

PARLIAMENT
OF KENYA
LIBRARY



Annual Report & Financial Statements

for the Financial Year ended
30th JUNE 2018

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

Pwani University is
9001-2015 ISO Certified





Pwani University
This Commemorative Plaque

was presented by

His Excellency Hon. Mwai Kihaki, C.S.A., M.P.
President and Commander in Chief of the Defence Forces
of the Republic of Kenya

on the occasion of the Award of University Charter

Observed 10 January 2013



Annual Report & Financial Statements

For the Financial year ended
30th JUNE 2018

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IVERSITY •



UNIVERSITY STATEMENTS

OUR VISION

A world-class University in socio-economic and technological advancements

OUR MISSION

To generate, disseminate and apply knowledge while sustaining excellence in teaching, learning and research.

OUR OBJECTIVES

In order to implement the Objectives as envisaged in this plan, the management, staff, students and stakeholders of Pwani University will institutionalize and inculcate values and cultures which will enable them to promote excellence and outstanding character in achieving the Mission and Vision of the University. Pwani University espouses the following values which are at the heart of all our activities and planning:

- i) Encouraging inclusiveness, respect for diversity of ideas, peoples and cultures.
- ii) Respecting intellectual freedom: the freedom to conduct research, teach, speak and publish, subject to the norms and standards of scholarly inquiry.
- iii) Building a cohesive university community that cherishes teamwork and partnership in the accomplishment of the University Mandate and personal development of staff and students.
- iv) Acting with honesty, integrity and mutual respect.
- v) Providing equal opportunities and access to all and encouraging continual improvement of self and the body corporate.
- vi) Supporting excellence in teaching, research and service to humanity.
- vii) Promoting civic responsibility, accountability and transparency, fidelity to the law and observing all statutory obligations in the conduct of business.
- viii) Respecting and encouraging creativity and innovativeness among its staff, students and management in order to inculcate competitiveness and improvement in service delivery
- ix) Affirming and protecting fundamental human rights and freedoms as well as respecting college property and infrastructure.

OUR MOTTO

Shajiisho la Maendeleo Endelevu

(Empowerment for sustainable development)

BACKGROUND INFORMATION

Pwani University began as Kilifi Institute of Agriculture, established in 1984, and admitted the first intake of 200 students into a two-year Certificate in Agriculture and Home Economics programme. On 23rd August 2007, the Institute was upgraded to become a constituent college of Kenyatta University, and renamed Pwani University College; consequently admitting the first batch of 200 Bachelor Degree students through the Joint Admissions Board (JAB) to join those pursuing the Certificate Programme. The University College was officially opened by H. E President Mwai Kibaki on 2nd November 2007. The College was upgraded to University status on 31st January 2013. Pwani University was established through a grant of Charter.

Pwani University is located at Kibaoni in Kilifi Town, along the Mombasa-Malindi Highway; about 60 Kilometers from Mombasa City. Its location in the heart of the Coast Province, gives it a strategic position of being one of the Public Universities in Kenya to serve the entire Coast Region hinterland from Vanga in the South to Lamu in the North, and to Voi in the West.

Currently, the University has seven (7) Schools, which together offer Postgraduate and Bachelor degree programs in Agricultural and Applied Sciences, Humanities & Arts, Business Studies, Education, Environmental Sciences, Health and Human Sciences, Language and Literature and Pure Sciences.

The University has the requisite physical and human resource to train students in this fields and is set to grow both in infrastructure, student population and staff profiles by the year 2020.

COMPANY SECRETARY

REGISTERED OFFICE

Pwani University
 Along Mombasa-Malindi Road
 P.O. Box 195-80108
 KILIFI, KENYA

INDEPENDENT AUDITORS

Auditor General
 Office of the Auditor General
 Anniversary Towers, University Way
 P.O. Box 30084
 GPO 00100, NAIROBI, KENYA

PRINCIPAL LEGAL ADVISOR

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

PRINCIPAL BANKERS

- | | |
|---|--|
| 1. Equity Bank of Kenya
P.O. Box 381 - 80108
KILIFI, KENYA | 3. Barclays Bank of Kenya
P.O. Box 423 - 80108
KILIFI, KENYA |
| 2. Kenya Commercial Bank
P.O. Box 528 - 80108
KILIFI, KENYA | 4. Cooperative Bank
P.O. Box 96 - 80108
KILIFI, KENYA |

UNIVERSITY COUNCIL *briefly...*



Dr. Musangi J. Mutua, PhD,
Chair of Council

Dr. Musangi J. Mutua was appointed as the Chair of Pwani University Council on 11th March 2017. Prior to this appointment, she served as the inaugural Chair of the Human Resources Committee of the University of Eldoret Council. She has wide experience in Company Management having served at the Commercial Bank of Africa, Old Mutual Kenya and Regent Management Limited. She has exceptional skills in project management, team leadership, contract negotiation and management, cost planning and working with various stakeholders in the real estate industry.

Dr. Mutua holds a PhD in Business Administration, an MA in Project Planning & Management and a BA in Land Economics. She has published in the field of business process outsourcing strategy and performance of Kenya state corporations among other publications in peer reviewed journals.

Prof. Dr. Dr. Moni Wekesa
Council Member

Prof. Dr. Dr. Moni Wekesa was appointed to the Pwani University Council on 10th March 2017. He is a member of the Anti-doping Agency of Kenya, Chairman Disciplinary Committee of FKF, Senior Scholar at Lusaka Law School, and visiting Professor at Université Libre de Kigali. He has over 30 years of Law Practice and University Teaching. Previously he worked as a lecturer at Mount Kenya University and Catholic University of Eastern Africa. He is currently the Dean School of Law Daystar University.

He holds PhD Sports Medicine, M.Sc., B. Ed Sc., PhD Law, LL.M, LL. B Hons, Dip (KSL), (MLSK). Prof. Dr. Dr. Wekesa is an advocate of the High Court of Kenya since 2004.



Ms. Esther Karema
Council Member
up to March 2018



Ms. Esther Karema Mutua was appointed to Pwani University Council as an alternate to the PS MOE, State dept. for University Education in May 2016. She served in this position up to March 2017.

She is a holder of an M Ed. of Kenyatta University. She joined the Ministry of Education in September, 2015. Previously, she worked as a Part Time and Full Time lecturer at Mount Kenya University and the Kenya Institute of Special Education respectively.

She has vast experience in the Education sector including as the Head of Section for the Education of Gifted and Talented, and a member of Kenya Institute of Special Education Research Committee. She also took part in the development of the Curriculum for Certificate in Special Needs Educational Assessment. She was also involved in the preparation of Special Needs Education Policy draft and in Teacher Training.

Dr. Gift Kimonge Dzonbo
Council Member

Dr. Gift K. Dzonbo CPA, was appointed to the Pwani University Council on 10th March 2017. He is a Risk and Governance professional, with over 15 years of experience, in the private, academic and NGO sectors. He is an expert in financial reporting, managing financial & credit risk, directing investment activities, business intelligence and performance management. He is currently a Senior Manager, Process & Governance at Standard Chartered Bank.

Dr. Dzonbo holds a PhD in Accounting and Finance and an MBA degree in Accounting and Finance and a member of ICPAK.





Dr. Jak Sijeny Nyabundi
Council Member

Dr. Nyabundi was appointed to the Pwani University Council on 10th March 2017. He is a consultant Physician.

Dr. Nyabundi has extensive work experience as a Medical Practitioner and an academician having worked with Kenya Defense Forces (KDF), University of Nairobi, Maseno University, Moi Teaching and Referral Hospital among others. He has research interest in common complications of Diabetes and has published on effect of chronic heavy alcohol intake on the heart.

He holds an MMed. Internal Medicine and MBChB.

Mr. Samuel Nyachae
Council Member

Mr. Samuel M. Nyachae was appointed to the Pwani University Council on 10th March 2017. Prior to his appointment to the University Council he worked at the National Bank of Kenya as a Senior Manager. Mr. Nyachae has a wide experience spanning over 20 years in Banking and Finance.

He holds an MBA and BS. in Business Administration.



Mr. Lawy Aura
Council Member
up-to January 2018

Mr. Lawy Aura was appointed to the Pwani University Council as an alternate to the CS, The National Treasury on 14th of October 2015 until January 2018. He has wide experience in procurement, logistics and supply chain management spanning over 30 years and has published on supply chain practices, reforms and performance in Kenya.

Mr. Aura worked with The National Treasury as head of Supplies Chain Management until his retirement. He holds a BA Economics.

Mr. Joel Kipkemboi Yego
Council Member

Mr. Joel Kipkemboi Yego was appointed to the Pwani University Council on 10th March 2017. He is a Licensed Land Surveyor practising in Kenya with 25 years of active professional experience. He has served in several Boards including Kenya Roads Board as Commissioner to the Commission of Inquiry into the Land Law System of Kenya, Chairman of the Committee of ISK Reforms of the Institute of Surveyors of Kenya, Deputy Chairman, Land Surveyors Board and Member of Council of the Institute of Surveyors of Kenya among others.

