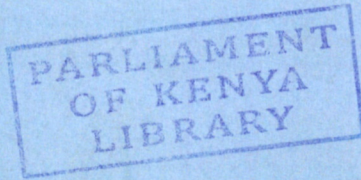


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*paper laid by  
Leader of Majority  
on 13/09/2017  
Chumbi*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA UNIVERSITIES AND COLLEGES  
CENTRAL PLACEMENT SERVICE**

**FOR THE YEAR ENDED  
30 JUNE 2016**





**KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT  
SERVICE**

**Annual Report and Financial Statements for  
the Financial Year Ended June 30, 2016**

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

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## **INTRODUCTION**

### **(a) Background**

The Kenya Universities and Colleges Central Placement Service (Placement Service) was established in 2012 by the Universities Act No. 42 of 2012 and became operational in February 2014. The Cabinet Secretary for Education is responsible for the general policy and strategic direction of the Placement Service.

### **(b) Principal Activities**

Section 56 (1) of the Act mandates the Placement Service to Coordinate the Placement of Government Sponsored Students to Universities and Colleges; disseminate information on available programmes, their cost and areas of study prioritised by the Government; collect and retain data relating to placement to Universities and Colleges; develop career guidance and counselling programmes to benefit students and; perform any other function assigned to it by the Act.

### **(c) Management**

The following organs are responsible for the management of the organisation.

1. The Placement Service Board
2. The Chief Executive Officer
3. The Placement Service Management

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended June 30, 2016 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	John M. Muraguri
2.	Deputy Chief Executive Officer	Monica Ng'ang'a
3.	Ag. ICT Manager	Purity Mayaka
4.	Finance Manager	Michael Kimani
5.	Human Resource and Administration Officer	Maxwell Okoth
6.	Internal Auditor	Faith Musya
7.	Supply Chain Management Officer	Daina Kibogo
8.	Corporate Communication Officer	Paul Juma

**(e) Fiduciary Oversight Arrangements**

The Placement Service Board has four committees exercising an oversight role on operations:

1. Technical Committee
2. Human Resource and Administration Committee
3. Audit, Risk and Compliance Committee
4. Finance and Development Committee

**(f) Headquarters**                      ACK Garden House, 3rd Floor  
1st Ngong Avenue, Community  
P.O. Box 105166, 00101  
Nairobi, Kenya

**(g) Contacts**                              **Telephone:** (+254) 0723 954927  
**E-mail:** info@kuccps.ac.ke  
**Twitter:** KUCCPS\_Official  
**Facebook:** Kenya Universities  
and Colleges Central Placement Service  
**Website:** www.kuccps.ac.ke

**(h) Bankers**                                Kenya Commercial Bank  
University Way Branch  
P.O. Box 7206, 00300  
Nairobi, Kenya

**(i) Independent Auditors**              The Auditor-General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084, 00100  
Nairobi, Kenya

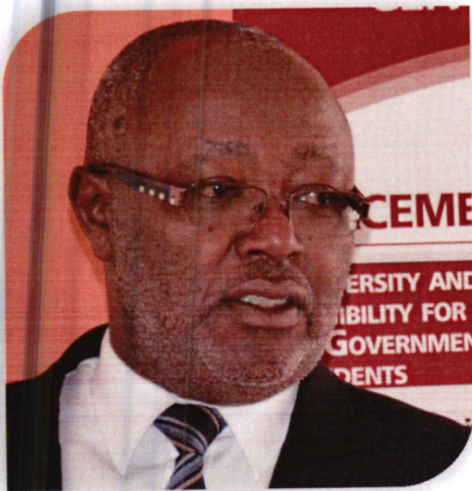
**(j) Principal Legal Adviser**            The Attorney-General  
State Law Office, Harambee Avenue P.O. Box  
40112  
City Square 00200  
Nairobi, Kenya

## **II. BOARD MEMBERS**



### **Prof. David Musyimi Ndetei (Chair)**

Prof. David Musyimi Ndetei was appointed as the Chair of the Placement Service Board through a *Kenya Gazette* Notice No. 626 of January 31, 2014 for a term of four years with effect from January 27, 2014. He is a world renowned Professor of Psychiatry at the University of Nairobi, a position he has held since 1995. He is also the Founding Director of Africa Mental Health Foundation, a non-governmental organisation based in Kenya focusing on mental health research. Prof. Ndetei received a Bachelor of Medicine and Bachelor of Surgery (MBChB) degree from the University of Nairobi in 1975. In 1980, he received Membership of the Royal College of Psychiatrists in the United Kingdom, followed by a PhD degree from the University of Nairobi in 1985. In 2004, he was awarded Fellowship of the Royal College of Psychiatrists and in 2013, a Doctor of Science (DSc) from the University of Nairobi.



### **Mr. John Muraguri (Secretary)**

Mr. Muraguri holds a Bachelor's degree in Education and a Master's degree in Project Planning and Management, both from the University of Nairobi. He has also had extensive training on various aspects of institutional and financial management. He has gained immense administrative and management skills in the course of his career. Before joining the Placement Service, Mr. Muraguri, while a Senior Assistant Registrar (Admissions) at the University of Nairobi, was a Deputy Secretary at the Joint Admissions Board, where his responsibilities included procurement, human resource planning and staffing, financial control, investment and public relations. Mr. Muraguri was appointed the Chief Executive Officer and Secretary to the Placement Service Board on March 11, 2015 after serving in an acting capacity for one year.



**Prof. David Some (Chief Executive Officer, CUE)**

Prof. Some is the Chief Executive Officer of the Commission for University Education. He holds a PhD from University of Newcastle upon Tyne, U.K., M.Sc. from Cranfield University and B.Sc. (Hons) from University of Newcastle-upon Tyne, UK. A former Vice-Chancellor of Moi University, Prof. Some is a member of a number of boards, including the Higher Education Loans Board and Family Bank Limited, among others. He has also served as a member and founder Chairman of the Board of Kenya Medical Training College as well as ApproTEC, makers of water pump and oil presses. He is also the Collaborating Editor of the *Journal of Agricultural Mechanisation in Asia, Africa and Latin America*. By virtue of his being the chief executive officer of the Commission, Prof. David Some is a member of the Placement Service Board.



**Mr. Charles M. Ringera (Chief Executive Officer, HELB)**

Mr. Ringera is the Chief Executive Officer of Higher Education Loans Board. He is a seasoned banker with over 20 years' practical experience that cuts across all facets of central and commercial banking. Mr. Ringera has previously worked as a regulator with the Central Bank of Kenya in various capacities, as a bank examiner, Kisumu Branch, Finance, Audit and National Debt. He moved to KCB Group in 2006 where he headed the Group Operational Risk and Compliance, supporting Kenya, Tanzania, Southern Sudan, Uganda and Rwanda. He holds a Bachelor of Science degree in Applied Accounting and an MBA in Strategic Management. He is a professional accountant holding a CPA (K) and a Fellow of the Association of Certified Chartered Accountants (FCCA). He also holds an Advanced Diploma in Risk Management in Banking/ Finance by KPMG Sweden. By virtue of his position in Higher Education Loans Board, Mr. Charles Ringera is a member of the Placement Service Board.

**Prof. George A.O. Magoha (Representing Public Universities)**



Prof. George A. O. Magoha was appointed a member of the Placement Service Board for a term of four years with effect from January 27, 2014. He is the Chairman of the Kenya National Examination Council, a position he has held since March 2016. He is a Professor of Transplant Surgery and an Honorary Consultant Surgeon and Urologist at Kenyatta National Hospital and Nairobi Hospital. He is also the immediate former Vice-Chancellor, University of Nairobi, where he served for 10 years from January 2005 to January 2015.

Currently, Prof. Magoha is the Chairman of the African Network of Scientific and Technological Institutions. He is also the Chairman of the Kenya Medical Practitioners and Dentists Board and has been a member of the board since 1999. From August 2013 to August 2015, Prof. Magoha served as the President of the Association of Medical Councils of Africa. He was the Chairman of Kenya Association of Urological Surgeons, from 1997 to 2013. He is recognised in education and medical circles worldwide and represents the East African region and the continent in many medical forums. He has published widely in refereed medical journals.

