- b) Efficient management of the human, physical and financial resources of the University;

- c) Coordinating and controlling the development, planning, management, and administration of the University and its resources in accordance with approved policies, rules and regulations;
- d) Submitting proposals to the University Council concerning Annual Financial Statements, development priorities, staff development plans, terms and conditions of service, fund raising strategies, student welfare, public relations policies, academic partnerships and linkages with other institutions, collaboration with industry, as well as any policies and any matters related to the development, management and administration of the University;
- e) Authorising the initiation of legal proceedings on behalf of the University;
- f) Proposing to the University Council rules and regulations for the administration of the University and for the execution of its programmes and plans;
- g) Establishing any University charges and fees ; and
- h) Performing any other duties relating to the management of the University.

## **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.**

Kisii University was founded for public benefit, to promote education and knowledge, and to provide an institution open to all, irrespective of race, creed or political belief. It is a pioneering institution in making higher education available to women and the less fortunate in society and those unable to pursue traditional forms of study.

The University seeks to replicate this commitment to the academic enterprise and to wider society, through all of its operations and activities. The University endeavours to conduct its business in accordance with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

**Kisii University Corporate Social Responsibility is centred on three pillars:**

- People and Community
- Finance and Economic Activity
- Environmental Sustainability

### **(1) People and Community**

#### **The University as an employer**

Kisii University is committed to being a good employer, and to contribute positively to the local community, the education sector in Kenya and the global community. As an employer the University is committed in ensuring that all staff members are fully supported in their work, have a decent working environment, and are fairly rewarded. The University engages with recognised Trade Unions which represent and protect the interests of its staff. The University offers competitive terms and conditions of service to its directly employed staff. The University also encourages and supports staff to engage in activities which benefit the wider community and society.

**In order to achieve this, the University commits to:**

- Embedding equality and diversity into all operations
- Allowing staff time for civic and public duties.
- Encouraging payroll donation, fundraising and other charitable activities.
- Ensuring staff can achieve their full potential through training, mentoring, and other staff development activities.
- Achieving the highest practical standards of health and safety for our staff, students, and visitors.

**Local Community**

Kisii University is a major tenant and employer in the local community with considerable operations in Kisii town. It opens up events and facilities to the public and participates in specific community engagement projects.

In support of the local community Kisii University through the research and extension department is undertaking free training to the farmers on the following projects.

- Training farmers at Nyosia farm on new farming methods through the use of modern technology;
- Offering of artificial insemination to animals of selected farmers;
- Enhancing farmers knowledge and skills on how to generate more farm produce from their farms.
- Currently a training project targeting rabbit farmers is on-going.

### **Kisii University as an agent of peace and conflict resolution**

Currently the University is offering a course to train key members of the local community on how to manage and maintain peace between various communities living in Kisii.

In addition to this local pastors are also continuously being trained on various leadership skills.

### **Freedom of Expression**

As an academic institution, the University encourages debate and discussion and supports the right of peaceful protest where this does not threaten the health and safety of staff, students or visitors, and does not infringe upon others rights to freedom of expression and association.

## **(2) Finance and Economic activity**

The University recognises the way in which it conducts its activities financially, has a bearing on those with an interest in its work. The University financial regulations follow the laid down Accounting Standards.

## **(3) Environmental Sustainability**

Kisii University recognises environmental sustainability as the greatest challenge of the 21<sup>st</sup> century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. In this respect Kisii University is;

- a) Partnering with County Government of Kisii in keeping the Kisii town clean. This is done by sponsoring students and staff to freely participate in the cleaning programmes.
- b) In order to maintain a healthy environment, Kisii University recently removed asbestos roofing materials and replaced them with eco-friendly iron sheets

**IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES.**

The Public Financial Management Act of 2012, Kisii University Charter of 2013 and the Universities' Act of 2012 Cap 42 require the University Council to prepare Financial Statements of Kisii University which give a True and Fair view of the state of affairs of the University as at the end of the financial year and the operating results of the University for the year. The Council members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council members are also responsible for safeguarding the assets of the University.

The Council members accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner provided by the Public Financial Management Act of 2012 and the Universities' Act of 2012 Cap 42.

The Council members are of the opinion that the Financial Statements give a true and fair view of the state of University's transactions during the financial year ended on 30<sup>th</sup> June 2019, and the University's financial position as at that date.

The Council members further confirm the completeness of the accounting records maintained in the University, which have been relied upon in the preparation of the Financial Statements, as well as adequate operation systems of Internal Financial Controls.