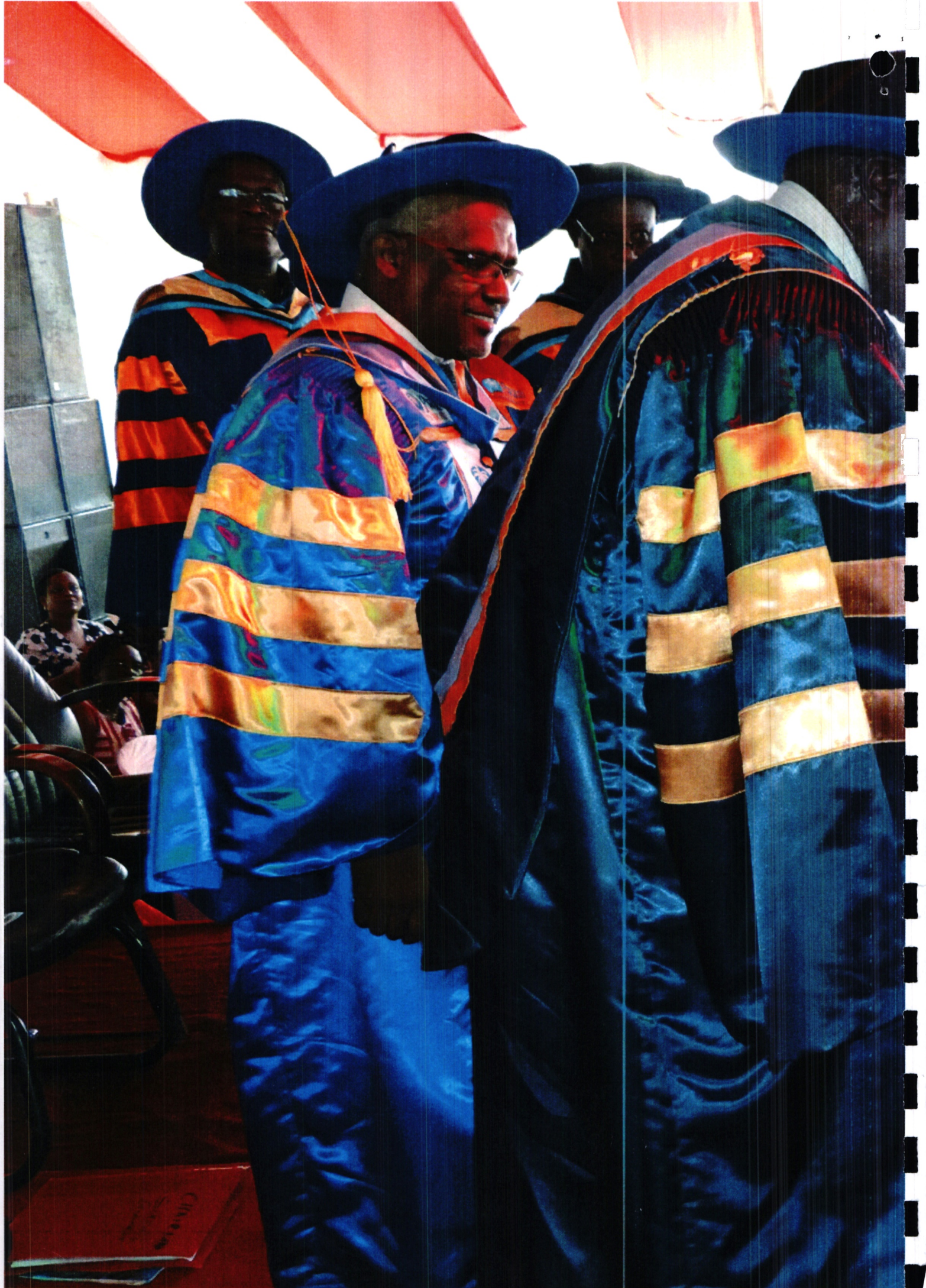
He holds an M.A. (Geography); B.Sc. (Hons.) in Survey and Photogrammetry; I.S.(K); C.L.S. (E.A.). M.I.S.K.



Prof. Mohamed Said Rajab, PhD, EBS
Ex- Officio and Secretary to the Council

Prof. Mohamed S. Rajab was appointed as the Vice Chancellor of Pwani University and an ex-officio member of council for the first and second terms on 20th June 2013 and 21st June 2018 respectively. He has an extensive professional and academic track record spanning over 30 years, from the rank of a research officer, at ICIPE in 1983 to the present position of Vice Chancellor at Pwani University. He has done extensive research work and has published widely. Other institutions where he has served in various capacities includes the University of Maine (U.S.A), South Western Medical Centre, Dallas (USA), Louisiana State University (USA), Moi and Kenyatta University, a board member of several institutions including the Jomo Kenyatta Foundation, the National Museums of Kenya, Sheikh Zayed Children Welfare Center and Kenya Agricultural Research Institute among others.

He holds a PhD in Organic Chemistry.





Dr. John P. Simba MBS, OGW, LLB (DAR), Chancellor, Pwani University (centre left) awards a Doctorate Degree to a Graduand during the 5th Graduation Ceremony held at PU in 2017.

UNIVERSITY MANAGEMENT BOARD

briefly...



Prof. Mohammed S. Rajab, PhD
Vice-Chancellor & Chair of Management Board

Prof. Mohamed S. Rajab was appointed as the Vice Chancellor of Pwani University and an ex-officio member of council for the first and second terms on 20th June 2013 and 21st June 2018 respectively. He has an extensive professional and academic track record spanning over 30 years, from the rank of a research officer, at IIPE in 1983 to the present position of Vice Chancellor at Pwani University. He has done extensive research work and has published widely. Other institutions where he has served in various capacities include the University of Maine (U.S.A), South Western Medical Centre, Dallas (USA), Louisiana State University (USA), Moi and Kenyatta University, a board member of several institutions including the Jomo Kenyatta Foundation, the National Museums of Kenya, Sheikh Zayed Children Welfare Center and Kenya Agricultural Research Institute among others.

He holds a PhD in Organic Chemistry.

Prof. Mwakio P. Tole PhD
**Deputy Vice-Chancellor
(Administration, Finance And Planning)**

Prof. Mwakio Tole is a Professor of Environmental Geochemistry. He served as the Deputy Vice-Chancellor (Administration, Finance and Planning) upto 30th June 2018. Prior to this he was the Deputy Principal (administration and Finance) from 2009-2013. He has a PhD and Master of Science in Geochemistry and Mineralogy and a B.Sc in Geology and Chemistry. He has over 25yrs of experience in the education sector. He has held a number of honorary positions as member of Boards of Professional and Governmental organizations.



Prof. James H.P. Kahindi, PhD
**Deputy Vice-Chancellor
(Academic And Students Affairs)**

Prof. James H.P. Kahindi joins Pwani University from the United States International University (USIU) where he served as the Associate DVC (Academic Affairs). He is a Professor of Natural Sciences with extensive Research and Managerial experience in Microbial Biotechnology; in particular Biological Nitrogen Fixation; and Microbial Control of Pests & Vector Insects. In addition he has wide experience in Environmental Impact Assessment and Environmental Audit



Prof. Muniru K. Tsanuo PhD
**Deputy Vice-Chancellor
(Research And Extension)**

Prof. Muniru K. Tsanuo is an Associate Professor of Chemistry. He is also the Deputy Vice Chancellor in charge of Research and Extension. He has a PhD and MSc Chemistry and B.Ed (Sc.). He has over 20 years in the education sector and has held various administrative positions. His research interests include isolation and characterization of bioactive natural products, phytoremediation and plant-plant chemical interaction.



Mr. Opiayo P. Mabubi
Registrar (Admin., Fin. & Plan.)

Mr. Opiayo P. Mabubi was appointed at Pwani University as the Registrar (Administration, Finance and Planning) in February 2017. He possesses a Post Graduate Diploma in Human Resource Management, MEd (Economics) and BED (Arts). He has extensive administrative experience having served at Moi University, KASNEB (Kigali Rwanda) and the Ministry of Education as a senior administrator.





Mr. Nicholas C. Malau
Registrar (Acad. & Stud. Affairs)

Mr. Nicholas Malau was appointed at Pwani University on 1st August 2009. He holds a Med in Administration and Bed (Sc). He has extensive experience in administration. He serves as a Lecturer in Administration since 1989 to date. He worked as Registrar (Academic and Student Affairs) at Kenyatta University and is currently serving in the same position at Pwani University.

Dr. Mkuzi H. Saha
Registrar (Res. & Ext.)

He is currently the Registrar (Research and Extension). He holds a PhD in Horticulture; MSc (Soil Science) and BSc Agriculture. He has vast experience in the education sector and has held various administrative positions.



Prof. Helen O. Mondoh
Director, Quality Assurance

She is Professor of Education in the School of Education, Pwani University Area of Specialization Curriculum & Instruction (Mathematics Education and Curriculum Development). Prof. Mondoh has vast experience in the Education sector, quality assurance and administration. She has attended and presented various scientific papers at learned conferences and workshops, and published more than 20 papers in refereed journals. She was appointed as the Deputy Vice-Chancellor (Administration, Finance and Planning) on 1st August 2018.

Mr. Abdulrahman Mwinyifaki
Deputy Registrar (Central Services)

He was appointed at Pwani University on 2007. He holds a B.Ed (Ahmadu Bello) and M.Ed (Kenyatta). He has over 20 years extensive experience in administration and academics. He was the Deputy Registrar (Central Services) upto 30th June 2018.



Mr. Ronald G. Juma
Dean Of Students

He was appointed at Pwani University in July 2007. He holds a MSc. (Agriculture Development) and BSc (Animal Science). He has been a lecturer in Animal Production since 2007. He has extensive administration since 2007. He previously worked with the MOA as a District Head.

Mr. Robert K. Abungu
Deputy Registrar (Acad. & Stud. Affairs)

He was appointed at Pwani University on 2007. He holds a Dip.Hort (Egerton), M.S (SAUM). He has extensive experience in administration and academics. He is currently the Deputy Registrar (Academic Affairs) and in-charge of Examination Department.



UNIVERSITY MANAGEMENT BOARD cont.