**Prof. Mabel Imbuga (Representing Public Universities)**



Prof. Mabel Imbuga is the Vice-Chancellor of Jomo Kenyatta University of Agriculture and Technology. She was appointed a member of the Placement Service Board for a term of four years with effect from January 27, 2014. She is a professor of biochemistry, with over 33 years of teaching and scholarly experience. She has extensive knowledge and demonstrative experience in the higher education sector, having grown from a research assistant to assistant lecturer, lecturer, research scientist,

chairman of department, dean, director as well as deputy vice-chancellor in charge of academic affairs. Prof. Imbuga is a key resource in strategic management and leadership, with an MBA in strategic management from Eastern and Southern African Management Institute (ESAMI). Prof. Imbuga has accomplished over 10 funded projects and 27 publications. She is the current chairperson of Regional Universities Forum for Capacity in Agriculture (RUFORUM) and a Board Member of Pan Afric University.



**Eng. Callista Gitobu (Representing KATTI)**

Eng. Callista Gitobu was appointed as Member of the Placement Service Board for a term of four years with effect from January 27, 2014. Until September 2015, Eng. Gitobu was the Principal of PC Kinyanjui Technical Training Institute, after which she retired. She is also a former Secretary-General of the Kenya Association of Technical Training Institutions (KATTI). She holds a Master's degree in Education Administration from the University of Nairobi and a BSc. degree in Electrical Engineering (Power Option) from the same university. At the time of her retirement, she was a chief principal lecturer in electrical engineering, having lectured at the Kenya Polytechnic (now Technical University of Kenya) for over 20 years.



**Prof. Noah Midamba (Representing Private Universities)**

Prof. Noah Midamba was appointed a Member of the Placement Service Board for a term of four years with effect from January 27, 2014. He is the Vice-Chancellor of KCA University, a position he has held since May 2010. He served as Visiting Professor at the same university from September 2009 to January 2010. Prof. Midamba has worked and taught in various reputable universities in the United States, including Kent State University, University of Denver, Youngstown State University, University of Colorado at Denver and Greely, Pacific Lutheran University and Tacoma Community College. He also served as Chief International Officer for the Center for International Studies and Programs at Youngstown State University in Ohio, and in the Division of Academic and Student Affairs, Kent State University. He received his PhD in 1985 from the Graduate School of International Studies, University of Denver, and has published a book and 50 refereed articles on defence, foreign policy, diversity and public policy. He also holds a Master of Public Policy (1978) and a Bachelor of Business Administration (1976) from University of Puget Sound. A passionate educator, he has received several recognitions and awards.



**Prof. Miriam Mwita (Representing Private Universities)**

Prof. Miriam Mwita was appointed as a member of the Placement Service Board for a term of four years with effect from January 27, 2014. Prof. Mwita, B.A. (UoN), PGDE (UEAB), M.A. (UoN), PhD (Moi University), served as the Vice-Chancellor of the proposed NIBS University. She has served as a Board member of AMACO and a former Vice-Chancellor of University of Eastern Africa, Baraton. She is a professor of linguistics and African languages; a translator for Family Radio Inc., California, USA and has translated over 22 titles and several live question-answer materials from English to Kiswahili. Prof. Mwita is a language resource person for the East African Community secretariat in Arusha, Tanzania, and is a former member and chairperson of the Audit, Compliance and Risk Management Committee of the Inter-University Council for East Africa. She has gained vast experience in teaching, research and educational management.



**Mr. Edwin Tarno (Representing KATTI)**

Mr. Edwin Tarno was appointed Member of the Placement Service Board for a term of four years with effect from January 27, 2014. Mr. Tarno is the Principal at the Rift Valley Technical Training Institute and the immediate former chairman of the Kenya Association of Technical Training Institutions (KATTI). He is a PhD Student at Cebu Doctors' University and holds an MBA (Entrepreneurship & Marketing) from Moi University. He has vast knowledge and experience in teaching and management of technical and vocational education and training institutions. Mr. Tarno has received several national and international awards including HSC (civilian category). He has also been recognised by UNESCO/UNEVOC – Bonn, Germany. Mr. Tarno has presented in major seminars and published in revered journals including the *African Journal of Business and Economics*.

**Dr. Kipkirui Langat (Director- General, TVETA)**



Dr. Kipkirui Langat was appointed the first Director-General of the Technical and Vocational Education and Training Authority (TVETA) on April 30, 2015. By virtue of that position, Dr. Langat became a member of the Placement Service Board. He has a wealth of experience from both public and private sectors with close to 20 years in the technical and vocational education and training sector. He joined the Rift Valley Training Institute as assistant lecturer in 1996, and was promoted to lecturer and head of the department of automotive engineering in 1998. He joined Eldoret Polytechnic in 2002 as a lecturer in the department of mechanical engineering, before being appointed Deputy Dean of Students a year later. In 2004, he joined Egerton University as a lecturer in the department of industrial and energy engineering. At Egerton, he was instrumental in the implementation and review of the Bachelor of Industrial Technology programme, where he was the programme coordinator and the examination and timetabling officer until 2008. In 2009, he was appointed the programme coordinator for Twinning Programme between Western Michigan University, USA and Egerton University. He was also among the experts who developed Bachelor of Technology in Mechanical Engineering and Bachelor of Philosophy in Mechanical Engineering programmes at the Technical University of Kenya. He was also a subject panel member for Diploma and Higher National Diploma in Mechanical Engineering programmes between 1999 and 2004 at the Kenya Institute of Education.



**Mr. Anthony Muriu (Alternate to the PS, National Treasury)**

Mr. Anthony Muriu is a Chief Economist and Head of the Central Planning and Project Monitoring Unit of the National Treasury. He is a career civil servant with over 20 years' experience, having risen through the ranks to the current position. He holds a Bachelor of Arts degree in Economics from the University of Nairobi and Master's Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan. He has also attended numerous short training courses both locally and abroad. Over the years, Mr. Muriu has worked in many Ministries and served in numerous committees and taskforces

of the Government of Kenya.

**Mrs. Esther Karema Mutua (Alternate to the PS, University Education, Ministry of Education)**



Mrs. Esther Karema Mutua was appointed to the Board by the Principal Secretary for University Education with effect from May 26, 2016. She holds a Master of Education (2005) and a Bachelor of Education (Special Education) degrees from Kenyatta University. She is a PhD student at Catholic University of Eastern Africa. She joined the Ministry in September, 2015. She is involved in the implementation of education policies at the Ministry. Previously, she worked as a part-time and full-time lecturer at Mount Kenya University and Kenya Institute of Special Education, respectively.

She has a 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.

### III. MANAGEMENT TEAM



**John Muraguri**

**Chief Executive Officer**

Mr. Muraguri is the CEO and Secretary to the Board. He is the accounting officer responsible for the day-to-day operations at the Placement Service.



**Monica Ng'ang'a**

**Deputy Chief Executive Officer**

The Deputy Chief Executive Officer is responsible for operations, administration and finance at the Placement Service.



**Michael Kimani**

**Finance Manager**

The Finance Manager is responsible for all financial operations at the Placement Service.



**Purity Mayaka**

**Ag. ICT Manager**

The ICT Manager is responsible for all ICT operations at the Placement Service.



**Maxwell Okoth**

**Human Resource and Administration Officer**

The Human Resource and Administration Officer is responsible for all human resource operations at the Placement Service.



**Faith Musya**

**Internal Auditor**

The Internal Auditor is responsible for all audit operations at the Placement Service.



**Daina Kibogo**

**Supply Chain Management Officer**

The Supply Chain Management Officer is responsible for all supply chain operations at the Placement Service.



**Paul Juma**

**Corporate Communication Officer**

The Corporate Communication Officer is responsible for all communication at the Placement Service.

#### IV. CHAIRMAN'S STATEMENT



I am delighted to present the Annual Report and Accounts for the year ended June 30, 2016 of the Kenya Universities and Colleges Central Placement Service. This is the second full year that the Board has operated, having been inaugurated in February 2014. The Placement Service has achieved another milestone by placing the third cohort of government-sponsored students since its establishment. The Board continues to ensure that Kenyan students are given equal opportunity and platform to access higher education.