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

### **Approval of the Financial Statements**

The University's Financial Statements were approved by the Council and signed on its behalf by:



**Dr. Mildred A. Mudany, PhD**  
**Chairperson of the Council**



**Prof. John S. Akama, PhD.**  
**Vice Chancellor**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KISII UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019**

---

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kisii University set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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, the financial statements present fairly, in all material respects, the financial position of Kisii University as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Rent for Leased Property**

Included in general expenses of Kshs.578,994,000 is an amount of Kshs.118,928,000 which was paid as rent to various landlords for the leased properties in respect of four campuses namely; Kericho, Nairobi, Migori and Eldoret. However, the leases were not registered with the State Department for Housing and Urban Development, which is responsible for public office accommodation, lease and management. Further, there was no documentary evidence of valuation of the leased properties. Consequently, the regularity and value for money of the expenditure of Kshs.118,928,000 could not be confirmed.

#### **2. Employee Costs**

The statement of financial performance reflects total expenditure on employees' costs amounting to Kshs.1,768,866,000 compared to total revenue of Kshs.2,509,495,000. The expenditure on compensation of employees (salaries, benefits and allowances) during the year therefore constituted about 70% of the total revenue. This is contrary to the provisions of Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which by implication limits the University's expenditure on compensation of employees (including benefits and allowances) to not more than 35 percent of its annual revenue.

#### **3. Part Time Lecturers**

Included in the trade and other payables from exchange transactions balance of Kshs.450,591,000 is an amount of Kshs.221,305,000 which was due to part time lecturers as at 30 June, 2019 (2018 - Kshs.151,526,000). The significant increase of Kshs.69,779,000 or 32% in the amount due to the part time lecturers during the year under review was not satisfactorily explained given that some of them were involved in teaching self- sponsored students who were paying fees.

#### **4. Ethnic Composition**

A review of personnel records revealed that the University had hired seventy-eight (78) new staff during the year 2018/2019. The staff employed were from one (1) dominant ethnic community. This was done contrary to the provision of section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public establishment shall seek to represent the diversity of the people of Kenya in employment.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to 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 sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**08 February, 2021**

**X. STATEMENT OF FINANCIAL PERFORMANCE.**  
For the year ended 30<sup>th</sup> June 2019

	Note	2018-2019	2017-2018
		Kshs '000	Kshs '000
<b>Revenue From Non-Exchange Transactions</b>			
Exchequer Allocations	3	990,405	1,289,139
Accrued Income	3	150,747	-
		1,141,152	1,289,139
<b>Revenue From Exchange Transactions</b>			
Tuition Fees	4	1,286,749	1,570,834
Income Generating Units	5	81,594	62,996
		<b>1,368,343</b>	<b>1,633,830</b>
<b>Total Revenue</b>		<b>2,509,495</b>	<b>2,922,969</b>
<b>Expenses</b>			
Employee Costs	6	1,768,866	1,957,781
Council Expenses	7	22,032	27,999
Depreciation Expense	8	38,933	42,046
Contracted Services-Part Time Lecturers	9	112,944	230,217
General Expenses	10	578,994	660,237
Provision For Audit Fees	11	580	580
Provision For Service Gratuity	11	6,749	53
<b>Total Expenses</b>		<b><u>2,529,097</u></b>	<b><u>2,918,913</u></b>
<b>Surplus/Deficit For the Period</b>		<b><u>(19,602)</u></b>	<b><u>4,056</u></b>


**XI. STATEMENT OF FINANCIAL POSITION**  
As at 30<sup>th</sup> June 2019

	Note	2018-2019 Ksh '000	2017-2018 Ksh '000
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	15	2,861,882	2,543,189
Biological assets	17	1,213	1,119
		<b>2,863,095</b>	<b>2,544,308</b>
<b>Current Assets</b>			
Cash and cash Equivalents	12	221,559	164,499
Receivables from Exchange and non-Exchange Transactions	13	527,196	404,113
Inventories	14	13,832	10,354
		<b>762,587</b>	<b>578,966</b>
<b>Total Assets</b>		<b>3,625,682</b>	<b>3,123,274</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	18	450,591	430,786
Provisions	11	7,329	5,543
<b>Total Liabilities</b>		<b>457,920</b>	<b>436,329</b>
<b>Total Net Assets</b>		<b>3,167,762</b>	<b>2,686,945</b>
<b>Financed By</b>			
Capital Development funds	19	2,836,443	2,336,024
Accumulated Surplus	19	331,319	350,921
<b>Total Net Assets and Liabilities</b>		<b>3,167,762</b>	<b>2,686,945</b>