Mr. Ali M. Mwinyi
Finance Officer
(ICPAK No. 9996)

← Holds an MBA in finance and accounting and a member of the Institute of certified public accountants of Kenya. Joined Pwani university in 2009 as Internal Auditor before moving to finance in 2014 as the university finance officer. Before joining the university he worked in several financial institutions accumulating a wealth of experience in finance and management.

Mr. Fredrick K. Mutua
Ag. Finance Officer
(ICPAK No. 8616)

→ He holds a degree in Business Management (finance and banking option) and a member of the Institute of certified public accountants of Kenya. He is a Certified Credit Professional (CCP). Joined Pwani university in 2011 as an accountant. Before joining the university he worked in several financial institutions accumulating a wealth of experience in finance and management. He has over 11 years in state corporations.



Mr. Chris W. Khaemba
Legal Officer

← He has over 13 years of legal experience in the fields of law, public administration and Management. He holds an LLB and Diploma (KSL). He was appointed legal officer and secretary to the council since 2012. Before joining Pwani University he worked as advocate of the high court with several legal firms.

Mr. Moses R. S. Isutsa
Librarian

→ He an Information Science Practitioner appointed on 23rd February 2017 at Pwani University as a Librarian. He has a 25 years working experience in the education sector. He holds a Master of Library & Information Science; BTech. Degree in Library & Information Science; Diploma in Library and Information Studies. He is a qualified ISO 9001:2008 Internal QMS Auditor, a Job Analyst.



FIDUCIARY MANAGEMENT



Prof. Mohammed S. Rajab, PhD
Vice-Chancellor & Chair Of Management Board



Prof. James H.P. Kahindi, PhD
Deputy Vice-Chancellor
(Academic And Students Affairs)



Prof. Mwakio P. Tole, PhD
Deputy Vice-Chancellor
(Administration, Finance And Planning)



Prof. Muniru K. Tsanuo, PhD
Deputy Vice-Chancellor
(Research And Extension)



Mr. Fredrick K. Mutua
Ag. Finance Officer
(ICPAK No. 8616)



Mr. Ali M. Mwinyi
Finance Officer
(ICPAK No. 9996)



Mr. Ludovicas Mwacharo
Ag. Procurement Officer



Mr. Lidbery Were
Ag. Procurement Officer

Committees of Council

Pwani University Council has the following sub committees which assist in the University management

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



The Chair of Council, Dr. Musangi J. Mutua, PhD, (left) opens the Pwani University bioscience Research Centre (PUBReC) at PU

CHAIR OF COUNCIL'S REPORT



Dr. Musangi J. Mutua, PhD,
CHAIR OF COUNCIL

To enable Pwani University provide quality teaching, research, community outreach and opportunities for innovation for sustainable development that exceeds the expectations of its customers and Stakeholders. The University is working with the Ministry of Education to align its programmes as appropriate and incorporate emerging issues like the Big Four Agenda

Dear Stakeholder,

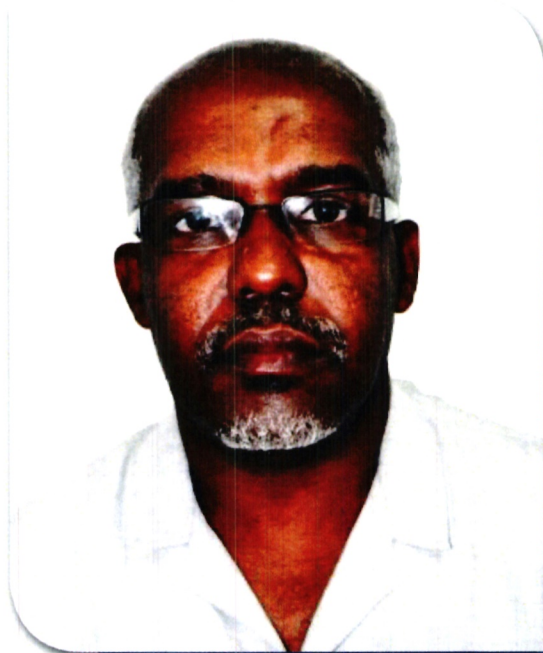
It is with great pleasure that I present the Pwani University 2017/2018 Financial Statement and I wish to assure you that as an institution, we have continued to deliver on our key mandate of provision of Quality Education, Training, Research and Community Outreach. Despite our challenges of constrained infrastructure, we have succeeded in achieving the University's strategic goals by focusing on both traditional and new ICT-based approaches. I am particularly proud of the enthusiasm of the University fraternity at making a difference in teaching, learning and research within the limited resources. The University leadership, faculty, staff and students are focused towards utilizing the scarce resources available in creating opportunities that will continue to make the University a center of excellence. I look forward to working together with the stakeholders and development partners to achieve greater success in the near future.

Finally, 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.



Dr. Musangi J. Mutua, PhD,
CHAIR OF COUNCIL

THE VICE CHANCELLOR'S REPORT



Prof. Mohamed S. Rajab, PhD. EBS
VICE-CHANCELLOR

“All our operations are anchored on Vision 2030 and guided by Pwani University’s 10-year Strategic Plan 2014 - 2024’ which aims at transforming Pwani University into a World Class University”

Operational and Financial Performance

The University continues to deliver on its key mandate of provision of quality education, training, and research. During the period under review the university reported an operational surplus of Kshs. 5.592 million.

Compliance with Statutory Requirements

During the period under review, the University complied with all its statutory obligations including compliance with 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.

1. Key Projects and Investment Decisions

Pwani University is fast growing in terms of student numbers and hence faces challenges with regard to infrastructure and facilities. To attract the best faculty and students, the University strives to establish modern infrastructure and state of the art facilities. These projects include construction of Laboratories, Hostels, Computer and Micro Teaching labs, restaurant and kitchen, underground water tank, office block, Phase I of the Library and Learning Centre, Health Sciences Laboratories, additional classrooms and rehabilitation and reconfiguration of various buildings.

The University plans to continue implementing its projects as per the Strategic Plan 2014-2024. This Financial Year, the University is undertaking the following projects as indicated in Table 1 below:

Table 1: Projects in the 2017/2018 FY

Project Description	Cost in Millions	Funded by	Remarks
Lecture Theatre & Laboratories	118	GOK	To cater for increased student numbers
Library Lifts	9.2	A in A	To provide access to disabled staff and students

Expansion of Infrastructure

In line with the University's Strategic Plan 2014-2024, the following are the projects that Pwani University intends to undertake in the area of physical infrastructure and facilities for Academic Programmes for the period 2016-2019. The proposed projects are as illustrated in Table 2 below.

Table 2: Proposed Infrastructure for Academic Programmes (2016-2019)

S/ NO	Project	FYs	Financial Requirement (Kshs.) Millions
1	Construction of Sewerage Works	2016-2019	100
2	Construction of School of Environmental Sciences and Earth Sciences	2016-2019	200
3	Construction of School of Health Sciences (Tropical Medicine)	2016-2019	2,500
TOTAL			2,800

2. Strategic Focus

Pwani University is determined to be a centre of excellence for research in the areas of Marine Sciences and Oceanography, Coastal and Dry Land Agriculture, Coastal Culture, Art and Languages and Tropical Medicine. Collaboration with the industry and all stakeholders will be given priority so that students and staff can have an opportunity to contribute solutions that will result in accelerated development of the human and natural resources of the Coast Region, Kenya and the world. The Strategic Plan of Pwani University captures the vision of the Council, Management and stakeholders in the development of quality programmes and research areas to be given priority over the next ten years.

Pwani University was established at a time of rapid changes in the higher education sector in Kenya and the world, which provided both challenges and opportunities. For example, the rapid growth in Information and Communication Technologies (ICTs) opened up new opportunities in teaching and learning, especially Open Distance and e-Learning (ODEL). Pwani University intends to make use of emerging technologies to enhance access and equity and improve quality in university education.

3. Business Continuity Management

The University has a Business Continuity Plan, which helps to achieve:

- (i) Protection of life, health, and safety of all University community members and visitors;
- (i) Preservation of the viability of the institution;
- (ii) Protection of the University's reputation and public confidence; and
- (iii) Restoration of general campus operations

4. Stakeholders

(a) Government

The University complies with the requirements set by the Government as stipulated in the Universities Act No. 42 of 2012, and Amendments Act 2016 the Pwani University Charter, and various Government Circulars. Further, in line with Vision 2030, Pwani University strives to bring about economic, industrial and technological developments in the country. It also works to ensure effective realization of the three pillars of Vision 2030, namely; economic, social and political development and realization of the Big Four Agenda, namely; universal health care, food security and nutrition, affordable housing and enhancing manufacturing.

As the country makes progress towards achieving Vision 2030 and the Sustainable Development Goals (SDGs) Pwani University will make its contribution in this national agenda through the provision of quality education, training, relevant research and outreach programmes. The University will continue to contribute to the transformation of Kenya to realize the objectives of Vision 2030 by ensuring the realisation of its Strategic Plan which spells out strategies that will enable her provide globally competitive quality education, training and research for development and enhanced individual well-being in the attainment of the national goals.

(b) Academia

As an academic institution, the University sets the pace in the academic arena with respect to teaching and research in line with technological advancements in the global environment. In addition, the University strives to ensure that its staff are well taken care of as per the requirements of the Academia as agreed in the Collective Bargaining Agreements (CBAs) and work environment surveys.

(c) Students, Parents/Guardians

The University is aware of the needs and requirements of the students and parents. A customer satisfaction survey conducted in the year 2014 and whose recommendations were implemented shows a student satisfaction index of 55.51% in different domains as indicated in Table 3 below.