The Board strives for the highest corporate values at the Placement Service. Transparency, accountability and integrity are the guiding principles that the Board requires all staff to abide by in the discharge of their duties. Further, the Board has put in place internal control and oversight mechanisms, including policies and procedures, to ensure that all operations at the Placement Service are verifiable and above board. In addition, the Board has approved a five-year strategic plan for 2015-2020, which provides strategic direction to the Placement Service.

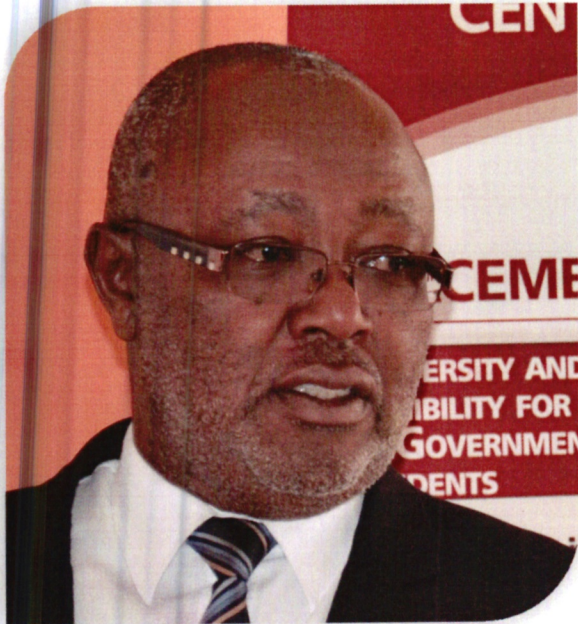
The Board has also put in place various risk management systems including setting up office of the internal auditor. Related to this is the policy and legal interventions that will strengthen student placement.

A handwritten signature in black ink, appearing to be 'D. Musyimi Ndetei', written over a circular stamp or seal.

**PROF. DAVID MUSYIMI NDETEI**

**CHAIRMAN OF THE BOARD**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED JUNE 30, 2016



It gives me pleasure to present the Annual Report and Accounts of the Kenya Universities and Colleges Central Placement Service for the year ended June 30, 2016. During the year under review, the Placement Service realised a surplus of Kshs 138,485,673 (2014/2015 Kshs. 176,096,932) which went into its cumulative reserve. The financial performance in the current year was mainly impacted on by the enhanced collections of application and placement fees as well as operational efficiency with a lean but competent staff establishment. The Placement Service continues to operate with a clear understanding that the public needs efficient, effective and cost effective services.

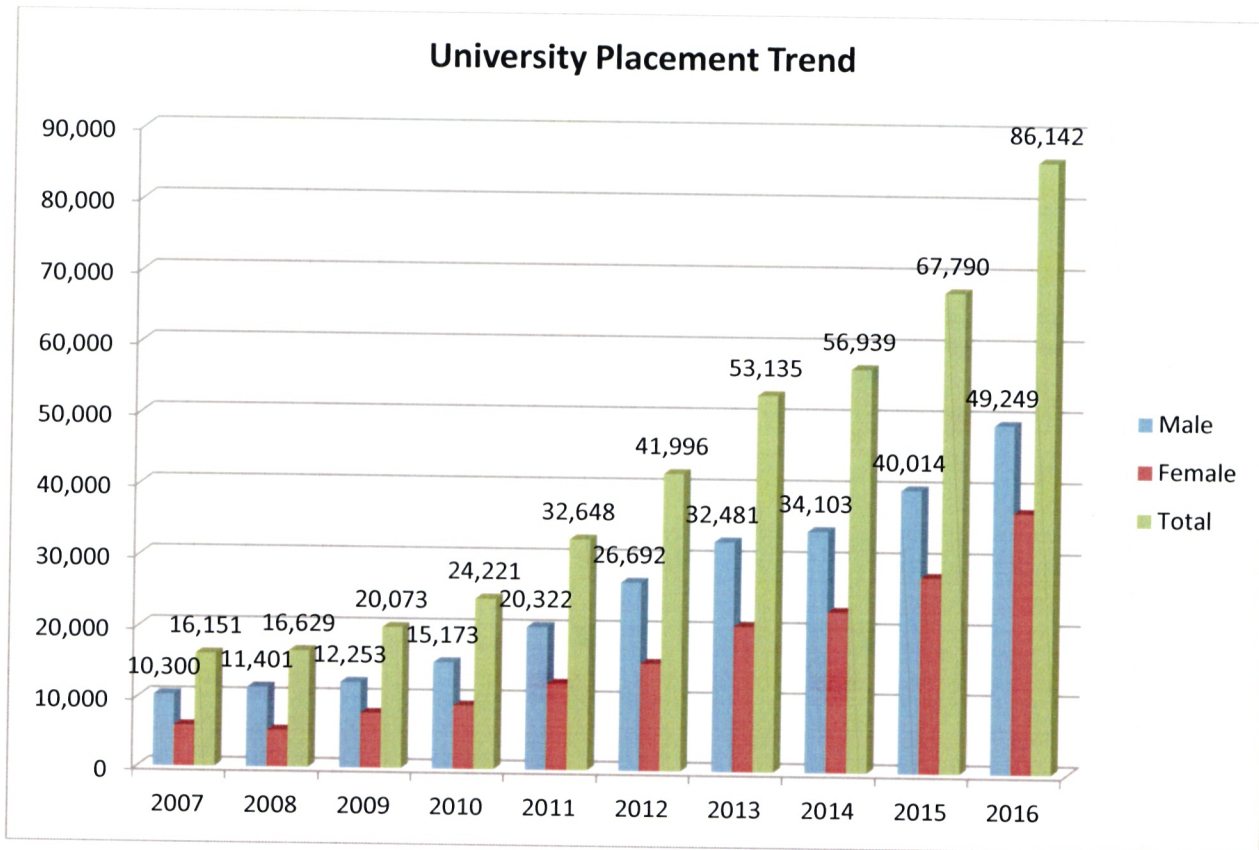
The Service continues to chart its path in new terrains. During the period ended June 30, 2016, it placed a total of 74,046 students in Degree programmes in Public Universities and 12,096 in Private Universities, a total of 86,142. This is an increase from 67,790 students who were placed in Degree programmes in Public Universities in the 2014/2015 and 56,938 in 2013/2014. Further, a total of 12,030 Government Sponsored Students were placed Colleges to pursue Diploma Programmes, up from 11,523 in the 2014/2015 cycle.

With regard to human resource, the Placement Service embarked on capacity building through recruitment of additional officers and training of new and existing staff so as to improve efficiency.

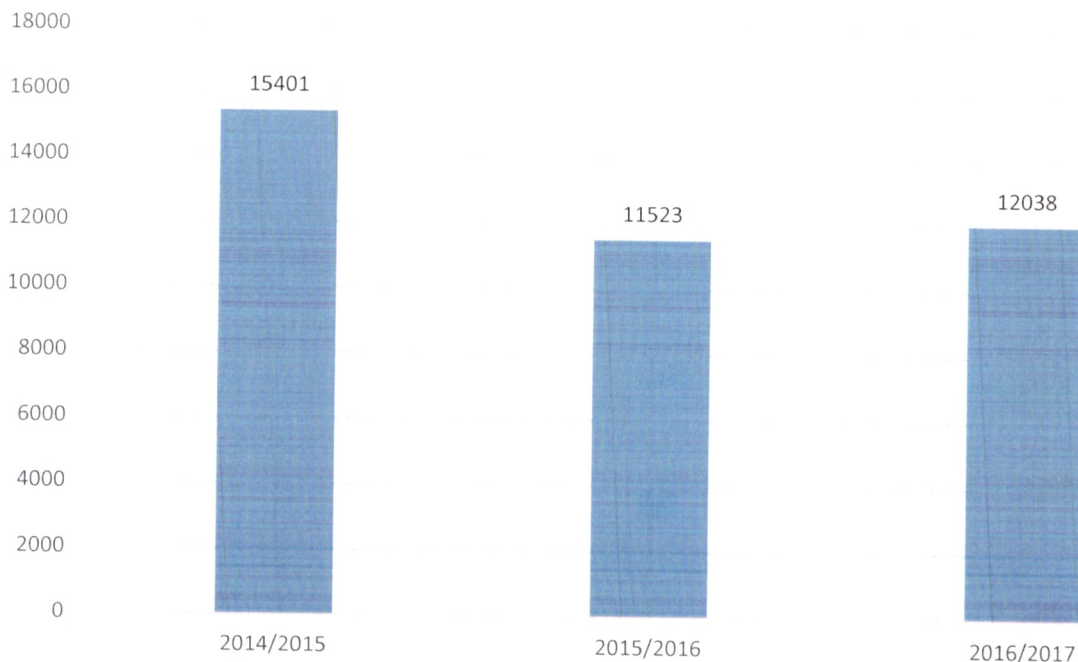
During the year ended, the Placement Board also acquired additional office space on the ground floor of the ACK Garden House, which houses the Placement Service Secretariat, for the establishment of a customer service centre. Construction works on the new customer service centre are expected to be completed in the next financial year.