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Council by:

**Vice Chancellor**

Date 27/01/2020

Sign 

**Chairperson of the Council**

Date 27/01/2020

Sign 

**XII. STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended 30<sup>th</sup> June 2019

	Note	Capital Development Funds	Accumulated Surplus	Total
		Kshs '000	Kshs '000	Kshs '000
<b>Balance as at 30<sup>th</sup> June 2012</b>		1,187,266	242,083	1,429,349
Capital Development funds from the Government		273,189		273,189
Surplus		-	28,895	28,895
<b>Balance as at 30<sup>th</sup> June 2013</b>		<b><u>1,460,455</u></b>	<b><u>270,978</u></b>	<b><u>1,731,433</u></b>
Capital Development funds from the Government		110,728		110,728
Surplus			22,806	22,806
<b>Balance as at 30<sup>th</sup> June 2014</b>		<b><u>1,571,183</u></b>	<b><u>293,784</u></b>	<b><u>1,864,967</u></b>
Capital Development funds from the Government		246,527		246,527
Surplus			26,489	26,489
<b>Balance as at 30<sup>th</sup> June 2015</b>		<b><u>1,817,710</u></b>	<b><u>320,273</u></b>	<b><u>2,137,983</u></b>
Capital Development funds from the Government		174,360		174,360
Surplus			22,241	22,241
<b>Balance as at 30<sup>th</sup> June 2016</b>		<b><u>1,992,070</u></b>	<b><u>342,514</u></b>	<b><u>2,334,584</u></b>
Capital Development funds from the Government		279,846		279,846
Surplus			4,351	4,351
<b>Balance as at 30<sup>th</sup> June 2017</b>	<b>19</b>	<b><u>2,271,916</u></b>	<b><u>346,865</u></b>	<b><u>2,618,781</u></b>
Capital Development funds from the Government		64,108		64,108
Surplus			4,056	4,056
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>19</b>	<b><u>2,336,024</u></b>	<b><u>350,921</u></b>	<b><u>2,686,945</u></b>
Capital Development funds from the Government		500,419		500,419
Surplus/Deficit			(19,602)	(19,602)
<b>Balance as at 30<sup>th</sup> June 2019</b>	<b>19</b>	<b>2,836,443</b>	<b><u>331,319</u></b>	<b>3,167,762</b>

**XIII. STATEMENT OF CASH FLOWS**  
For the year ended 30<sup>th</sup> June 2019

	Note	2017-2018	2017-2018
		Ksh '000	Ksh '000
<b>Cash Flows From Operating Activities</b>			
<b>Surplus/Deficit for the year</b>		(19,602)	4,056
<b>Adjusted for:</b>			
Depreciation	8	38,933	42,046
Increase in Provisions	11	1,786	(7,037)
		<b>21,117</b>	<b>39,065</b>
<b>Changes in Working Capital</b>			
Increase in Biological assets		(94)	285
Increase in Inventories		(3,478)	635
Increase in Receivables		(123,083)	165,072
Decrease in Payables		(50,593)	(57,292)
<b>Net Cash flows from operating Activities</b>		<b>(156,131)</b>	<b>147,765</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment	15	(357,626)	(217,424)
<b>Cash flows from Financing activities</b>			
Capital Development Grant	3	500,419	64,108
Bank Overdraft	18	70,398	(60,270)
<b>Net cash flows used in investing activities</b>		<b>213,191</b>	<b>(213,586)</b>
Net increase in cash and cash equivalents		57,060	(65,821)
Cash and cash equivalent as at 30 <sup>th</sup> June 2018	12	164,499	230,320
<b>Cash and cash equivalent as at 30<sup>th</sup> June 2019</b>	12	<b>221,559</b>	<b>164,499</b>