Table 3: Student Satisfaction Index in different domains

Domain	Mean SI %age
Relationship with Staff	55.81
Admission Process and Fees	61.54
Learning Environment	50.20
Academic Process	59.63
Industrial/Attachment/Teaching Practice	61.22
Extra-Curricular Activities	47.41
Management and Leadership	56.33
Cafeteria/Hostel/Security Facilities	53.65
Average	55.51

(d) Employers and Industry

All curricula are developed through stakeholder input from potential employers and industry. Through stakeholder consultation, the University identifies the needs and requirements of employers and industry and incorporates them into its Curricula.

“I am truly honoured to serve alongside you as we endeavor to redefine the role played by Pwani University and drive the University towards the realization of its strategic goals and objectives.”

Partnerships/MOU

Memorandums of Understanding entered with Universities, Research Organizations and Industry, within and outside Kenya and continuously implemented through the agreed framework of collaborations now stand at fifty-four (54). The collaborative activities are mainly within the University's core business of teaching, research and extension services to the community and involve, among others, joint research, students/staff exchange and conferences/seminars.

Some Collaboration/Extension activities arising from MoU implementation includes a visit by two PhD students from the University of East Anglia (UK) and The John Innes Centre (UK) for attachment at Pwani University Kilifi campus from September-November 2017, under the supervision of Prof. Susanna Magdalena de Villiers (Department of Biochemistry and Biotechnology) and Dr. Rose Kigathi (Department of Biological Sciences).

Integrated Risk Management Report FY 2017/2018

The University has embraced the integrated risk management approach through the adoption of the Enterprise Risk Management (ERM) framework. This is in compliance with the Treasury Circular No. 3/2009 on the Development and Implementation of Institutional Risk Management Policy Framework and in adherence with best practices.

Major Risks facing the University

During the period under review, the University identified and recorded in the risk register several risks including the emerging risks of terrorism as illustrated in table 4 below: -

Table 4: Identified high risks and the mitigation measures

S/NO	Identified High Risk	Mitigation Measures
1.	Delays in curriculum programme reviews	Development of a curriculum programmes review calendar
2.	Inadequate teaching and learning facilities	Construction of Lecture Theatre and Laboratories
3.	Security related issues	University has acquired full body scanners, continued the construction of perimeter wall, ensured regular police patrols, plans to put up a police base within campus, and installed CCTV cameras.

Key Features

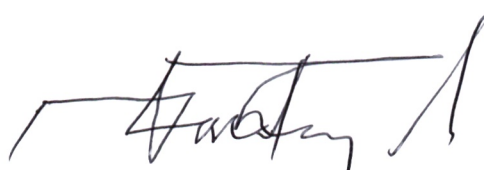
- a) The University is ISO 9001:2015 Certified
- b) The University adheres to CUE Standards and Regulatory Agencies
- c) The University has a Strategic Plan (2014-2024) and Master Plan to guide further developments
- d) The University has developed a number of policies and SOPs to guide its operations
- e) The University adheres to its own Charter and Statutes.
- f) The University has a receptive and supportive local community.
- g) The University is located close to the Indian Ocean within the proximity to a creek, coral deposits and marine resources which are appropriate for learning and research.

- h) The University owns 239 hectares of land for future expansion.
- i) The University owns rich agricultural land for research and commercial development.
- j) The University is easily accessible due to its strategic location along the Mombasa–Malindi Highway.

Conclusion

During the period under review, the University has introduced several new initiatives and measures to make our services more efficient and accessible. I take this opportunity to thank our customers for their continued support and partnership in the realization of Pwani University's mandate, which is to provide quality teaching, Research and Community Outreach and opportunities for innovation for sustainable development that exceeds the expectations of its customers and stakeholders. On behalf of Pwani University Council, Management and Staff, I would also like to recognize the support accorded to Pwani University, by the National Treasury & the Ministry of Education. We look forward to your continued support. On behalf of the Council, I commend Management and staff for your tireless effort and commitment to the attainment of the University's set targets and goals. Despite the challenging environment you work in, coupled with a continuously expanding industry, your dedication and commitment to playing your individual roles has not only enabled the institution remain competitive, but also ensured that the region has a Chartered University to provide quality teaching, research, and community outreach.

Finally, over the last one year, Pwani University like all other State Corporations has come under increased scrutiny. It takes great determination and strength of character to weather such storms and remain resilient and focused on delivering Pwani University's mandate. I am truly honoured to serve alongside you as we endeavour to redefine the role played by Pwani University and drive the institution towards the realization of its strategic goals and objectives.



Prof. Mohamed S. Rajab, PhD. EBS
VICE-CHANCELLOR

CORPORATE GOVERNANCE STATEMENT

Pwani University has engrained the principles of Corporate Governance in its institutional framework and is committed to promote consistently the highest standards of governance, which take into account the interest of all stakeholders, strengthens Council and Management accountability and helps build public trust in the University.

The Council of Pwani University has overall responsibility for overseeing the effective management and control of the University on behalf of Pwani University's stakeholders and supervising executive management's conduct of the University's affairs within a laid down framework, which is designed to enable effective risk assessment and monitoring.

In implementing the Corporate Governance tenets,

the Council seeks to add value through constructive dialogue and engagement with stakeholders as well as management with a strong focus on the University's strategic agenda. The Council embraces and recognizes the benefits of diversity in skills and experience in its compositions and this engenders the effective discharge of the Council strategic oversight function.

Pwani University Council has established four Committees with specific Terms of Reference to exercise delegated responsibilities. The Committees together with their membership are as outlined in the table 5 below. Council meetings are held in accordance with the annual calendar as illustrated in table 5 below.

Table 5: Committees of Council

	Name of the Committee	Members
1.	Audit and Risk Committee	1. Dr. Gift Kimonge Dzornbo 2. Prof. Dr. Dr. Moni Wekesa 3. Dr. Jak Sijenyi Nyabur di 4. Dr. Stephen Ikikii
2.	Human Resource Committee	1. Dr. Jak Sijenyi Nyabur di 2. Mr. Samuel M. Nyachae 3. Mr. Joel K Yego
3.	Academic and Research Committee	1. Prof. Dr. Dr. Moni Wekesa 2. Dr. Stephen Ikikii 3. Dr. Gift Kimonge Dzornbo
4.	Finance and Planning Committee	1. Mr. Samuel M. Nyachae 2. Ms. Esther Karema 3. Mr. Joel K. Yego

The following meetings were held during the year ending 30th June 2018 as illustrated in table 6 below.

Table 6: Council meetings held in the 2017/2018 FY

MEETING	NUMBER OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE %
Full Council	12	9	99%
Audit and Risk Committee	4	4	99%
Human Resource Committee	4	4	99%
Academic and Research Committee	5	4	99%
Finance and Planning Committee	4	3	99%

Strategic Plan 2014-2024

The journey continues...

“fitness for purpose”



MANAGEMENT DISCUSSION AND ANALYSIS

Table 7: Student Population

Total number of Continuing students	No. of New students		Grand Total
	SSP	KUCCPS	
4,923	329	1,726	6,978

During the period under review the University admitted a total of 1,700 KUCCPS placed students as indicated in table 7 above, and we had 26 students who had differed, increasing the student population to 6,978 students thus meeting its key mandate of expanding access to higher education. The University graduated 9 PhD, 36 Masters, 23 Postgraduate Diploma and 962 undergraduates, totaling 1,030 during its 5th Graduation Ceremony held on 7th December, 2017.

To cater for the increased student numbers, the University has started utilizing space in the 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.

The University graduated a total of 2066 graduands in 2016 and 2017 as indicated in the table 8 below. Among these 309 graduated in Food Nutrition and Dietetics and Agriculture related fields, that are in line with the Big 4 Agenda.

Table 8: 2016 and 2017 Graduands

Graduation Year	Number
2016	1036
2017	1030
Total Number	2066

During the period under review the university has enrolled students inline with the Big 4 Agenda as indicated in table 9 and 10 below.

Table 9: Agriculture related Programs enrollment

		Y1	Y2	Y3
BSc.. AGRI. RESOURCE MNGT	KB04	3	20	16
BSc.. AGRICULTURE	KB01	3	18	7
BSc.. AGRIBUSINESS	KB03	4	13	18
BSc..ANIMAL HEALTH	KB05	2	10	12
BSc. DRYLAND AGRICULTURE	KB06	1	6	1
BSc. AGRI ENTERPRISE DVPT	KB02		15	10
BSc. HORTICULTURE AND MARKT	KB07		13	11
BSc..AGRICULTURE EXTENSION	KB08			36
DIPLOMA IN AGRI. AND MARKETING	KD01	9	13	
CERTIFICATE IN AGRICULTURE	AC01	28		
MSc. AGRONOMY	KG20	1		
TOTAL		51	108	111

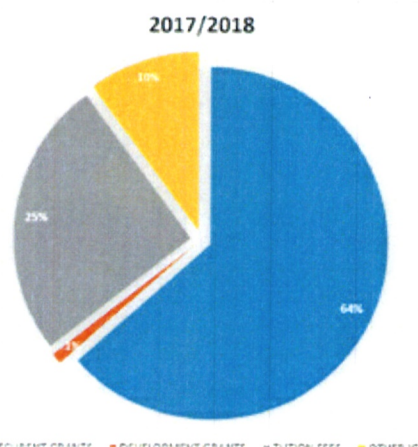
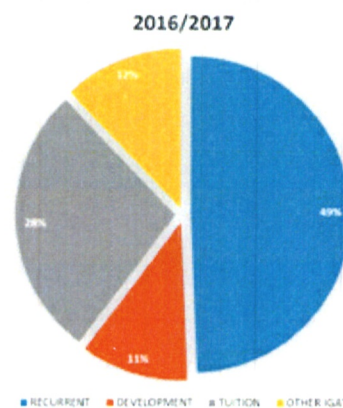
Table 10: Foods Nutrition and Dietetics programmes

