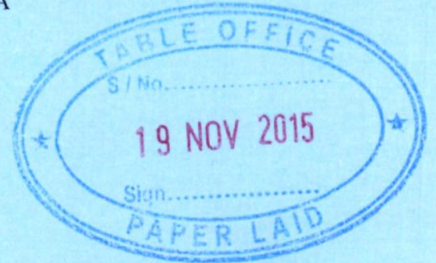
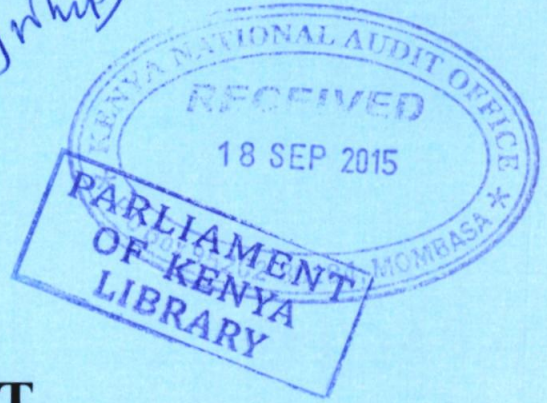


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper laid
By Hon. K.O. Mutho (Majority Party Whip)
on 19.11.2015 (pm)
M M M*



**REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
PWANI UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2014**





PWANI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

I. KEY UNIVERSITY INFORMATION AND MANAGEMENT	ii
II. THE UNIVERSITY COUNCIL	iv
III. MANAGEMENT TEAM	vi
IV. CHAIRMAN'S STATEMENT	vii
V. REPORT OF THE VICE CHANCELLOR	viii
VI. CORPORATE GOVERNANCE STATEMENT	ix
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xi
VIII. REPORT OF THE COUNCIL	xii
IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES	xiv
X. REPORT OF THE INDEPENDENT AUDITORS ON THE UNIVERSITY	xv
XI. STATEMENT OF FINANCIAL PERFORMANCE	1
XII. STATEMENT OF FINANCIAL POSITION	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVI. NOTES TO THE FINANCIAL STATEMENTS	6
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	26

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

The university was established by the University Act of Parliament on 30th January 2013. The Cabinet Secretary for education science and technology is responsible for the general policy and strategic direction of the university

Key Management

The Pwani University's day-to-day managements under the following key organs:

- Vice Chancellor;
- Deputy Vice Chancellor – Administration, Finance and Planning
- Deputy Vice Chancellor – Academic and Student Affairs
- Deputy Vice Chancellor – Research and Extension
- Finance Officer

(b) University Headquarters

Pwani University
P. O. Box 195-80108
Kilifi, Kenya

(c) University Contacts

Telephone: (254) 41 75 22 489/ 059
E-mail: info@pwaniuniversity.ac.ke
Website: www.pu.ac.ke

(d) University Bankers

1. Equity Bank Ltd
P.O. Box 381
Kilifi 80108
Kilifi, Kenya

2. Barclays Bank
P.O. Box 423
Kilifi 80108
Kilifi, Kenya

University Bankers (Cont.)

3. Kenya Commercial Bank
P.O. Box 528
Kilifi 80108
Kilifi, Kenya

4. Cooperative Bank
P.O. Box 96
Kilifi 80108
Kilifi, Kenya

5. Housing Finance Bank
P.O. Box 84839
GPO 80100
Mombasa, Kenya






(e) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084
GOP 00100
Nairobi, Kenya