**XIV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR RECURRENT BUDGET.**

	<b>Original Budget</b>	<b>Adjustment</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>
	<b>Kshs.000</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	<b>Kshs.000</b>
<b>Revenue</b>					
Government Grants & Subsidies	990,405	-	990,405	990,405	-
CBA Grants		150,747	150,747	150,747	
Tuition	1,683,717	-	1,683,717	1,286,749	(396,968)
Other Incomes				81,594	81,594
<b>Total Income</b>	<b>2,67,4122</b>	<b>150,747</b>	<b>2,824,869</b>	<b>2,509,495</b>	<b>(315,374)</b>
<b>Expenses</b>					
Employee Expenses	1,769,600		1,769,600	1,768,866	-734
Council Expenses	22,000		22,000	22,032	32
Advertising	14,000		14,000	9,466	- 4,534
Conferences and Delegations	7,000		7,000	6,506	- 494
Electricity	12,000		12,000	10,138	- 1,862
Fuel and Oil	14,500		14,500	14,711	211
Insurance	23,000		23,000	20,082	- 2,918
Postage	3,000		3,000	267	- 2,733
Printing and Stationery	37,500		37,500	25,851	- 11,649
Rental	118,914		118,914	118,928	14
Travelling and Subsistence	124,500		124,500	122,833	- 1,667
Repairs Maintenance	12,500		12,500	11,270	- 1,230
Part Time Lecturer Expenses	149,946		149,946	112,944	- 37,002
Other Expenses	372,662		372,662	238,941	- 133,721
Provisions				46,262	46,262
<b>Total Expenditure</b>	<b>2,674,122</b>		<b>2,674,122</b>	<b>2,529,097</b>	
<b>Surplus for the period</b>				<b>- 19,602</b>	

**XV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR CAPITAL DEVELOPMENT BUDGET.**

	<b>Original Budget</b>	<b>Adjustment</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>
<b>Revenue</b>	Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000
Government Grants & Subsidies	500,419		500,419	500,419	-
<b>Total Income</b>	500,419		500,419	500,419	

**XVI. NOTES TO THE FINANCIAL STATEMENTS.**

**1. Statement of Compliance and Basis of Preparation;**

The University's Financial Statements for the year ended 30<sup>th</sup> June 2019 have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) accrual. This is the third year of adoption and the previous years have been restated accordingly. The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest thousand (Kshs.'000'). 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 is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

**2. Summary of Significant Accounting Policies;**

**a) Revenue Recognition**

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

**Exchequer Allocations**

The University receives Government Capitation for Recurrent Expenditure and is recognised in the statement of financial performance. The University recognises the grants when the budget estimates are approved hence there are no accrued grants at the end of the year. The Capital Development grants are recognised and credited to the Capital Development Funds.

**ii) Revenue from exchange transactions;**

**Tuition**

The University recognizes tuition revenue in the period in which it is earned.

**Income Generating Units**

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

**b) Budget Information:**

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

**c) Property, Plant and Equipment;**

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated as it is deemed to have an infinite life. Depreciation on the other property is charged so as to write off the assets during their estimated useful life, using reducing balance method.

Assets acquired during the first six months of the year attract full depreciation while those acquired in the last six months of the year are not depreciated.

**The annual rates are: (Reducing Balance Method.)**

Buildings	-	2.5%
Machinery & Equipment	-	20%
Infrastructural Assets	-	2.5%
Furniture & Fittings	-	12.5%
Motor Vehicles	-	25%
Library Books	-	20%
Cutlery	-	33.3%

**d) Inventories;**

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

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

**e) Biological Assets;**

The University recognises and measures its Biological Assets on initial recognition and at each reporting date at its fair value less costs to sell. The fair value reflects the current market value. The University currently owns cows, goats and rears fish as part of its Biological Assets.

**f) Provisions;**

Provisions are measured at the Management's best estimate of the expenditure required to settle the obligation at the reporting date.

**g) Employee Benefits;**

**Retirement Benefit Plans,**

The University operates a Defined Contribution Scheme for its employees. The assets of this scheme are held in a separate Trustee Administered Fund. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 10% and 20% respectively. Benefits are paid to retiring employees in accordance with the scheme rules.

The University also contributes to the statutory National Social Security Fund (NSSF). This is a Defined Contribution Scheme registered under the NSSF Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 200/= per employee per month. The University's obligation to Staff Retirement Benefit Schemes are charged to the statement of financial performance in the year to which they relate.

**h) Related parties:**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. The University's parent Ministry is the Ministry of Education Science and Technology. The University gets its grants through this Ministry. Other related parties include the Council members and the Senior Management. Key transactions and balances with the related parties are clearly shown in the following notes;

- Council remuneration is shown in note number 7.
- Funds received from the Ministry are shown in note number 3 (i) and (ii).

**i) Cash and Cash Equivalents;**

Cash and Cash Equivalents comprise cash on hand and cash at bank, as the University does not have any short-term deposits or liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash.

Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purpose of these Financial Statements cash and cash equivalents does not include imprests and advances which were not surrendered at the end of the financial year.

**j) Comparative figures;**

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

**k) Receivables;**

Receivables are recognised when commitments are effected. A provision of 5% of total receivables has been provided to take care of the receivables, which may not be recovered in full.

**l) Significant judgements and sources of estimation uncertainty;**

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 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.