	Y2	Y3
DIP FND	9	-
BSc. FND	18	10
TOTAL	27	10

Table 11: Actual Recurrent, Development and A.I.A

	2016/2017 KShs '000'	2017/2018 KShs. '000'
RECURRENT	591,798	819,694
DEVELOPMENT	130,592	12,500
TUITION	333,232	328,864
OTHER IGA 's	144,141	129,720
TOTAL	1,199,763	1,290,778

Figure 1. A graphical presentation showing income trends over the period 2016 to 2018



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

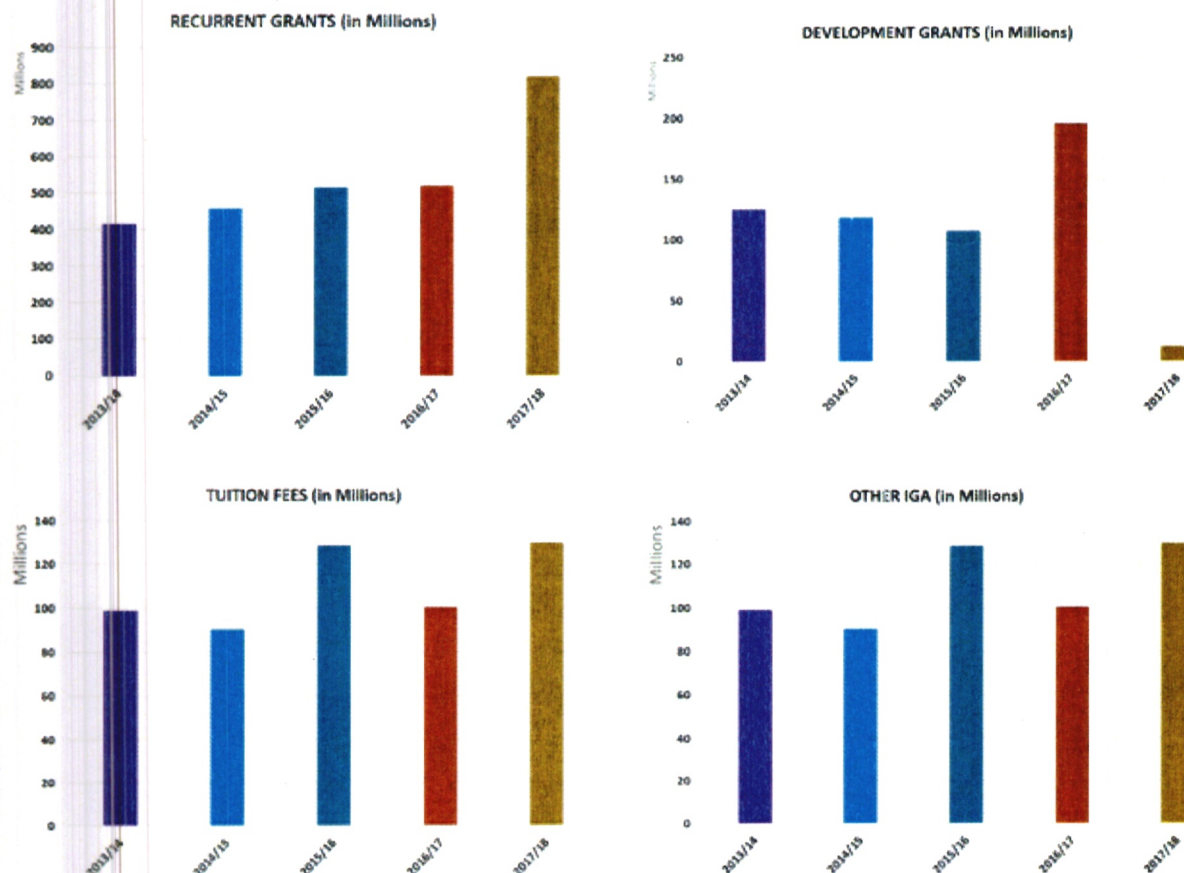
The University is in the process of implementing its projects

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 12: Projects

	PROJECT	COST	STATUS
1	Library and Learning Centre (Phase I)	350m	98% complete
2	Lecture Theater and Laboratories	118m	60% complete

The University continues to deliver on its key mandate of provision of Quality Teaching, Research, and Community Outreach during the year 2017/2018 the University reported surplus of Kshs.5.592 million compared to a surplus of Kshs.7.2 million in the FY 2016/2017.



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.

The University identified and recorded in the Risk and Opportunities 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

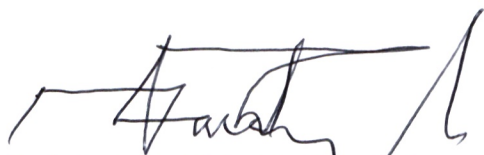
been in place throughout the period under review and risk review is embedded within the management culture and applied to risks on the register.

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 2013-2017 is still pending and exposes the University to possible industrial action by the unions.

In the FY 2017/2018 the University faced some challenges which slowed its growth momentum and some of which are still pending. The Ministry of Education reduced the Development Capitation by Kshs.230million. This slowed down the completion of the 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 a mere 800 against a student population of approximately 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

CORPORATE SOCIAL RESPONSIBILITY FY 2017/2018

In line with Pwani University's core mandate and fulfillment of Corporate Social Responsibility, the University has:

a) **Established and maintained a Model Farm**

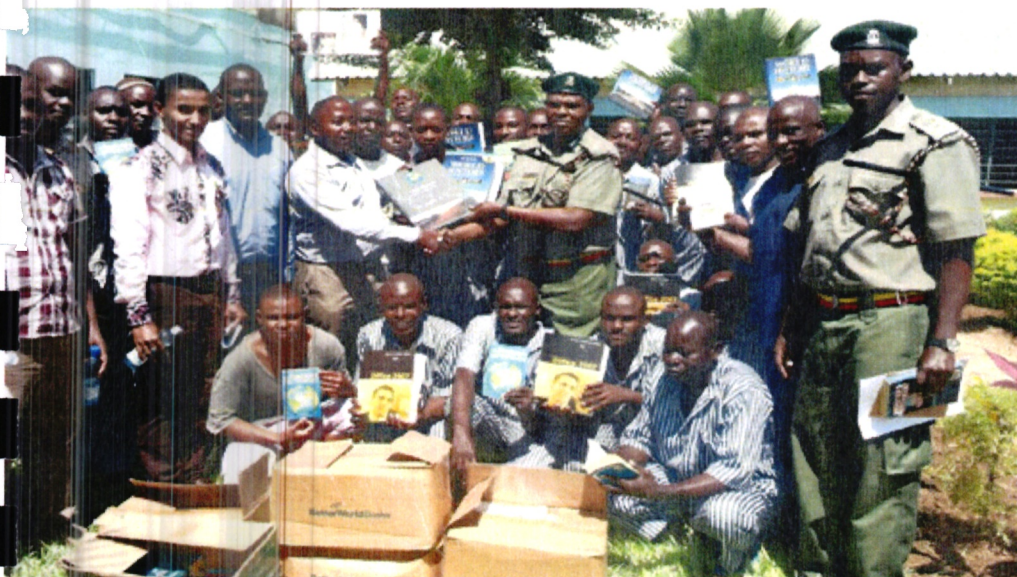
The University has a model farm occupying 2.5 acres part of the University land. A farmer, who was competitively selected from among farmers neighboring the University, resides at the model farm. He has managed to sustain a livelihood from the farm enterprises, include zero grazing unit, broiler and egg production, rabbit rearing, vegetables, cassava, and fruit trees. The farm has solar and wind power, and piped water. Benchmarking with 47 farmers within 10-km radius of Pwani university has been successfully done and one sensitization seminar for participating farmers done on campus.



A PU farmer tends to crops in their early stages at the model farm at PU

b) **Donation of text books to a number of institutions**

In partnership with Books for Africa, the University donated about 2,106 volumes of books to 20 primary schools, 20 secondary schools and Shimo-la-Tewa Prison, within the coastal region of Kenya.



PU Librarian, Mr. Moses Isutsa (left) hands over donated books to the Deputy Prison Commander, Mr. Okiya at Shimo-la-Tewa Prison on 2nd July 2018.

c) Community clean-up and hygiene



PU Students pose for a group photo after clean-up exercise in Kilifi town & its environs

d) HIV and AIDs awareness campaigns



An ACU Coordinator at PU takes through a counseling session in of the HIV/AIDS Awareness camps at PU

e) Entrepreneurship training for youth and women



DVC Research and Extension Prof. M. Tsanuo (seated left) and Prof. P. Tole pose for a group photo with participants of an Entrepreneurship Training for youth and Women camp held at PU.

REPORT OF COUNCIL

The Council submits its report together with the audited financial statements for the year ended June 2018 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, 2018 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 229 of the constitution of Kenya and the Public Audit Act, 2015.

By Order of the Council



MUSANGI J. MUTUA, PhD
Chair of Council,
Pwani University

Date..... 28/09/2018

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2018

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - require the Council members to prepare financial statements in respect of that *University*, which give a true and fair view of the state of affairs of the *University* at the end of the financial year/period and the operating results of the *University* for that year/period. The Council members are also required to ensure that the *University* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *University*. The Council members are also responsible for safeguarding the assets of the *University*.

The Council members are responsible for the preparation and presentation of the *University's* financial statements, which give a true and fair view of the state of affairs of the *University* for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *University*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *University*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the *University's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the *University Act*. The Council members are of the opinion that the *University's* financial statements give a true and fair view of the state of *University's* transactions during the financial year ended June 30, 2018, and of the *University's* financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the *University*, which have been relied upon in the preparation of the *University's* financial statements as well as the adequacy of the systems of internal financial control.