Finally, I would like to express sincere appreciation to the Government for the opportunity to serve Kenyans; the Board Members for selfless contribution and guidance; the secretariat for hard work; and all stakeholders for their support.

**Placement Trends 2007-2016**



**College Placement Trend**



The Placement Service is the successor to the Joint Admissions Board (JAB). The above statistics relate to JAB up to 2013, while the KUCCPS placement commenced in 2014. The graph shows a consistent growth in the number of Government Sponsored Students placed to Universities, a testimony of the increasing access to University Education for Kenya's youth.

AB was not placing students in Colleges, while the Placement Service has been students for Diploma programmes since 2014. The trend is reflected in the subsequent sections of this report. The Placement Service continues to improve its capacity and systems to be able to effectively and efficiently serve the growing numbers



**JOHN MURAGURI**

**CHIEF EXECUTIVE OFFICER / SECRETARY TO THE BOARD**

## VI. CORPORATE GOVERNANCE STATEMENT

The Placement Board is responsible for the overall management of the governance of the Kenya Universities and Colleges Central Placement Service. The Board is accountable to stakeholders ensuring that the institution complies with the law and best practices in educational institute governance and business ethics. The Board members are committed to the need to conduct the business and operations of the Placement Service with integrity and in accordance with generally accepted standards, and endorse the internationally developed principles of good institute governance.

### Board Members

The Board is appointed by the Cabinet Secretary for Education in accordance with the Universities Act. It is composed of:

- a) The Chairman;
- b) The Secretary of the Commission for University Education;
- c) The Chief Executive Officer of the Higher Education Loans Board;
- d) The Chief Executive Officer of the TVET Funding Board;
- e) The Chief Executive Officer of the TVETA;
- f) Two Vice-Chancellors representing Public Universities;
- g) Two Vice-Chancellors representing Private Universities;
- h) Two representatives of the Kenya Association of Technical Institutions;
- i) The Principal Secretary in the Ministry responsible for Higher Education;
- j) The Principal Secretary in the Ministry responsible for Finance; and
- k) The Secretary to the Board

The Board meets at least four times a year. Members receive all information relevant to the discharge of their obligations in accurate, timely and in a clear manner so as to guide the Placement Service and maintain full and effective control over strategic, financial, operational and compliance issues. The Board is responsible for the overall policy and financial direction of the Placement Service while the Chief Executive Officer / Secretary is responsible for the daily operations of the institution.

## **Committees of the Board**

The Board has the following committees, which meet regularly under the terms of reference set by the Board:

- Technical Committee
- Human Resource and Administration Committee
- Audit, Risk and Compliance Committee
- Finance and Development Committee

## **Internal Controls**

The Kenya Universities and Colleges Central Placement Service has procedures and policies that ensure its activities are complete, accurate and effective. Automation is essential in all its operations and this is geared towards eliminating mistakes which would otherwise occur. Specific assignments are also performed by different staff, therefore maintaining segregation of duties.

## **Communication with the Board**

The Placement Service is committed to ensuring that stakeholders and the general public are provided with full and timely information about its performance. This is achieved by the broadcasting on its website of major and important information and the release of notices in the press.

## **Board Emoluments**

The Members of the Board are paid sitting allowance for every board meeting. This is included in the Board expenses in the Annual Reports and Accounts. During the year, the Board met to deliberate and guide placement processes and various policies necessary for operations.

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Placement Service is a committed and responsible corporate citizen that pays deliberate attention to community service and the improvement of the welfare of disadvantaged members of the society. This is reflected in the placement process, which deliberately focuses on historically marginalised regions and disadvantaged applicants, such as those with various forms of disability.

To promote an equitable society, the Placement Service lowers the Degree entry cut-off points to the bare minimum for the visually impaired. Applicants from marginalised counties also benefit. This affirmative action is enshrined in the placement policy, which also seeks to achieve equitable gender representation in higher education.

The Placement Service further caters for disadvantaged students by taking career guidance programmes to schools in various parts of Kenya, including remote areas. Students who have benefited from these programmes include those of Kabimoi High School, Solian Girls High School, Kabarnet High School and Pemwai Girls High School in Baringo County; Meteitei Boys High School in Nandi County; Chulaimbo Secondary School in Kisumu County; Moi Girls' High School Isinya in Kajiado County; Nasokol Girls High School in West Pokot; and Kenyatta High School, Taita and Dr. Aggrey High School in Wundanyi, Taita Taveta County, among others.

The Placement Service also supported various charity initiatives. These include the Kikuyu Rotary Club Sigona Golf Tournament that aimed at raising funds to for provision of bursaries, water and sanitation services to students with disabilities at Kambui School for the Deaf. In addition, the Placement Service supported the Gitugi Girls High School Annual Charity Walk, which seeks to raise funds to sponsor the education of bright needy and vulnerable students.



Staff and students of Gitugi Girls High School take part in a charity walk to raise funds for the education of bright and needy girls. The Placement Service supported the walk.

### **VIII. BOARD MEMBERS REPORT**

The Board submits its report together with the audited financial statements for the period ended June 30, 2016 which show the state of affairs at the Placement Service.

#### **Principal Activities**

The principal activities of the Placement Service are listed in the Universities Act 2012 as follows:

- To Co-ordinate the Placement of Government Sponsored Students to Universities and Colleges;
- To disseminate information on available programmes, their costs, and the areas of study prioritised by the Government;
- To collect and retain data relating to University and College placement;
- To advise the Government on matters relating to University and College student placement;
- To develop career guidance programmes for the benefit of students; and
- To perform any other function assigned to it under this Act.

#### **Results**

The results of the entity for the period ended June 30, 2016 are set out on page 24 to 28 and the notes to the said reports on pages 29 to 50. The financial performance reflects a surplus of Kshs 138,485,673 (2014/2015 Kshs 176,096,932 for the year. Lean staffing levels continue to reflect in the fund absorption and thus the reported surplus.

#### **Board Members**

The members of the Board who served during the year are shown on pages 5 to 11.

#### **Auditors**

The Auditor-General is responsible for the statutory audit of the Placement Service in accordance with the Public Audit Act and Public Finance Management Act, 2012.

By Order of the Board

  
**JOHN MURAGURI**  
**CHIEF EXECUTIVE OFFICER**

## **IX. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES**

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

Further, the Board is responsible for the preparation and presentation of the financial statements of the Placement Service, which give a true and fair view of the state of affairs of the Service for and as at the end of the financial year ended June 30, 2016. 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 entity; (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 Placement Service; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Board members are of the opinion that the financial statements give a true and fair view of the state of KUCCPS's transactions during the financial year ended June 30, 2016, and of its financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Placement Service, which have been relied upon in the preparation of the financial statements of the Placement Service as well as the adequacy of the systems of internal financial control.