**Key sources of estimation Uncertainty;**

**Equipments;**

Critical estimates are made by the Council in determining the depreciation rates of the equipments.

**Impairment;**

At each statement of financial position date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

**Provisions and contingent Liabilities;**

The University reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

**Useful Lives and Residual Values;**

The useful live 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 and its, susceptibility and adaptability to changes in technology and processes.
- The nature of the process in which the asset is deployed.

**m) Description and nature and purpose of each reserve in statement of net asset;**

Capital Development fund - These are funds which are received by the University from the Government for purposes of Capital Development. Currently the projects being funded by these funds are still on-going.

Accumulated Surplus - This is accumulated surplus realised by the University over the years.

**n) Intangible assets**

The ERP system that qualifies for classification under intangible assets is still under implementation and therefore no amortization provision has been made in this financial year.

**o) Leases**

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset are passed to the lessee. All other leases are classified as operating leases to the surplus or deficit on a reducing balance basis over the period of the lease.

**p) Risk Management**

The University activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risks.

**Credit risk**

The University has exposure to credit risk which is the risk that a counter party to financial instrument will be unable to pay amounts in full when due thus

causing a financial loss. Credit risk arises from cash and cash equivalents and trade receivables. Credit risk on trade receivables is managed by ensuring that credit is extended to customers and students with established credit history.

#### Market risk

The University has put in place an internal function to assist it in assessing the risk faced by the University on an on-going basis, evaluate and test the design and effectiveness of its Internal Accounting and Operational Controls.

#### q) Capital Commitments

The University has on-going projects which are funded purely by the exchequer. The projects include Hostels, ICT Centre and Lecture Theatres.

#### r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the Financial Statements for the year ended on 30<sup>th</sup> June 2019.

#### 3. (i) Exchequer Allocations (Recurrent Grants)

Date	Rec No	2018/2019	Date	Rec No	2017/2018
		Kshs.000			Kshs.000
Jul-18	175255	84,218	Jul-17	42743	82,180
Aug-18	181725	84,218		145531	63,876
Sept-18	191266	84,218		43567	149,672
Oct-18	198035	84,218	Aug-17	115453	82,180
Nov-18	210165	79,165	Sep-17	126450	82,180
Dec-18	217950	79,165	Oct-17	126831	82,180
Jan-19	223820	82,534	Nov-17	145530	82,180
Feb-19	233045	82,534	Dec-17	140349	82,180
March-19	240410	77,481		140350	12,775
April-19	252096	84,218	Jan-18	148471	82,180
May-19	252095	84,218		148472	12,775
June-19	254486	84,218	Feb-18	152100	82,180
				152103	12,775
Accrued		150,747	Mar-18	157070	82,180
				157069	12,775
			Apr-18	162833	82,181
				162829	12,775
			May-18	168832	82,181
				168833	12,776
			Jun-18	170849	82,181
			Jun-18	170848	12,776
<b>Total</b>		<b>1,141,152</b>	<b>Total</b>		<b>1,289,138</b>

(ii) Exchequer Allocations (Development Grants)

Date	Rec No	2018/2019	Date	Rec No	2017/2018
		Kshs.000			Kshs.000
Oct 2018		214,825	17/04/2018		37,490
Nov 2018		35,384	17/04/2018		18,745
March 2019		250,210	22/06/2018		7,873
<b>Total</b>		<b>503,419</b>	<b>Total</b>		<b>64,108</b>

4. Tuition Fees

Details	2018/2019	2017/2018
	Kshs.000	Kshs.000
Tuition fees	701,444	890,326
Registration fees	19,920	25,284
Student ID	10,945	13,892
Library use	61,621	78,214
Examination	92,487	117,392
Material Development	123,353	156,569
Activity fees	30,865	39,177
HELB funds	188,392	176,965
Medical	61,622	78,215
Prepaid Tuition Income	(3,900)	(5,200)
<b>Total</b>	<b>1,286,749</b>	<b>1,570,834</b>

5. Income Generating Units

Details	2018/2019	2017/2018
	Kshs.000	Kshs.000
Application Forms	2,965	6,277
Accommodation	3,168	1,276
Student mess Sales	4,545	4,503
Staff Mess Sales	2,885	2,368
Student Id Replacement	2,257	382
Rent	983	203
Medical Charges	670	651
Farm Sales	574	429
Disposal Income	5	207
Graduation Fee And Gowns Hire	34,183	22,364
Exam Retake	3,877	1,766
Transcripts	553	403
Hire Of Playing Ground	136	448
Key Replacement	1	0.5
Certificates Reprinting	389	367
Tailoring Fees		19