(f) Principal Legal Adviser





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

II. THE UNIVERSITY COUNCIL

<p>Prof. F.K. Sang PhD. Chairman of Council</p>		<p>Date of Birth: March 1943 Key Qualification: Professor in Forest Pathology. Experience : 45 years Teaching and Administration Ethnicity: Keiyo</p>
<p>Ms. Anne Marrie Nyamu Msc Hydrobiology, Council Member</p>		<p>Date of Birth: September 1960 Key Qualification: MSc in Hydrobiology Experience: Professional Communication Consultant 31 years Ethnicity: Kikuyu</p>
<p>Ms. Eunice Muthoni MSC in Entrepreneurship, Council Member</p>		<p>Date of Birth: April 1961 Key Qualification: Lecturer Experience : 16 years Teaching and Administration Ethnicity: Mbeere</p>
<p>Ms. Fenny Mwakisha PS Representative MOEST, Council Member</p>		<p>Date of Birth: June 1960 Key Qualification: PS Representative MOEST Experience: 26 years Education Administration Ethnicity: Taita</p>
<p>Mr. Shem Nyakutu PS Representative The National Treasury Council Member</p>		<p>Date of Birth: February 1963 Key Qualification: PS Representative Experience: 26 years Financial Administration Ethnicity: Luo</p>

<p>Mr. Gitonga M’Aciuru MBA Strategic Management LLB. Council Memebre</p>		<p>Date of Birth: November 1971 Key Qualification: Advocate, MBA Experience:20 years Legal Experience Ethnicity: Meru</p>
<p>Ms. Delilah Kadzo Ngala Banker Council Member</p>		<p>Date of Birth : May 1960 Key Qualification:Masters of Business Administration Experience:29 Years Banking Ethnicity: Giriama</p>
<p>Dr. Simon Kamunde Larama M.A.MED Council Member</p>		<p>Date of Birth :March 1957 Key QualificationMasters in Alternative Medical and Systems (M.A.MEDS), Experience: 31 years Ethnicity: Samburu</p>
<p>Prof. M.S. Rajab PhD. Vice Chancellor</p>		<p>Date of Birth: 1958 Key Qualification: Professor in Biochemistry Experience: 34 years Ethnicity: Swahili</p>

III. MANAGEMENT TEAM

<p>Name: Prof. .M.S.Rajab PhD. Qualification: Bsc. PhD)</p> 	<p>Vice Chancellor Chief Executive Officer</p>
<p>Name: Prof .P. M. Tole Qualification: Bsc. Msc. PhD</p> 	<p>Deputy Vice Chancellor Administration, Finance and Planning</p>
<p>Name: Prof.M.K.Tsanuo Qualification: Bed. Msc. Phd.</p> 	<p>Deputy Vice Chancellor Research and Extension</p>
<p>Name: Prof.H.P.Kahindi. Qualification: Bsc. Msc. Phd.</p> 	<p>Deputy Vice Chancellor Academic and Student Affairs</p>

IV. CHAIRMAN'S STATEMENT

The University Council notes with appreciation the continued support of the Government and other collaborators both local and international in running the institution. We have endeavored to continue restructuring of the academic programmes, working with industries and other strategic partners in order to achieve efficiency in the management of academic affairs and provide for facilities to meet emerging challenges.

I am pleased to note that despite challenges of access, equity, globalization and internationalization of higher learning among others, Pwani University has embraced modes of teaching and learning focusing on both traditional and new ICT based approaches. The University will continue to pursue, adopt and create the requisite environment to support innovative teaching learning and research activities and promote industrial linkages

During the fiscal year, the University embarked on and completed three (3) major development projects and several smaller ones.

At the beginning of the new financial year 2013/2014, the Council signed its 4th Performance Contract with the Government and is determined to achieve all set targets for the period under the review.

I finally wish to acknowledge with gratitude, the vital support that we have continued to receive from the Government, the development partners, students, staff and sponsors without which, the University would not have been able to meet its targets.