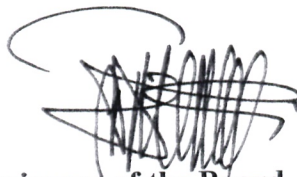
Nothing has come to the attention of the Board to indicate that the Placement Service will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The financial statements were approved by the Board on 30th September, 2016 and signed on its behalf by:



**Chief Executive Officer**



**Chairman of the Board**



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Universities and Colleges Central Placement Service set out on pages 24 to 50, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on

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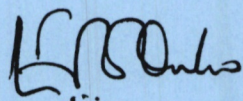
*Report of the Auditor-General on the Financial Statements of Kenya Universities and Colleges Central Placement Service for the year ended 30 June 2016*

the effectiveness of the Placement Service's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Universities and Colleges Central Placement Service as at 30 June 2016, 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, No. 42 of 2012 of the Laws of Kenya.



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

**Nairobi**

**18 May 2017**

## XI. STATEMENT OF FINANCIAL PERFORMANCE

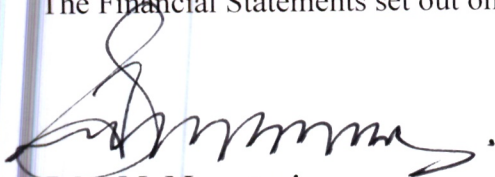
For the year ended 30 June 2016	Note	2015/2016 Kshs	2014/2015 Kshs
<b>Revenue from non-exchange transactions</b>			
Capitation Grants- Revenue	3	45,389,100	37,404,640
		<b>45,389,100</b>	<b>37,404,640</b>
<b>Revenue from exchange transactions</b>			
Registration and Renewal Fees	4	1,080,000	1,310,000
Application, Revision and Placement Fees	5	248,565,246	233,751,556
Interest Income	6	15,161,168	11,426,852
		<b>264,806,414</b>	<b>246,488,408</b>
<b>Total revenue</b>		<b>310,195,514</b>	<b>283,893,048</b>
<b>Expenses</b>			
Employee costs	7	58,538,470	41,846,940
Board Expenses	8	11,117,003	4,034,033
Placement Processing and Publicity	9	11,443,207	16,312,819
Career Guidance and Workshops	10	8,869,249	9,489,264
Depreciation and amortization expense	11	11,082,068	7,831,167
Repairs and maintenance	12	7,247,646	1,267,421
General expenses	13	63,329,973	26,950,296
Finance cost	14	82,225	64,176
<b>Total expenses</b>		<b>171,709,841</b>	<b>107,796,116</b>
<b>Surplus for the period</b>		<b>138,485,673</b>	<b>176,096,932</b>
<b>Surplus attributable to owners of the controlling entity</b>		138,485,673	176,096,932
<b>Total Surplus</b>		<b>138,485,673</b>	<b>176,096,932</b>

The notes set out on pages 29 to 50 form an integral part of the Financial Statements.

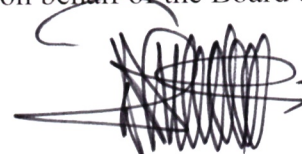
**XII. STATEMENT OF FINANCIAL POSITION**

<b>As at 30 June 2016</b>	<b>Note</b>	<b>2015/2016 Kshs</b>	<b>2014/2015 Kshs</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	275,849,202	247,182,119
Receivables	16 (a),(b)	164,875,380	66,007,348
Inventories	17	863,651	541,971
		<b>441,588,233</b>	<b>313,731,438</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	39,192,358	33,325,818
		<b>39,192,358</b>	<b>33,325,818</b>
<b>Total assets</b>		<b>480,780,591</b>	<b>347,057,256</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	16,329,840	25,342,807
Employee benefit obligation	20	7,974,426	1,650,100
		<b>24,304,266</b>	<b>26,992,907</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	1,602,700	3,676,397
		<b>1,602,700</b>	<b>3,676,397</b>
<b>Total liabilities</b>		<b>25,906,966</b>	<b>30,669,304</b>
<b>Net assets</b>			
Accumulated surplus	21	354,873,625	316,387,952
Capital Development Reserve	21	30,000,000	-
Staff Mortgage and Car Loan Reserve Fund	21	70,000,000	-
<b>Total net assets and liabilities</b>		<b>480,780,591</b>	<b>347,057,256</b>

The Financial Statements set out on pages 24 to 28 were signed on behalf of the Board of Directors by:



**John M. Muraguri**  
**Chief Executive Officer**  
September 30, 2016



**Prof. David M. Ndeti**  
**Chairman of the Board**  
September 30, 2016

### XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Attributable to the owners of the controlling entity			Total
	Accumulated Surplus	Capital Development Reserve	Staff Mortgage and Car Loan Reserve	
	Kshs	Kshs	Kshs	Kshs
<b>Balance As at 1 July 2015</b>	<b>316,387,952</b>	-	-	<b>316,387,952</b>
Surplus for the period	138,485,673	-	-	<b>138,485,673</b>
Transfer to Capital Development Reserve	(30,000,000)	30,000,000	-	-
Transfer to Staff Mortgage and Car Loan Reserve	(70,000,000)	-	70,000,000	-
<b>Balance as at 30 June 2016</b>	<b>354,873,625</b>	<b>30,000,000</b>	<b>70,000,000</b>	<b>454,873,625</b>
<b>Balance As at 1 July 2014</b>	<b>140,291,020</b>	-	-	<b>140,291,020</b>
Surplus for the period	176,096,932	-	-	<b>176,096,932</b>
<b>Balance as at 30 June 2015</b>	<b>316,387,952</b>	-	-	<b>316,387,952</b>

**XIV. STATEMENT OF CASH FLOWS**

	Note	2015/2016 Kshs	2014/2015 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Capitation Grant - Revenue	3	13,940,075	37,404,640
Registration and Renewal Fees	4	1,080,000	1,310,000
Application, Revision and Placement Fees		168,436,057	168,846,056
Interest Income	6	16,613,156	7,132,331
		<b>200,069,288</b>	<b>214,693,027</b>
<b>Payments</b>			
Compensation of employees		(56,149,889)	(41,022,951)
Goods and services		(98,221,483)	(48,472,722)
Finance cost	14	(82,225)	(64,176)
		<b>(154,453,597)</b>	<b>(89,559,849)</b>
<b>Net cash flows from operating activities</b>	24	<b>45,615,691</b>	<b>125,133,178</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(16,948,608)	(39,833,790)
<b>Net cash flows used in investing activities</b>		<b>(16,948,608)</b>	<b>(39,833,790)</b>
<b>Cash flows from financing activities</b>			
Increase in deposits		-	-
Investment Income		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>28,667,083</b>	<b>85,299,388</b>
Cash and cash equivalents at 1 July 2015		247,182,119	161,882,731
<b>Cash and cash equivalents at 30 June 2016.</b>	14	<b>275,849,202</b>	<b>247,182,119</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget 2015-2016 Kshs	Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual on comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs	Per cent (%)
<b>Revenue</b>						
Capitation Grants- Revenue	114,000,000	(58,239,700)	55,760,300	45,389,100	(10,371,200)	-18.6%
Registration and Renewal Fees	4,000,000	(3,000,000)	1,000,000	1,080,000	80,000	8%
Application and Revision Fees	105,000,000	15,000,000	120,000,000	141,567,746	21,567,746	18%
Placement Fees	105,000,000	15,000,000	120,000,000	106,997,500	(13,002,500)	-10.8%
Interest Income	1,500,000	9,937,000	11,437,000	15,161,168	3,724,168	33%
<b>Total income</b>	<b>329,500,000</b>	<b>(21,302,700)</b>	<b>308,197,300</b>	<b>310,195,514</b>	<b>1,998,214</b>	
<b>Expenses</b>						
Employee costs	82,311,000	-	82,311,000	58,538,470	23,772,530	27%
Board Expenses	11,000,000	-	11,000,000	11,117,003	(117,003)	1%
Placement Processing and Publicity	55,000,000	(2,000,000)	53,000,000	11,443,207	41,556,793	78%
Career Guidance and Workshops	46,000,000	2,000,000	48,000,000	8,869,249	39,130,751	82%
Depreciation Expense	16,999,000	(6,645,000)	10,354,000	11,082,068	(728,068)	-7%
Repairs and Maintenance	10,000,000	(1,564,000)	8,436,000	7,247,646	1,188,354	14%
General Expenses	102,200,000	(10,800,000)	91,400,000	63,329,973	28,070,027	31%
Finance Cost	500,000	-	500,000	82,225	417,775	84%
Capital Expenditure	359,450,000	(255,000,000)	104,450,000	16,948,608	87,501,392	84%
<b>Total Expenditure</b>	<b>683,460,000</b>	<b>(274,009,000)</b>	<b>409,451,000</b>	<b>188,658,449</b>	<b>220,792,551</b>	
<b>Surplus for the Period</b>	<b>(353,960,000)</b>	<b>252,706,300</b>	<b>(101,253,700)</b>	<b>121,537,065</b>		

**Note**

The absorption of the voted amounts was below expectations as reflected in the variances between the budget and actual expenses. This was mainly because of the rigorous process of recruitment that was expected to be completed early in the year but was ongoing at the end of the period. Various expense heads have a direct relationship with the staff expected in various units of the establishment. There was also a cost saving in placement processing after processing placement in-house as opposed to outsourcing as earlier planned. We have since received most of the approval and expect this to be improved in future spending.