Library Charges	68	1
Conference Charges / Workshop		3
Interest From Bank		0
Gift Shop		0
Gain in bad debts provision reduction		8,688
Fines and penalties	93	67
Miscellaneous Income	165	665
Exam card replacement	22	97
Research Grants	24,025	11,764
Manual Bridging		
Hire of Bus	30	35
Hire of Hall		10
Tender forms sale		2
<b>Total</b>	<b>81,594</b>	<b>62,996</b>

#### 6. Employee Costs

Details	2018/2019	2017/2018
	Kshs.000	Kshs.000
Salaries And Wages	1,747,727	1,940,874
Salary Locum Appointees	3,167	1,105
Staff welfare and Development	7,096	4,956
Student Medical Refunds and Hospitalisation	10,876	10,846
<b>Total</b>	<b>1,768,866</b>	<b>1,957,781</b>

#### 7. Council Expenses

Details	2018/2019	2017/2018
	Kshs.000	Kshs.000
Sitting Allowances	8,262	10,500
Subsistence Allowances	6,000	7,625
Mileage Allowances	7,770	9,874
<b>Total</b>	<b>22,032</b>	<b>27,999</b>

#### 8. Depreciation and Amortization Expense

Details	Accumulated C/F 30/06/2019	Depreciation for the year 30/06/2019	Balance B/F 1/07/2018
Buildings	46,657	5,894	40,763
Infrastructure	2,468	928	1,540
Motor Vehicles	59,895	8,192	51,703
Furniture & Fittings	35,209	5,661	29,548
Office Equipment	62,466	11,740	50,725

Plant and Machinery	18,603	2,217	16,387
Library Books	29,079	4,258	24,821
Cutlery	1,644	43	1,601
<b>Total</b>	<b>256,021</b>	<b>38,933</b>	<b>217,088</b>

**9. Contracted Services (Part Time Lecturers)**

Details	2018/2019	2017/2018
	<b>Kshs.000</b>	<b>Kshs.000</b>
Faculty Of Commerce	30,064	61,281
BLINS	12,747	25,982
Education	31,544	64,296
Agriculture	12,299	25,068
Health Science	2,218	4,522
SPASS	9,662	19,696
FASS	13,916	28,366
Engineering	311	634
Gender	183	373
<b>Total</b>	<b>112,944</b>	<b>230,217</b>

**10. General Expenses**

The following are included in general expenses.

Details	2018/2019	2017/2018
	<b>Kshs.000</b>	<b>Kshs.000</b>
Advertising	9,466	6,555
Conferences and Delegations	6,506	6,955
Electricity	10,138	9,760
Fuel and oil	14,712	11,413
Insurance	20,082	23,637
Postage	267	2,434
Printing and stationery	25,851	16,903
Rental	118,928	175,388
Travelling and Accommodation	122,833	163,026
Repairs and Maintenance	11,270	33,078
Other Expenses	238,941	211,088
<b>Total</b>	<b>578,994</b>	<b>660,237</b>

**11. Provisions**

<b>Details</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs.000</b>	<b>Kshs.000</b>
Provision For Audit Fees	580	580
Provision For Gratuity	6,749	4,963
<b>Total</b>	<b><u>7,329</u></b>	<b><u>5,543</u></b>

**12. Cash and Cash Equivalents**

<b>Details</b>	<b>ACCOUNT NO</b>	<b>2018/2019</b>	<b>2017/2018</b>
		<b>Kshs.000</b>	<b>Kshs.000</b>
Cash At Hand		68	400
Cash At Bank (NBK Current A/C)	01001035009000	4,005	97,798
Cash At Bank (NBK Savings A/C)	01230035009000	159	2,298
Cash At Bank (KCB Development)	1113771143	206,045	36,490
Cash At Bank (Cooperative Bank)	01129297079400	1,266	4,471
Cash At Bank (KCB Eldoret)	1148599398	1,891	11,740
Cash At Bank (KCB Kabarnet)	1156371716	Closed	73
Cash At Bank (KCB Kisumu)	1151778532	Closed	1,334
Cash At Bank (KCB Kitale)	1151778869	Closed	101
Cash At Bank (KCB Nairobi)	1151779040	367	927
Cash At Bank (KCB Kapenguria)	1162178515	199	2,250
Cash At Bank (KCB Kericho)	1162177527	1,114	5,503
Cash At Bank (KCB Gift Shop)	1162178191	Closed	70
Cash At Bank (KCB Research Grant)	1151310557	5,649	172
Cash At Bank (KCB Migori)	1172444196	796	872
<b>Total</b>		<b><u>221,559</u></b>	<b><u>164,499</u></b>