Prof Mohamed S. Rajab. PhD
For Council Chairman

Date.....21st JULY 2015

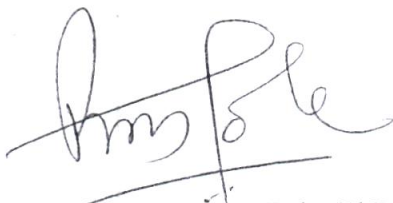
REPORT OF THE VICE CHANCELLOR

I am delighted to present the 6th Annual Report and Financial Statements of Pwani University for the year ended 30 June 2014. During the year under review, the University made remarkable improvements in its performance in terms of engaging new personnel and the improvement of infrastructure. This has resulted in the achievement of outstanding visible results. The University operated on a Government Recurrent Grant of Kshs. 484,395,000- supplemented by income from other activities and Development Grants of Kshs.115,093,075. During the year under review, the University realized a deficit of Kshs.61,262,000 due to implementation of negotiated salary arrears which were not initially factored in the budget and refunds of some funds to IPUCCF.

To facilitate increased access to University education, the University planned for and embarked on projects geared towards attaining its mandate by construction of library, lecture halls, and laboratories and improvement of other facilities in order to prepare for increasing student enrolment and development of new programs.

In conclusion, I take this opportunity to convey my appreciation and gratitude to the University Council, Management and all members of staff for their commitment to work and their timeless and splendid efforts that have seen Pwani University achieve its objectives.

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



Prof. Mwakio P. Tole, PhD
Acting Vice Chancellor,

Date.....21/07/15.....

VI. CORPORATE GOVERNANCE STATEMENT

Pwani University, like other public bodies, has a duty to conduct affairs in a responsible and transparent way, and to take into account the requirements of funding bodies, mainly the Ministry of Education Science and Technology.

The Council

1.Membership: The membership of the Council is as prescribed in Section 36 (1) of the Act.

- (1) Chairperson;
- (2) The Principal Secretary in the Ministry for the time being responsible for the University Education;
- (3) The Principal Secretary in the Ministry for the time being responsible for Finance;
- (4) Five members appointed by the Cabinet Secretary through an open process; and
- (5) The Vice-Chancellor who shall be an ex-officio member of the Council.

The University has in place the following committees of council as required by the law.

1. Finance and General Purpose Committee (FGPC)
2. Staff Appointments and Promotions Committee for Senior Academic Staff
3. Staff Appointments and Promotions Committee for Junior Academic Staff
4. Staff Appointments and Promotions Committee for Non Academic Staff
5. Sealing Committee
6. Staff Appeals Board
7. Staff Disciplinary Committee
8. Audit Committee

As the Council of the Pwani University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to by Pwani University order.

Internal Control and Risk Management

A strategic risk register has been in place all year up to 30 June 2014 designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Risk management and control processes have been in place throughout the period and risk review is embedded within the management culture and applied to the risks on the register and to all new initiatives identified during the year. These processes have been applied up to the date of approval of the financial statements.

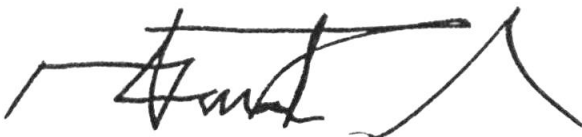
VII. Corporate Governance Statement (Cont.)**(Internal Control & risk Management Cont)**

As the Council, we have responsibility for reviewing the effectiveness of the system of internal control risk management and compliance.

The following processes have been established:

- We meet at regular intervals to consider the plans and strategic direction of the University
- We receive periodic reports from the Chair of the Audit Committee concerning internal control and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects and issues
- The Audit Committee receives regular reports from the independent internal audit department, which include the internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A programme of facilitated workshops is held for section heads, senior and other managers to identify and keep up to date the key issues and risks for the University, including the anticipation and appropriate response to risks emerging/associated with changing social, environmental and legislation requirements
- The University-wide risk register is maintained and a system of reporting on risk management has been agreed by the Council and Audit Committee. This involves a range of formal reports received during the year

Our review of the effectiveness of the system of internal control is also informed by the work of the management board within the University, who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors in their management letter and other reports from external bodies such as the Kenya National Audit Office. There were no issues arising during 2013/2014 in respect of corporate governance and council is committed to fully embracing the principles of good corporate governance.