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

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the KUCCPS and all values are rounded to the nearest Kenya Shilling. The accounting policies have been consistently applied to all the years presented.

The comparative figures for the year ended June 30, 2015 are given for ease reference.

#### ***First time adoption of International Public Sector Accounting Standards***

Kenya Universities and Colleges Central Placement Service adopted the International Public Sector Accounting Standards for the first time in 2014. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

#### **a) Revenue recognition**

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

###### ***1) Government Grants***

Government grants are only recognized when received or where the government gives a specific written undertaking on the same. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the KUCCPS and the fair value of the asset can be measured reliably.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### ***2) Transfers from other Government Entities***

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the KUCCPS and can be measured reliably.

#### **ii) Revenue from exchange transactions**

##### ***1) Rendering of services***

The KUCCPS recognizes revenues from placement fees in relation to the current financial year when the event occurs and the asset recognition criteria are met. Other incomes from rendering of services are recognized by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

##### ***2) Sale of goods***

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

##### ***3) Interest income***

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

#### **b) Budget Information**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Property, plant and equipment**

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

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Inventories**

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

**e) Leases**

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

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. The Placement Service has an operating lease and lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. The deferred lease payments are recognized as deferred rent liability to be utilized in later years as rent escalates.

### **f) Provisions**

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **1) Contingent liabilities**

The KUCCPS 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.

#### **2) Contingent assets**

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

### ***Commitments***

Procurement commitments which are not finalized by the end of period are disclosed especially in relation to procurement of assets.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **g) Reserves**

Reserves are created and maintained in terms of specific requirements. The Board may from time to time establish a specific or general reserve fund to cater for current and future Placement needs.

### **h) Changes in accounting policies and estimates**

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

### **i) Employee benefits**

#### **1) Retirement benefit plans**

Placement Service provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Placement Service operates a defined contribution plan with BRITAM. Employees contribute 10% and Employer 20% of the qualifying staff basic pay and the same is paid to BRITAM on monthly basis.

#### **2) Gratuity**

KUCCPS provides for gratuity for the staff working on contract terms of service at a rate of 31% of the basic pay. This is charged to the statement of financial performance for each year worked.

### **j) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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.

**k) Related parties**

KUCCPS regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KUCCPS or vice versa. Members of key management are regarded as related parties.

**l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

**m) Segment Reporting**

KUCCPS does not have any branches/reporting segments. All the operations are managed from the registered office. The core business of the KUCCPS continues to be coordination of placement of government sponsored student into universities and colleges as stipulated in Section 56 (1) of the Universities Act, 2012.

**n) Significant judgments and sources of estimation uncertainty**

**1) Provision for Depreciation**

The following rates are applied for purposes of providing for the usage of the assets and providing for their replacement.

i. Computers, Computer Accessories and Infrastructure	20%
ii. Motor Vehicles	20%
iii. Furniture, Fittings and Equipment	10%

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2) Bad Debt Provision**

Provision for bad debtors is made at a rate of 5% on Trade debtors. This is general provision and does not include specific bad debt where debtors are fully impaired and irrecoverable.

### **o) Financial instruments**

#### **1) Financial assets**

##### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. 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. Losses arising from impairment are recognized in the surplus or deficit.

##### ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when Placement Service has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. 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. The losses arising from impairment are recognized in surplus or deficit.

##### ***Impairment of financial assets***

The Placement Service assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

- i. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults);
- ii. The debtors or an entity of debtors are experiencing significant financial difficulty;
- iii. Default or delinquency in interest or principal payments;
- iv. The probability that debtors will enter bankruptcy or other financial reorganization.

### **2) Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

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

#### ***Loans and borrowing***

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Transfers from governments**

	2015/2016	2014/2015
	Kshs	Kshs
<b>Unconditional grants</b>		
Capitation Grants - Revenue	<u>45,389,100</u>	<u>37,404,640</u>
<b>Total government grants and subsidies</b>	<u><b>45,389,100</b></u>	<u><b>37,404,640</b></u>

Included in this amount is Kshs 31,449,025 capitation receivable for the period from the Ministry of Education.

**4. Registration and Renewal Fees**

	Kshs	Kshs
Registration Fees	<u>1,080,000</u>	<u>1,310,000</u>
<b>Total revenue from the rendering of services</b>	<u><b>1,080,000</b></u>	<u><b>1,310,000</b></u>

During the year 8 Universities and 4 Colleges were registered and paid Kshs 100,000 and 70,000 each university and college respectively.

**5. Application, Revision and Placement Fees**

	Kshs	Kshs
Student Application and Revision Fees	141,567,746	144,440,056
Placement Fees	<u>106,997,500</u>	<u>89,311,500</u>
<b>Total revenue from application fees</b>	<u><b>248,565,246</b></u>	<u><b>233,751,556</b></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. Interest Income**

	<b>Kshs</b>	<b>kshs</b>
Cash investments and fixed deposits	15,161,168	11,426,852
<b>Total Interest Income</b>	<b>15,161,168</b>	<b>11,426,852</b>

Included in the Interest income is Kshs 2,895,236 being accrued interest for the amount in call deposit as at June 30, 2016. During the period Kshs 4,347,123 was received from KCB being accrued interest for the period ended June 30, 2015.

**7. Employee costs**

	<b>Kshs</b>	<b>Kshs</b>
Employee related costs - salaries and wages	46,885,541	34,780,383
Housing benefits and allowances	11,652,929	7,066,557
<b>Employee costs</b>	<b>58,538,470</b>	<b>41,846,940</b>

**8. Board Expenses**

	<b>Kshs</b>	<b>Kshs</b>
Sitting Allowances	3,076,000	3,354,100
Other Board Expenses	8,041,003	679,933
<b>Total Board Expenses</b>	<b>11,117,003</b>	<b>4,034,033</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Placement Processing and Publicity**

	<b>Kshs</b>	<b>Kshs</b>
Placement Processing	1,431,425	6,895,358
Advertising & Publicity	9,811,782	9,050,741
Publications	200,000	366,720
	<u>11,443,207</u>	<u>16,312,819</u>

**10. Career Guidance and Workshops**

	<b>Kshs</b>	<b>Kshs</b>
Career Guidance & Workshops	1,912,205	3,183,470
Admission Support in Counties	2,179,803	1,895,800
Career Talks and workshops	915,900	858,750
Exhibitions and Shows	3,861,341	3,551,244
	<u>8,869,249</u>	<u>9,489,264</u>

**11. Depreciation Expense**

	<b>Kshs</b>	<b>Kshs</b>
Property, Plant and Equipment	11,082,068	7,831,167
<b>Total Depreciation</b>	<u>11,082,068</u>	<u>7,831,167</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Repairs and Maintenance**

	<b>Kshs</b>	<b>Kshs</b>
Vehicles	1,985,048	826,772
Refurbishment and Other Repairs	5,262,598	440,649
	<hr/>	<hr/>
<b>Total Repairs and Maintenance</b>	<b>7,247,646</b>	<b>1,267,421</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. General expenses**

The following are included in general expenses:

	2015/2016	2014/2015
	Kshs	Kshs
Audit fees	419,920	322,000
Conferences and Seminars	3,746,848	1,198,150
Office Operations	9,406,493	7,730,754
Printing and stationery	2,069,876	953,919
Telecommunication	3,198,250	385,239
Rent & service Charge ( <b>Note 22</b> )	9,895,026	5,382,560
Staff Training	9,729,518	5,793,052
Subscription and Membership fees	199,665	1,131,505
Insurances	5,466,183	807,842
Professional fees	7,940,000	-
Provision for bad and doubtful debts	11,258,194	3,245,275
<b>Total general expenses</b>	<b>63,329,973</b>	<b>26,950,296</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****14. Finance Cost**

Bank Charges	82,225	64,176
<b>Total Finance Cost</b>	<b>82,225</b>	<b>64,176</b>

**15. Cash and Cash Equivalents**

	Kshs	Kshs
Bank	75,508,378	97,117,836
Cash-on-hand	12,955	64,283
Short-term deposits	200,327,869	150,000,000
<b>Total Cash and Cash Equivalents</b>	<b>275,849,202</b>	<b>247,182,119</b>

Short Term deposit was a Call Deposit of Kshs 100,000,000 at an interest rate of 3% p.a. and a 91 days fixed deposit of Kshs 100,327,869 at an interest rate of 10% with the KCB.