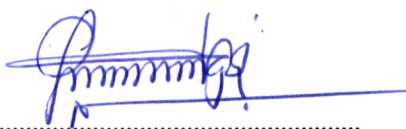
Nothing has come to the attention of the Council members to indicate that the *University* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *University's* financial statements were approved by the Council on 26th September, 2018 and signed on its behalf by:



Dr. Musangi J. Mutua, PhD
CHAIR OF COUNCIL



Mr. Samuel Nyachae
CHAIR FINANCE AND PLANNING



Prof. Mohamed S. Rajab, PhD. EBS
VICE CHANCELLOR

REPUBLIC OF KENYA

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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 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Pwani University set out on pages 25 to 50, which comprise statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in asset, 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 believe, 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 2018, 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, Cap 210B.

Basis for Qualified Opinion

1.0 Refundable Deposits from Customers

As reported previously, Note 31 to the financial statements for the year ended 30 June 2018 reflects refundable deposits balance of Kshs.16,096,000 being caution money paid by students and which is refundable at the end of their studies. However, the supporting bank balance for the year end reflected a balance of Kshs. 78,624 resulting to a variance of Kshs.16,017,376. Although the management has explained that this money was transferred to an interest earning bank account, it is not clear and the management has not explained why caution money totaling to Kshs.16,017,376 was not deposited in the designated bank account.

Consequently, the accuracy and completeness of Kshs.16,096,000 on refundable deposits as at 30 June 2018 could not be confirmed.

2.0 Property Plant and Pquipment –Tangible

The statement of financial position as at 30 June 2018 reflects tangible property plant and equipment balance of Kshs.1,534,232,000 as detailed in note 27 to the financial statements. The following observations were made;

Report of the Auditor-General on the Financial Statement of Pwani University for the Year ended 30 June 2018

2.1 Land

As reported previously, the property plant and equipment –tangible figure land balance of Kshs.116,045,000 as at 30 June 2018 which includes unsurveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000. The management through the court has managed to evict the squatters. Information availed for audit review indicated that the university is yet to obtain the title deed.

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 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.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of land balance of Kshs.116,045,000 as at 30 June 2018 and that the same is fairly stated.

2.2 Dismantled Library Shelves

Note 27 to the financial statements for the year ended 30 June 2018 reflects furniture and fittings balance of Kshs.27,180,000 out of which new library shelves were acquired at a cost of Kshs.1,273,950, dismantled and mixed with old shelves. It was not possible to verify the new set of shelves nor ascertain the value after the mix with the old shelves.

As a result, the accuracy and completeness of additions of furniture and fittings amounting to Kshs.1,273,950 as at 30 June 2018 could not be confirmed.

2.3 Assets Fully Depreciated

The statement of financial position as at 30 June 2018 reflects property plant and Equipment balance of Kshs.1,534,232,000. However, it was observed that included in the assets register are items worth Kshs.88,492,858 whose net book value is zero meaning they have been fully depreciated and still in use. This is contrary to Section 67 of the International Public Sector Accounting Standards no 17 which states that the residual value and the useful life of an assets shall be reviewed at least annually and, if expectations differ from previous estimates, the changes shall be accounted for.

Under the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,534,232,000 as at 30 June 2018 could not be confirmed.

3.0 Receivable from Exchange Transaction

3.1 Students Debtors

Note 24 to the financial statements for the year ended 30 June 2018 reflects student's debtors amounting to Kshs.83,795,000. The university management has revised its policy which requires that all fees shall be paid up front. However, the management have failed

In absence of individual supplier's statement and reconciliation it has not been possible to confirm the validity, accuracy and completeness of trade creditors balance of Kshs.64,515,000 as at 30 June 2018.

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. There are no Key Audit Matters to report in the year under review.

Other Matter

1. Budgetary Controls and Performance

During the year under review, the University had a budgeted expenditure amounted to Kshs.1,099,848,000 against actual expenditure of Kshs.1,272,646,000 resulting to an and overall over expenditure of Kshs.172,804,000 as summarized below;

Item	Budgeted Amount	Actual	over	under	%
	(Kshs.000)	(Kshs.000)	(Kshs.000)	(Kshs.000)	
Compensation of Employees	838,889	941,442	102,553		12.22
Depreciation and amortization expenses		69,834	69,834		
Repairs and maintenance-Assets	26,100	22,975		3,125	11.97
Research expenses	7,800	6,223		1,577	20.22
Operating expenses	65,270	73,069	7,799		11.95
Administration expenses	3,500	4,681	1,181		33.74
Teaching expenses	40,820	33,495		7,325	17.94
Catering expenses	35,300	35,443	143		0.41
Library expenses	3,700	1,580		2,120	57.30
Healthcare	4,350	4,795	445		10.23
Student expenses	20,368	19,956		412	2.02
Farm expenses	4,500	4,353		147	3.27
Other admin expenses	49,250	54,800	5,550		11.27
Totals	1,099,847	1,272,646	187,505	14,706	

The approval of the University Council of the excess expenditure of Kshs.187,505,000 was not availed for audit review. The under expenditure of Kshs.14,706,000 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.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section 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 conclusion

1.0 General Equipment

As reported previously, note 27 to the financial statements for the year ended 30 June 2018 reflects general equipment balance of Kshs.28,932,000, out of which Kshs.964,000 in respect of supply, delivery, installation and commissioning of a walkthrough metal detector to the University in the year 2016/2017. However, the project was not in the procurement plan nor in the approved budget for the year 2016/2017 in line with Section 45(3) 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 regularity of the general equipment balance of Kshs.964,000 as at 30 June 2018 could not be confirmed.

2.0 Imprest Debtors

Note 24 to the financial statement for the year ended 30 June 2018 reflects imprest debtors amounting to Kshs.7,613,000 out of which Kshs.2,827,400 was issued in the year 2016. This contravened Section 93(5) of the Public Finance Management (National Government) Regulations 2015 which requires that a holder of a temporary imprest shall account or surrender the same within (7) seven working days after returning to duty station.

Further, it was observed that some officers have been issued with more than one imprests worth Kshs.1,578,700. This contravened Section 93(4) of the Public Finance Management (National Government) Regulations, 2015 which provides that before issuing a temporary imprest the accounting officer shall ensure that the applicant has no outstanding imprest.

As a result, the management is in breach of the law.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the 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.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

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 the International Public Sector Accounting standards (accrual Basis) and for maintaining effective internal control as management determines is necessary to enable 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 Authority or to cease operations, or have no realistic alternative but to do so.

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

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

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 of Kenya. 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 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.

- 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 of the 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

28 December 2018

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

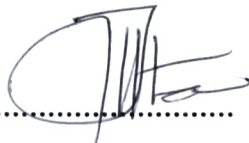
	Note	2018 Kshs. '000	2017 Kshs. '000
REVENUE			
Revenue from non-exchange transactions			
Transfers from other government -gifts and services in kind	3-A	819,694	591,798
Sub Total		819,694	591,798
Revenue from exchange transactions			
Rendering of services	4	328,864	333,232
Rental revenue from facilities and equipment	5-A	11,969	11,165
Deferred Grant Income*	5-B	21,252	24,559
Other Income	6	96,499	108,417
Sub Total		458,584	477,373
Total Revenue		1,278,278	1,069,171
EXPENSES			
Employee costs	7	941,442	776,066
Depreciation and amortization expense	8	69,834	66,105
Repairs and maintenance	9	22,975	21,476
Research expenses	10	6,223	6,966
Operating expenses*	11	73,069	59,829
Administration expenses	12	4,687	2,486
Teaching expenses	13	33,495	20,841
Catering expenses	14	35,443	31,318
Library expenses	15	1,580	1,487
Health Centre expenses	16	4,795	5,200
Student expenses	17	19,956	19,797
Farm expenses	18	4,353	3,256
Council expenses	19	12,997	9,850
Audit fees	20	406	406
Bank Charges	21	1,024	767
General expenses	22	40,373	36,074
Total Expenses		1,272,652	1,061,924
Surplus for the period		5,626	7,247

The notes set out on pages 35 to 48 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018


	Note	2018 Kshs.'000	2017 Kshs.'000
ASSETS			
Current Assets			
Cash and cash equivalent	23	197,266	115,381
Receivable from exchange transactions	24	105,783	129,317
Inventories	25	4,679	6,033
Receivable from non-exchange transactions	26	0	106,172
Sub Total		307,728	356,903
Non-current assets			
Property, plant and equipment – Tangible	27	1,534,232	1,546,433
Property, plant and equipment – Intangible	28	17,674	20,876
Biological assets	29	9,328	9,328
Sub Total		1,561,233	1,576,637
Total Assets		1,868,961	1,933,540
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	30	208,054	267,864
Refundable deposits from customers	31	16,096	17,738
Provisions	32	406	406
Total Current Liabilities		224,556	286,008
Non-current Liabilities			
Capital Grants	33	1,402,919	1,411,672
Sub Total		1,402,919	1,411,672
Reserves			
Accumulated surplus		209,788	204,162
Revaluation reserve		31,698	31,698
Total Reserves		241,486	235,860
Total Reserves and Liabilities		1,868,961	1,933,540

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

Sign.....

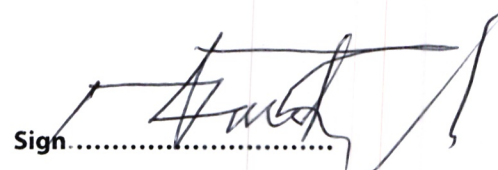
Dr. Musangi J. Mutua, PhD
CHAIR OF COUNCIL

Date.....28/09/2018

Sign.....

Mr. Fredrick K. Mutua
Ag. FINANCE OFFICER
(ICPAK 8616)

Date.....28/9/2018

Sign.....