Prof. Mohamed S. Rajab. PhD.
For Council Chairman

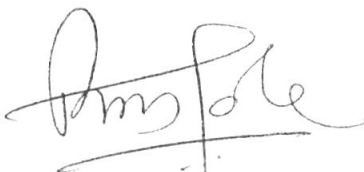
Date. 21ST JULY 2014

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

We at Pwani University strongly believe that being socially responsible, be it as an individual, a group, or an organisation is something that makes a person proud, as the Vice Chancellor of the University happy to highlight our commitment in this area. The University is acutely aware of its responsibilities to its community, its city and its wider environment. There are many examples I could call upon to show this, but for me one has particular significance and also shows the scale of our impact as an organisation.

The University's work in helping provide modern mariculture technology to the fishermen of Kibokoni Village, Kilifi County is having a life-changing effect. A similar result is being achieved by our co-operation with USAID through its funzo Kenya initiative, which is working with our school of nursing in an attempt to provide continuous professional training to health care providers on how to manage the world's most vulnerable children in an attempt to give them the chance not only to survive, but to strive towards a healthier, happier and more fruitful way of life through improved nutrition and HIV management. To our students the university ensures that the less privileged of them continue to pursue their education through our generous bursary programme. Our staff can enhance their skills and knowledge through the staff development programme where they are accorded a 50% fee waiver for Masters and PHD programmes. To our immediate community the university is offering farmers improved seed variety that can withstand pest and prolonged drought. Kilimo Primary School is a community school hosted within the premises of the University to offer basic education to children of the peasant residents surrounding the Campus. The university community is offering a vibrant market for both goods and services to Kilifi Investors especially those offering accommodation facilities as most students are encouraged to stay off campus.

Whether in its immediate community or its wider one, the University's commitment to corporate social responsibility is a great example to not only other higher education institutions but to organisations and companies of all sizes.



Prof. Mwakio P. Tole, PhD
Acting Vice Chancellor,

21/07/15
Date.....

VIII REPORT OF THE COUNCIL

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Pwani University's affairs.

Principal activities

The principal activities of the university are provided for in the Pwani University charter 2013, these include:

- a) To provide directly or in collaboration with other institutions of higher learning, facilities for University education and research including technological scientific and professional education.
- b) Conduct research and creates 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) Grants degree diplomas certificates and other awards
- f) Syndicate examinations for awards at other institutions as may be approved by the senate
- g) Participate in discovery disseminations preservations and enhancement of knowledge
- h) Play an effective role in societal development and expansion of opportunities in line with the university aims and objectives
- i) Examine and make proposals for new faculties schools institutes departments resources and subject of study
- j) Set criteria for admission of students to the university provided that admission to the university as candidates for the degree diplomas certificates or other awards of the university shall be open to all persons accepted as being qualified by the senate without distinction of race ethnicity place of origin or residence or other local connections political opinion colour, creed, physical ability or gender.
- k) Facilitate students mobility between programs
- l) Participate in commercial ventures and activities that promote the objectives of the university

Provide opportunities for development and further training for staff of the institution and promote community service

Results

The results of the University for the year ended June 30, 2014 are set out on page 1 to 4

Dividends

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

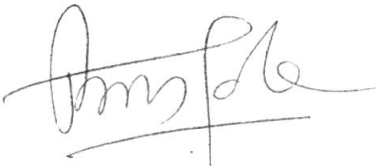
Council

The members of the university council who served during the year are shown on pageiv
In accordance with the regulation of the Pwani University statutes 2013.

Auditors

The Auditor General is responsible for the statutory audit of the university in accordance with the
Section 68(2) of the Public Finance Management (PFM) Act, 2012.

By Order of the Council.



Prof. Mwakio P. Tole, PhD
Acting Vice Chancellor,

Date.....21/07/15.....