**16. Receivables****(a) Receivables from Exchange Transactions**

<b>Current receivables</b>	<b>Kshs</b>	<b>Kshs</b>
i) Placement fees debtors	145,034,689	64,905,500
ii) Investment Interest debtors	2,895,135	4,347,123
Less: Provision for bad debt	(14,503,469)	(3,245,275)
<b>Total Receivables from Exchange Transactions</b>	<b>133,426,355</b>	<b>66,007,348</b>

**16. (b) Receivables from Non-Exchange Transactions**

<b>Current receivables</b>	<b>Kshs</b>	<b>Kshs</b>
Capitations due for the Year	31,449,025	-
<b>Total Receivables from Non-Exchange Transactions</b>	<b>31,449,025</b>	<b>-</b>
<b>Total Current Receivables</b>	<b>164,875,380</b>	<b>66,007,348</b>

The maximum exposure to the credit risk at the reporting date is the fair value of each of the class of receivable mentioned above. An increased provision of 10% of the total debtors is made to cater for the bad and doubtful debts. Any increase or decrease in provision is charged to the statement of financial position. The Ministry confirmed that despite the delay in releasing capitation for the final quarter of the year it would pay the balance in full.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17. Inventories**

	<b>2015/2016</b>	<b>2013/2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumable Stores	863,651	541,971
<b>Total Inventories at the lower of cost and net realizable value</b>	<b>863,651</b>	<b>541,971</b>

**18. Property, Plant and Equipment**

	<b>Motor Vehicles</b>	<b>Computers</b>	<b>Furniture and Equipment</b>	<b>Total</b>
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 1 July 2015	20,931,191	16,068,140	4,313,009	41,312,340
Additions	12,745,343	2,815,059	1,388,206	16,948,608
<b>At 30 June 2016</b>	<b>33,676,534</b>	<b>18,883,199</b>	<b>5,701,215</b>	<b>58,260,948</b>
<b>Depreciation and impairment</b>				
At 1 July 2015	4,186,238	3,228,628	571,656	7,986,522
Depreciation	6,735,307	3,776,640	570,122	11,082,068
<b>At 30 June 2016</b>	<b>10,921,545</b>	<b>7,005,268</b>	<b>1,141,778</b>	<b>19,068,590</b>
<b>Net book values</b>				
<b>At 30 June 2016</b>	<b>22,754,989</b>	<b>11,877,931</b>	<b>4,559,438</b>	<b>39,192,358</b>
At 1 July 2014	-	75,000	1,403,550	1,478,550
Additions	20,931,191	15,993,140	2,909,459	39,833,790
<b>At 30 June 2015</b>	<b>20,931,191</b>	<b>16,068,140</b>	<b>4,313,009</b>	<b>41,312,340</b>
<b>Depreciation and impairment</b>				
At 1 July 2014	-	15,000	140,355	155,355
Depreciation	4,186,238	3,213,628	431,301	7,831,167
<b>At 30 June 2015</b>	<b>4,186,238</b>	<b>3,228,628</b>	<b>571,656</b>	<b>7,986,522</b>
<b>Net book values</b>				
<b>At 30 June 2015</b>	<b>16,744,953</b>	<b>12,839,512</b>	<b>3,741,353</b>	<b>33,325,818</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Payables	15,159,105	24,436,724
Other Payables	1,170,735	906,083
<b>Total Trade and Other Payables</b>	<b><u>16,329,840</u></b>	<b><u>25,342,807</u></b>

In the opinion of the Directors, the carrying amounts of trade and other payables approximate to their fair value. Included in the trade payable is an amount of Kshs 2,438,132 being accrued rent liability see Note 22.

**20. Pensions and Other Post-Employment Benefit Plans**

	<b>2015/2016</b>	<b>2014/2015</b>
<b>Gratuity Provision</b>	<b>Kshs</b>	<b>Kshs</b>
Current benefit obligation	7,974,426	1,650,100
Non-Current Benefit obligation	1,602,700	3,676,397
<b>Total Employee Benefit Liability</b>	<b><u>9,577,126</u></b>	<b><u>5,326,497</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****21. Accumulated Surplus and Reserves**

During the year the Board created two reserve funds from the accumulated surplus of the previous to take care of Placement Service needs moving forward. These funds forms part of the Placement Service reserves but specific for the purposes for which the reserves were created. An amount of Kshs seventy million was set aside towards the staff House Mortgage and Car Loan Scheme. Another Amount of thirty million was set aside towards the establishment of capital development funds to facilitate acquisition of own premises.

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Accumulated Surplus Balance brought forward	316,387,952	140,291,020
Surplus for the Year	138,485,673	176,096,932
Transfers to Staff House Mortgage and Car Loan Scheme Reserve Fund	(70,000,000)	-
Transfers to Capital Development Reserve Fund	(30,000,000)	-
Accumulated Surplus Balance Carried forward	<u><b>354,873,625</b></u>	<u><b>316,387,952</b></u>

**22. Rent and Deferred Rent Liability**

	<b>Kshs</b>	<b>Kshs</b>
Total Rent (Lease) Expense (Note 13)	9,895,026	5,382,560
Total Rent (Lease) Due and Paid	(8,319,938)	(4,519,516)
Accrued Rent liability for the Year	<u><b>1,575,088</b></u>	<u><b>863,044</b></u>

**23. Commitments and contingencies**

The Placement Service has an ongoing dispute with Kenya Medical Training College (KMTC) as who should place student in KMTC. Placement Service has as per the Universities Act proceeded and placed students in KMTC. The students were denied admission and the Placement Service filed a case in court seeking judicial interpretation. The State stepped and ordered KUCCPS and KMTC to resolve the issue amicably with assistance of the Attorney General. This was done and the matter resolved. Disgruntled

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Kenyan took the matter back to court suing the Attorney General, Placement Service and KMTC and the matter is pending in court. This full cost of the case may not be ascertained at the moment.

**24. Cash Generated from Operations (Reconciliation)**

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus for the year before tax	138,485,673	176,096,932
<b>Adjusted for:</b>		
Depreciation	11,082,068	7,831,167
Provision for Bad Debts	11,258,194	3,245,275
Provision for staff obligations	4,250,629	3,601,507
<b>Working capital adjustments:</b>		
Increase in inventory	(321,680)	(509,851)
Increase in receivables	(110,126,226)	(69,200,020)
Increase / ( Decrease) in payables	(9,012,967)	4,068,168
<b>Net cash flows from operating activities</b>	<b>45,615,691</b>	<b>125,133,178</b>

**25. Related Parties Transactions**

The management staff and the Members of the Board are for the purposes of this report considered related parties. During the year, Management staff and the Board Members were only paid salaries and board allowances.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **26. Financial Risk Management Policies**

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

#### **Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

#### **Financial risk management objectives**

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

##### **a) Credit risk management**

The Placement's credit risk is primarily attributable to its grants receivables, other receivables and bank balances.