Prof. Mohamed S. Rajab, PhD., EBS
VICE CHANCELLOR

Date.....28/9/2018

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Reval- uation Reserve Total	Kshs.'000	Kshs.'000	Kshs.'000
			Balance as at 30 June 2016
	228,613	196,915	
		7,247	Surplus for the period
			Balance as at 30 June 2017
	235,860	204,162	
		31,698	
		5,626	Surplus for the period
	0		
	243,486	209,788	Balance as at 30 June 2018

STATEMENT OF CASHFLOWS

For the year ended 30 June 2018

	Note	2018	2017
		Kshs.'000	Kshs.'000
Net cash flows used in operating activities	34	123,760	112,789
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	27&28	(54,375)	(187,858)
Net cash flows used in investing activities		(54,375)	(187,858)
Cash flows from financing activities			
Development grants		12,500	130,592
Net cash flows used in financing activities		12,500	130,592
Net increase/ (decrease) in cash and cash equivalents		81,885	55,523
Cash and cash equivalents at 1 July 2017		115,381	59,858
Cash and cash equivalents at 30 June 2018		197,266	115,381

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference
	2018	2018	2018	2018	2018
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Revenue					
Government grants and subsidies	666,651	78,193	744,844	819,694	74,850
Rendering of services	346,770	(52,524)	294,246	328,864	34,618
Finance income	0	0	0	0	0
Other incomes	114,658	4,628	119,285	129,720	10,435
Total income	1,128,079	30,296	1,158,375	1,278,278	119,903
Expenses					
Compensation of employees	827,747	11,143	838,890	941,442	(102,552)
Goods and services	260,833	125	260,958	331,210	(70,252)
Total expenditure	1,088,580	11,268	1,099,848	1,272,652	(172,804)
Surplus for the period				5,626	

Government Grants

Variance due to extra allocation of Grant to cater for increased salaries after Implementation of 2013/2017 CBA.

Rendering of Service

Variance due to strict policy of fee collection by implementing online registration of student.

Other Incomes

More by 10 Million than budget due to payment of internet fees and academic trips.

Compensation of Employees

More by 102 Million due to payment of 2013-2017 arrears

Goods and services

Variance due to inclusion of depreciation expense on actuals which is a non cash item and not on budget.

XVI. NOTES TO THE FINANCIAL STATEMENTS

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 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 based on 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 30th June 2018.

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: Investments in Associate and Joint ventures

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 2018

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% 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.

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 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 re 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 assump-

tions 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.

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 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, 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE	2018	2017
	Kshs.'000	Kshs.'000
3 Transfers from the national government		
3A Unconditional grants		
Operational grant	819,694	591,798
3B Conditional grants		
Other Capital grants -Development	12,500	130,590
Total government grants and subsidies	832,194	722,388
4 Rendering of services		
Tuition fees JAB	102,901	74,154
Tuition fees SSP	95,743	159,952
Activity fees	6,311	5,999
Examination fees	35,114	31,160
Library fees	9,150	8,138
Registration fees	9,169	8,010
IdUniversity card fees	1,346	1,254
Medical fees	12,711	12,206
Pwani University Student Association (PUSA)	3,567	3,569
Material development	1,030	2,614
Alumni student income	27	12
Teaching practice	11,321	8,621
Field attachment fees	11,669	8,790
Facilities and material	535	1,119
Thesis development	83	120
Thesis examination	83	121
Computer/ Internet fees	22,391	0
Transport	517	628
KUCCPS Placement fees	2,796	2,863
Nursing students Placement fees	0	2,914
Swimming and Diving	690	470
Studio courses	800	517
Indexing fee	910	
Total	328,864	333,231
5-A Rental revenue from facilities and equipment		
Straight line operating lease receipts	11,969	11,165
5-B Deferred Grant Income		
Deferred income	21,252	24,560
6 Other income		
Student income	43,630	57,492
Farm income	6,230	6,488
Guesthouse income	32,050	33,720
General Income	14,589	10,716
Total Other Income	96,499	108,416

NOTE		2018	2017
		Ksh.'000	Ksh.'000
7	Employee costs		
	Employee related costs-salaries and wages	648,666	514,482
	Employee related costs-contributions to pension & medical aid	93,317	77,041
	Travel, accommodation, subsistence and other allowances	10,176	10,334
	Housing benefits and allowances	189,283	174,209
	Total employee costs	941,442	776,066
8	Depreciation and amortization expense		
	Property, plant and equipment	60,732	61,909
	Amortization	9,102	4,196
	Total depreciation and amortization	69,834	66,105
9	Repairs and maintenance		
	Property	12,635	9,850
	Equipment	3,538	5,505
	Vehicles	4,594	2,752
	Other	2,208	3,369
	Total repairs and maintenance	22,975	21,476
10	Research expenses		
	Research expenses	3,509	5,206
	Botanical garden	21	246
	Biotechnology	2,185	0
	Biogas farm outreach	508	1,514
	Total research expenses	6,223	6,966
11	Operating expenses		
	Stationery expenses	6,293	3,690
	protective clothing	755	1,169
	Publishing and printing	238	134
	Cleaning material	1,554	1,123
	Balance c/d	8,840	6,116

NOTE	2018	2017
	Ksh.'000	Ksh.'000
11		
Balance b/d		6,116
Office expenses	8,840	2,523
Office consumables	2,170	0
Telephone	41	563
Courier and postage	850	371
Electricity	675	11,306
Sanitary services	17,871	123
Water and sewerage	220	7,061
Security	10,175	13,457
Subscriptions	15,218	2,204
Admission expenses	894	715
Conferences, seminars and workshops	715	910
External travel expenses	3,352	3,133
Graduation expenses	0	532
Fueling of motor vehicles	5,845	4,379
Tender notices	6,005	6,228
Drinking water	0	725
Corporate social expenses	0	79
	198	119
Total Operating expenses	73,069	59,829
12		
Administration expenses		
Show and exhibitions	954	1,193
ISO certification	3,733	1,293
Total administration expenses	4,687	2,486
13		
Teaching expenses		
Teaching materials	3,397	3,276
Field course expenses	5,060	8,525
Laboratory materials	25	83
Examination expenses	2,703	2,850
External examiners	1,388	740
Teaching practice expenses	7,559	1,312
Field attachment expenses	6,615	2,831
Inspection fees	1,200	1,224
Accreditation fees	5,548	
Total teaching expenses	33,495	20,841

NOTES	2018	2017
	Ksh.'000	Ksh.'000
14 Catering expenses		
Gas and fuel - main kitchen	780	1,071
Gas and fuel - guest house	196	371
Foodstuff - main kitchen	4,803	21,161
Foodstuff - guest house	2,202	5,035
Cutlery and crockery - main kitchen	369	437
Cutlery and crockery - guest house	427	706
Beds, beddings, linen - guest house	0	274
Consumables kitchen	11	4
Consumables guest house	581	444
Red buffalo expenses	381	1,770
External accommodation - guest house	38	45
Perishables	25,655	0
Total catering expenses	35,443	31,318
15 Library expenses		
Newspapers and magazines	534	73
Library books and journals	140	796
Library subscriptions	906	617
Total Library expenses	1,580	1,486
16 Health centre expenses		
Drugs	4,325	3,929
Other medical expenditures	470	1,271
Total Health expenses	4,795	5,200
17 Student expenses		
Sports games and tournaments	5,387	3,091
Student welfare	4,143	3,605
Student activities	0	1,574
PUSA expenses	6,101	4,185
Student medical expenses	5	14
Bursary awards	828	1,350
Aids control unit	580	591
Students placement	2,912	5,387
Total student expenses	19,956	19,797

NOTES		2018	2017
18	Farm expenses	Ksh.'000	Ksh.'000
	Farm maintenance	3,322	3,092
	Purchase of animal feeds	910	104
	Fungicides, insecticides and sprays	0	1
	Purchase of agricultural inputs	0	50
	Vet services and supplies	121	9
	Total farm expenses	4,353	3,256
19	Council expenses		
		12,997	9,850
		12,997	9,850
20	Audit fees	406	406
	Total Audit fees	406	406
21	Bank charges	1,024	767
	Total Bank Charges	1,024	767
22	General expenses		
	Insurance expenses	6,335	5,857
	Legal services	4,504	3,960
	Consultancy fees	0	45
	Advertising and publicity	2,604	1,556
	Networking and software	0	8
	Internet connection	14,350	10,463
	Staff honoraria	4,620	3,575
	Senate Expenses	1,015	0
	Bursary expenses	129	0
	Departmental meeting	3,153	4,596
	Funeral Expenses	96	258
	Staff development	1,719	999
	Staff fees subsidy	355	645
	Miscellaneous expenses	857	919
	Balance c/d	39,737	32,881