**13. Receivables from Exchange Transactions**

Details	2018/2019	2017/2018
	<b>Kshs.000</b>	<b>Kshs.000</b>
General Debtors	1,228	21,182
Imprest Outstanding	10,071	3,732
Fees Balances	392,897	400,468
<b>Receivables from Non exchange transactions</b>		-
<b>Accrued CBA funds</b>	150,747	-
Provision	(27,747)	(21,269)
<b>Total</b>	<b><u>527,196</u></b>	<b><u>404,113</u></b>

**14. Inventories**

Details	2018/2019	2017/2018
<b>University departments</b>	<b>Kshs.000</b>	<b>Kshs.000</b>
Nyosia Farm	173	143
Twin Towers		10
Kericho Campus	150	223
Eldoret	582	818
Engineering		10
Post Graduate studies		3
Elimu centre		167
Migori campus	16	61
Vice Chancellor	455	-
Catering Department	129	7
Estates Department	1,874	2,566
Examination & Timetabling Dept.	1,368	82
Printing press	948	1,139
Central Stores	441	2,503
Central Registry	3	274
Academic Affairs		45
Nairobi Campus		57
Finance Main and cash office	793	165
Library	134	
Medical	5,115	1,685
Salaries		280
Halls	1,628	116
Student affairs	2	
DVC ASA	5	
Procurement	13	
FIST	3	
<b>Total</b>	<b><u>13,832</u></b>	<b><u>10,354</u></b>

**15. Property, Plant and Equipment Movement Schedule.**

	Land	Buildings	Infrast. Assets	W.I.P	Motor Vehicle	Furniture & fittings	Office Equipment	Plant & Machinery	Library	Cutlery	Total
Cost	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
<b>As at July 2018</b>	140,901	276,537	38,644	1,967,186	84,471	73,344	108,065	27,470	41,928	1,731	2,760,277
<b>Additions</b>				<b>335,078</b>	<b>14,593</b>	<b>1,555</b>	<b>2,218</b>		<b>4,182</b>		357,626
Cost as at 30/06/2019	140,901	276,537	38,644	2,302,264	99,064	74,899	110,283	27,470	46,110	1,731	3,117,903
Acquisition After 31/12/2018					14,593	60	856				15,509
Qualifying asset for depreciation	140,901	276,537	38,644	2,302,264	84,471	74,839	109,427	27,470	46,110	1,731	3,102,394
Accrued depreciation b/f	-	40,763	1,540		51,703	29,548	50725	16,387	24,821	1,601	217,088
Net cost for depreciation	140,901	235,775	37,104	2,302,264	32,768	45,291	58,702	11,083	21,289	130	2,885,306
Depreciation for the year	-	5,894	928		8,192	5,661	11,740	2,217	4,258	43	38,933
Total Depreciation	-	46,657	2,468	-	59,895	35,209	62,466	18,603	29,079	1,644	256,021
<b>Net Book Value as at 30/06/19</b>	<b>140,901</b>	<b>229,880</b>	<b>36,176</b>	<b>2,302,264</b>	<b>39,169</b>	<b>39,690</b>	<b>47,817</b>	<b>8,867</b>	<b>17,031</b>	<b>87</b>	<b>2,861,882</b>
<b>Net Book Value as at 30/06/18</b>	<b>140,901</b>	<b>235,775</b>	<b>37,104</b>	<b>1,967,186</b>	<b>32,768</b>	<b>43,796</b>	<b>57,340</b>	<b>11,083</b>	<b>17,107</b>	<b>130</b>	<b>2,543,189</b>
<b>As at July 2017</b>	<b>140,901</b>	<b>227,217</b>	<b>23,541</b>	<b>1,833,076</b>	<b>80,515</b>	<b>68,512</b>	<b>99,964</b>	<b>27,470</b>	<b>39,926</b>	<b>1,731</b>	<b>2,542,853</b>
<b>Additions</b>			<b>12,330</b>	<b>186,203</b>	<b>3,956</b>	<b>4,832</b>	<b>8,101</b>		<b>2,002</b>		<b>217,424</b>
Transfer to Building				(49,320)							
Transfer to infrastructure				(2,773)							
Capitalised WIP		49,320	2,773								
Cost as at 30/06/2018	140,901	276,537	38,644	1,967,186	84,471	73,344	108,065	27,470	41,928	1,731	2,760,277
Accrued depreciation b/f		34,717	589		42,099	23,653	37,787	13,616	21,045	1,536	175,042
Net cost for depreciation	140,901	241,820	38,055	1,967,186	38,416	47,160	64,691	13,854	18,880	195	2,571,158
Depreciation for the year		6,046	951		9,604	5,895	12,938	2,771	3,776	65	42,046
Total Depreciation		40,763	1,540		51,703	29,548	50725	16,387	24,821	1,601	217,088
<b>Net Book Value as at 30/06/18</b>	<b>140,901</b>	<b>235,775</b>	<b>37,104</b>	<b>1,967,186</b>	<b>32,768</b>	<b>43,796</b>	<b>57,340</b>	<b>11,083</b>	<b>17,107</b>	<b>130</b>	<b>2,543,189</b>
<b>Net Book Value as at 30/06/17</b>	<b>140,901</b>	<b>192,500</b>	<b>22,952</b>	<b>1,833,076</b>	<b>38,416</b>	<b>44,859</b>	<b>62,177</b>	<b>13,854</b>	<b>18,881</b>	<b>195</b>	<b>2,367,811</b>