The amounts of receivables other than grants receivable 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 amount of grants receivable presented in the statement of financial position relates to printed estimates and receivable from the Ministry of Education

The credit risk on grants receivable and liquid funds with financial institutions is limited because the Ministry has given assurance of its payment and the bank is reputable with high credit ratings.

The amount that best represents the Company's maximum exposure to credit risk as at June 30, 2016 is made up as follows:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Amount in Kshs	Fully performing	Past due	Impaired	Total
Cash and Bank balances	75,180,509	-	-	75,180,509
Short term deposit	200,327,869	-	-	200,327,869
Capitation receivable	31,449,025	-	-	31,449,025
Placement receivables	102,882,825	45,047,000	(14,503,469)	133,426,356
<b>Total</b>	<b>409,840,228</b>	<b>45,047,000</b>	<b>(14,503,469)</b>	<b>440,383,759</b>

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board. The Board has put in place appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. Placement Service manages liquidity risk by maintaining enough required funds for its operations through continuous monitoring of forecast and actual cash flows.

Amount in Kshs	Less than 1 month	Over one month	Total
Payable	24,606,018	2,054,196	26,660,214
Overdraft	-	-	-
	<b>24,606,018</b>	<b>2,054,196</b>	<b>26,660,214</b>

Placement has no overdraft.

**c) Exchange risk**

The Placement Service does not hold of its bank balances in foreign currency. There are no other foreign currencies denominated financial assets or liabilities and for this reason the Placement is not exposed materially to exchange risks.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. Events after the Reporting Period**

The Placement Service was directed by the state to work with the Ministry of Education and place an approximately ten thousand additional students to Private Universities so as to report in September together with those already placed in Public Universities.

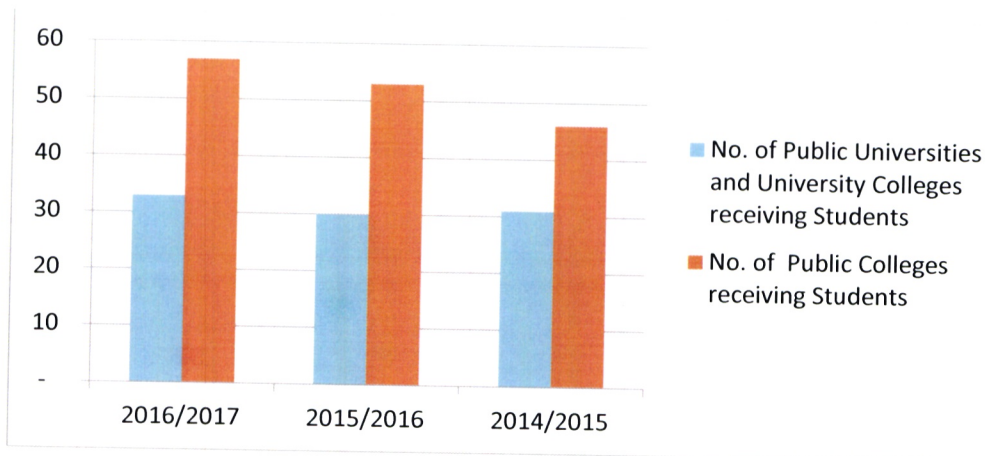
**28. Placement Statistics**

The Placement Service has placed students into Universities, University Colleges and Colleges for 2014, 2015 and 2016. The following are some of the main data:

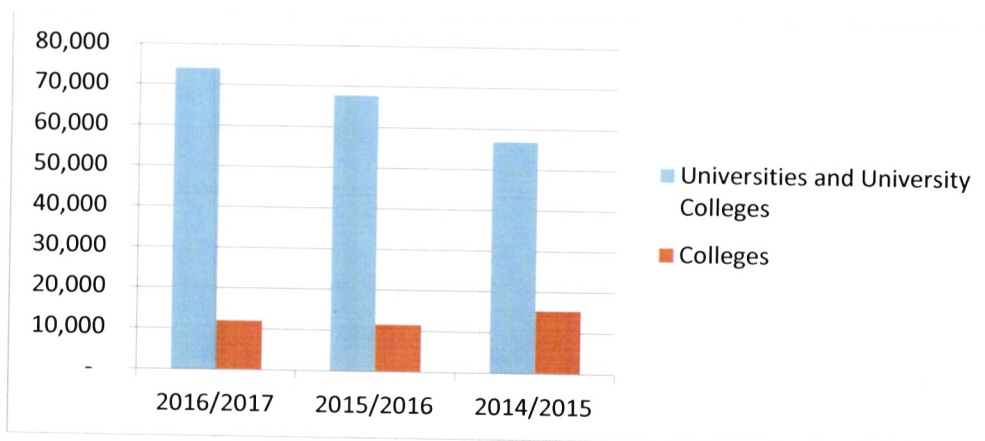
<b>Descriptions</b>	<b>2016/ 2017</b>	<b>2015 / 2016</b>	<b>2014/ 2015</b>
<b>Institutions</b>			
No. of Public Universities and University Colleges receiving Students	33	30	31
No. of Public Colleges receiving Students	57	53	46
<b>No. of Students Placed</b>			
Universities and University Colleges	74,046	67,790	56,938
Colleges	12,038	11,523	15,400
<b>Number of Students benefitting on Affirmative Action</b>			
Gender	1,083	4,162	2,527
Marginalized	655	1,239	532
Disability	178	178	72

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

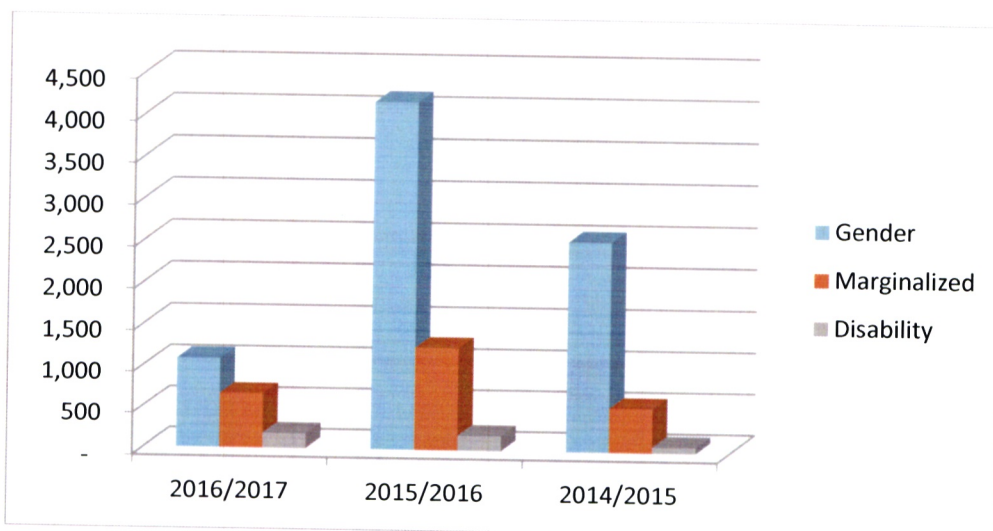
**Chart 1: Number of institutions receiving students**



**Chart 2: Number of students placed**



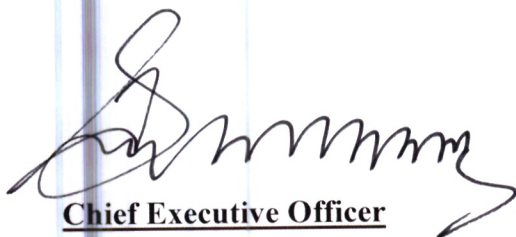
**Chart 3: Affirmative Action**



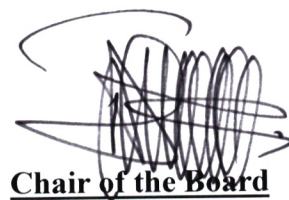
**XVII. PROGRESS ON FOLLOW-UP OF AUDITOR'S RECOMMENDATIONS**

The Placement Service has no outstanding issues with the Kenya National Audit Office. In the first two years the Board has received clean audit reports.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status:  (Resolved / Not Resolved)	Timeframe :  (Put a date when you expect the issue to be resolved)

  
**Chief Executive Officer**

September 30, 2016

  
**Chair of the Board**

September 30, 2016