NOTES			2018	2017	
			Ksh.'000	Ksh.'000	
22	Balance b/d		39,737	32,881	
	Office furnishing		39	0	
	Ethics review		180	186	
	Management Board Meetings		417	635	
	Academic regalia		0	2,372	
	Total general expenses		40,373	36,074	
23	Cash and Cash Equivalent				
	Financial Institution	Account Name	Account Number		
			2018	2017	
	a) Current Account				
	Equity Bank	Main Account	0460291566381	16,581	5,603
	Equity Bank	Collection Account	0460291566407	130,623	46,474
	Barclays Bank	Collection Account	0191046501	3,859	3,145
	Barclays Bank	Caution Money	0191068378	79	13,820
	Barclays Bank	Payment Account	2030242370	7,487	32,051
	Kenya Commercial Bank	Collection Account	1109893868	9,069	493
	Kenya Commercial Bank	Research Account	1114479950	3,488	3,476
	Kenya Commercial Bank	Niche/Ken Account	1164789988	1,904	1,004
	Kenya Commercial	Bank – USD Account no.	1173114157	13,531	6,472
	Kenya Commercial Bank	Afya Pwani	1224008103	2,517	0
	Cooperative Bank	Collection Account no.	01129465157200	5,806	2,510
	b) Call Account				
	Housing Finance	Call Account	2000097240-0	205	0
	c) Cash				
	Petty Cash		10	160	
	Mpesa	Utility.	986450	2,107	173
	Totals		197,266	115,381	
24	Receivable from exchange transactions				
	Student debtors		83,795	97,196	
	Provisions		0	(2,148)	
	Net Student Debtors		83,795	95,048	
	Imprest debtors		7,613	3,860	
	Refundable Deposits		4,879	4,879	
	Advance payments		0	20,924	
	External debtors		2,041	2,684	
	Other Debtors		7,455	1,921	
	Total current receivables		105,783	129,316	

25 Inventories		
Finance stores – stationery	1,726	2,174
Maintenance stores general	307	754
Main kitchen stores	655	1,182
Health unit stores	1,131	726
Electrical stores	391	367
Cleaning material store	303	579
Farm inputs and feeds	166	251
Total Inventories	4,679	6,033
26 Receivables from non exchange transaction		
Grants Ministry of Education June grant-Recurrent	0	68,404
Grants Ministry of Education June grant-Development	0	37,768
Total receivables from non current exchange transactions	0	106,172

NOTE 27	LAND	WORK IN PROGRESS	BUILDINGS	MOTOR VEHICLES	GENERAL EQUIPMENT	FURNITURE & FITTINGS	COMPUTERS	TOTALS
Depreciation Rates			2%	25%	12.50%	12.50%	33%	
	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000
Cost/ Valuation								
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
Additions during the year	0	25,104	0	3,798	5,853	4,183	9,536	48,474
Balance as at 30 June 2018	116,045	489,520	981,503	105,569	126,133	61,461	79,801	1,960,032
Depreciation / Impairment								
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
As at 30 June 2017	0	0	99,552	91,755	86,505	28,876	58,380	365,068
Charge for the year	0	0	26,971	7,888	10,696	5,405	9,772	60,732
As at 30 June 2018	0	0	126,523	99,643	97,201	34,281	68,152	425,800
NET BOOK VALUE June 2017	116,045	464,416	881,951	9,959	33,775	28,402	11,885	1,546,433
NET BOOK VALUE June 2018	116,045	489,520	854,980	5,926	28,932	27,180	11,649	1,534,232

NOTE		
28	Intangible Assets	SOFTWARE
	Depreciation Rates	33%
		Ksh.'000
	Cost/ Valuation	
	Balance as at 30 June 2016	16,524
	Additions	17,411
	Balance as at 30 June 2017	33,935
	Additions	5,900
	Balance as at 30 June 2018	39,835
	Impairment	
	As at 30 June 2016	8,863
	Charge for the year	4,196
	Balance as at 30 June 2017	13,059
	Charge for the year	9,102
	Balance as at 30 June 2018	22,161
	NET BOOK VALUE June 2017	20,876
	NET BOOK VALUE June 2018	17,674

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.

	2018
	Ksh.'000
Carrying amount at end of June 2018	
Immature livestock	531
Valuation of Livestock	57
Mature livestock	4,673
Total livestock	5,261
Immature orchards	10
Mature orchards	4,057
Total orchards	4,067
Totals	9,328

		2018	2017
		Ksh.'000	Ksh.'000
30	Trade and other payables from exchange transactions		
	Trade creditors	64,515	83,996
	Student fees	56,756	66,267
	Other control accounts	3,381	3,535
	Payroll control	19,631	83,923
	Other liabilities	63,771	30,143
	Total payables	208,054	267,864
31	Refundable deposit from customers		
	Caution money fees	16,096	17,739
	Total Deposit	16,096	17,739
32	Current provisions		
	Audit fees	406	406
	Total current provisions	406	406
33	Capital Grants		
	Opening Balance	1,411,671	1,305,640
	Additions during the year	12,500	130,590
	Sub Total	1,424,171	1,436,230
	Transfer to income Statement	(21,252)	(24,559)
	Balance as at 30 June	1,402,919	1,411,671
34	Cash generated from operations		
	Surplus (deficit) from the year	5,626	7,247
	Adjusted for Depreciation	69,834	66,105
	Adjustment for deferred income	(21,252)	(24,560)
	Gain in sale of biological assets	(57)	0
	Working capital adjustments:		
	Decrease / (increase) in inventories	1,354	(955)
	Decrease / (increase) in receivables from exchange transactions	23,534	19,207
	Decrease / (increase) in receivables from non-exchange transactions	106,172	(106,172)
	Increase / (decrease) in payables	(61,451)	151,917
	Net cash generated from (used in) operations	123,760	112,789

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 Council. 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 2018				
Receivables from exchange transactions	105,783	105,783	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	197,266	197,266	0	0
Total			0	0
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

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 manage-

ment 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 2018				
Trade payables	19,833	0	44,682	64,515
Current portion of borrowings	0			
Provisions	0			
Deferred income	21,252			21,252
Employee benefit obligation	0			
Total	41,085		44,682	85,767
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

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 Council's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	31,698	31,698
Retained earnings	209,753	204,162
Capital reserve	1,402,919	1,411,672
Total funds	1,644,370	1,647,532
Total borrowings	0	0
Less: cash and bank balances	(197,266)	(115,381)
Net debt/(excess cash and cash equivalents)	(197,266)	(115,381)
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

	2018	2017
	Kshs	Kshs
Transfers from related parties ¹	832,194	722,390
Transfers to related parties	0	0

c) Key management remuneration

	2018	2017
	Kshs	Kshs
Councils ¹	12,997	9,850
Key management compensation	52,202	45,767

d) Due from related parties

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

e) Due to related parties

	Kshs	Kshs
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 2017/2018

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).

41. 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)	Not Resolved	Next Twelve months	
2	Unsupported expenditure	The university has engaged service provider to program the system	Mr. Newton Andebe (ICT Manager) Mr. Fredrick K. Mutua (Ag. Finance Officer)	Not Resolved	Next Twelve months	

42.PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Project Title	Project Number	Donor	Period /Duration	Donor Commitment	Separate Donor reporting required as per the donor agreement(Yes/No)	Consolidated in these financial statement (Yes/No)
N/A						

Status of Projects completion

Project	Total project Cost	Total expected to date	Completion % to date	Budget	Actual	Sources of funds
N/A						

INTER ENTITY TRANSFERS

A) Recurrent Grants		
Bank Statement Date	Amount	F/Y
03.07.2017	68,403,572.40	2016/2017
19.07.2017	74,849,982.30	2017/2018
01.08.2017	55,554,279.00	2017/2018
04.09.2017	55,554,279.00	2017/2018
03.10.2017	55,554,278.00	2017/2018
03.11.2017	55,554,279.00	2017/2018
01.12.2017	55,554,279.00	2017/2018
01.12.2017	32,580,413.70	2017/2018
02.01.2018	6,516,083.00	2017/2018
02.01.2018	55,554,279.00	2017/2018
08.02.2018	6,516,083.00	2017/2018
08.02.2018	55,554,279.00	2017/2018
13.03.2018	6,516,083.00	2017/2018
13.03.2018	55,554,083.00	2017/2018
06.04.2018	55,554,279.00	2017/2018
06.04.2018	6,516,083.00	2017/2018
02.05.2018	55,554,279.00	2017/2018
02.05.2018	6,516,083.00	2017/2018
11.06.2018	55,554,279.00	2017/2018
11.06.2018	6,516,083.00	2017/2018
28.06.2018	55,554,279.00	2017/2018
28.06.2018	6,516,083.00	2017/2018
Totals	888,097,700.4	
Development Grants		
12.10.2017	12,500,000.00	2017/2018


 Sign.....
 AG. FINANCE OFFICER


 Sign.....
 VICE CHANCELLOR

Recording of transfers from other Government Entities

Ministry	Date re- ceived as per bank statement	Nature	Total Amount	Statement of financial performance	Capital Fund
Ministry of Education – State department for Univer- sity Education	03.07.2017	Rec	68,403,572.40	X	
	19.07.2017	Rec	74,849,982.30	X	
	01.08.2017	Rec	55,554,279.00	X	
	04.09.2017	Rec	55,554,279.00	X	
	03.10.2017	Rec	55,554,278.00	X	
	03.11.2017	Rec	55,554,279.00	X	
	01.12.2017	Rec	55,554,279.00	X	
	01.12.2017	Rec	32,580,413.70	X	
	02.01.2018	Rec	6,516,083.00	X	
	02.01.2018	Rec	55,554,279.00	X	
	08.02.2018	Rec	6,516,083.00	X	
	08.02.2018	Rec	55,554,279.00	X	
	13.03.2018	Rec	6,516,083.00	X	
	13.03.2018	Rec	55,554,083.00	X	
	06.04.2018	Rec	55,554,279.00	X	
	06.04.2018	Rec	6,516,083.00	X	
	02.05.2018	Rec	55,554,279.00	X	
	02.05.2018	Rec	6,516,083.00	X	
	11.06.2018	Rec	55,554,279.00	X	
	11.06.2018	Rec	6,516,083.00	X	
28.06.2018	Rec	55,554,279.00	X		
28.06.2018	Rec	6,516,083.00	X		
	12.10.2017	Dev	12,500,000.00		X

Sign.....
Dr. Musangi J. Mutua, PhD
CHAIR OF COUNCIL

Sign.....
Prof. Mohamed S. Rajab, PhD. EBS
VICE CHANCELLOR







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