**16. Explanation of Material differences on the Statement of Comparison of Budget and Actual Amounts.**

**Tuition**

Tuition fee collected decreased from Kshs1,570,834,000 collected in the year 2017/2018 to Kshs. 1,286,749,000 in the year 2018/2019. The reduction was attributed to the decline in the number of students especially module two.

**17. Biological Assets**

<b>Details</b>	<b>2018/2019</b>	<b>2016/2017</b>
<b>Cows</b>	<b>Kshs.000</b>	<b>Kshs.000</b>
Anne 2 Lactating heifer	60	60
Anne 6 Lactating heifer		75
Anne 7 Bulling heifer	55	50
Anne 8 Heifer Calf	40	30
Anne 9 Heifer Calf	40	25
Dan Bull Calf	35	19
Escoper ( bull calf)	20	7
Monarch (Bull Calf)	20	7
Delta fidelity (Heifer calf)	16	15
Ann 3 (Heifer calf)		13
Sir George	160	160
Kilimanjaro	160	160
Thomas	160	160
Michael heifer	16	-
Susan 4 Lactating cow	65	65
Susan 5 Heifer	55	52
Fame	3	-
Ochieng steer bull		90
Alphine kid	3	1
Doopar Ram	20	10
Pope Francis bull calf	40	30
Nyakundi bull calf	40	30
Poultry (30*500)		15
<b>Rabbits (66)</b>	33	17
Fish pond (1,500)	150	8
<b>She goat</b>		10
She goat (grey hair)	5	5
Sannen	6	1
Alphine Brown she Goat	5	4
Tophine she goat	6	
<b>Total</b>	<b><u>1,213</u></b>	<b><u>1,119</u></b>

**18. Trade and Other Payables from Exchange Transactions.**

<b>Details</b>	<b>2018-2019</b>	<b>2017/2018</b>
	<b>Ksh '000</b>	<b>Kshs.000</b>
Prepaid Tuition Income	3,900	5,200
Bank Overdraft	70,398	60,270
Caution Money	41,076	35,330
Part Time Expenses	221,305	151,526
Sundry Creditors	57,997	16,096
Student Union	5,616	12,293
Retention	3,117	3,464
Contractors And Consultants	20,182	119,607
Lease hold	27,000	27,000
<b>Total</b>	<b>450,591</b>	<b><u>430,786</u></b>

**19. Capital Development Funds and Accumulated Surplus.**

<b>Capital Development Funds</b>		<b>Accumulated Surplus/Deficit</b>	
<b>Financial Year</b>	<b>Kshs 000</b>	<b>Financial Year</b>	<b>Kshs 000</b>
<b>Bal. B/f 01/07/2008</b>	278,054	<b>Bal. B/f 01/07/2008</b>	
2008-2009	-	2008-2009	46,322
2009-2010	274,938	2009-2010	110,622
2010-2011	283,581	2010-2011	52,808
2011-2012	350,693	2011-2012	32,331
2012-2013	273,189	2012-2013	28,895
2013-2014	110,728	2013-2014	22,806
2014-2015	246,527	2014-2015	26,489
2015-2016	174,360	2015-2016	22,241
2016-2017	279,846	2016-2017	4,351
2017-2018	64,108	2016-2017	4,056
2018-2019	500,419	2018-2019	(19,602)
<b>Balance as at 30/06/19</b>	<b><u>2,836,443</u></b>	<b>Balance as at 30/06/19</b>	<b><u>331,319</u></b>