**IX. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES FOR THE YEAR
ENDED 30 JUNE 2014**

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

The Council accepts responsibility for the preparation and presentation of the university's financial statements, which give a true view of the state of the university for and as at end of the financial year ended June, 2014. 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 Pwani University (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards, and in the manner required by the PFM Act and the State Corporations 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, 2014, and of the university's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the university, which have been relied upon in the preparation of the university's financial statements as well as the adequacy of the systems of internal financial control.

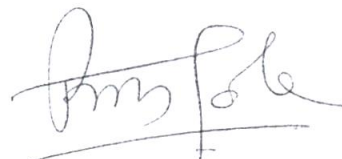
Nothing has come to the attention of the Council that the University will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The university's financial statements were approved by the Council on 21st October, 2014. and signed on its behalf by:



Prof. Mohamed S. Rajab. PhD
For Council Chairman



Prof Mwakio P. Tole, PhD
Acting Vice Chancellor



Annual Report and Financial Statement
For the year ended 30 June 2014

X. REPORT OF THE INDEPENDENT AUDITORS ON THE PWANI UNIVERSITY

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PWANI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Pwani University set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

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 15(2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Auditing. 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 misstatement.

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 statements, 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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 qualified audit opinion.

Basis for Qualified Opinion

1.0 Borrowings

Note 21 to the financial statements reflects borrowings amount of Kshs.64,512,000 from a commercial bank. However, no letter of approval from the National Treasury was availed in support of the loan as per Section 51(2) of the Public Finance Management Act, 2012 which requires a National Government entity to obtain approval of the Cabinet Secretary for intended program of borrowing, refinancing and repayment.

2.0 Property, Plant and Equipment

2.1 Land

As similarly reported in the previous year's audit report, the tangible property, plant and equipment figure of Kshs.1,317,091,000 as at 30 June 2014 includes un-surveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000 that has reportedly been encroached upon by squatters. Available information indicates that some of the squatters have since gone to court to challenge eviction and that the University is yet to take possession of the property. Further, three parcels of land measuring at least 22.3 acres situated in Kilifi town have also been encroached upon by individuals, jua kali artisans and a benevolent fund.

2.2 Motor Vehicles

The tangible property, plant and equipment balance of Kshs.1,317,091,000 excludes a fully depreciated twenty-six (26) seater Isuzu NKR bus registration No. KBL 102G delivered in the year 2010 with defects as per inspection report. Available information indicated that the vehicle has not been repaired despite management allowing the vehicle to be delivered with the defects.

Under the circumstances, it has not been possible to confirm the carrying value and accuracy of the tangible property, plant and equipment balance of Kshs.1,317,091,00 shown in the financial statements.

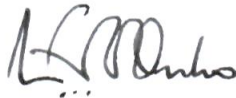
Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

Emphasis of the Matter

Negative Working Capital

The statement of financial position as at 30 June 2014 reflects current liabilities amounting to Kshs.254,765,000 while the current assets amounted to Kshs.112,830,000 resulting to a negative working capital of Kshs.141,935,000, an indication that the University may have been experiencing financial difficulties in settling its obligations as and when they fall due. The University's financial position is therefore precarious and the University's continued existence depends on continued support from Government creditors and bankers. My opinion is not qualified in respect of this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 September 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 Kshs ('000)	2012-2013 Kshs ('000)
Revenue from non-exchange transactions			
Public contributions and donations	3	13,163	-
Transfers from other governments—gifts and services-in-kind	4	484,395	416,024
		497,558	416,024
Revenue from exchange transactions			
Rendering of services	5	261,063	219,092
Rental revenue from facilities and equipment	6	9,698	10,769
Finance income-external investments	7	49	9,935
Other income	8	76,051	78,313
		346,861	318,109
Total revenue		844,419	734,133
Expenses			
Employee costs	9	645,372	480,914
Depreciation and amortization expense	10	45,497	47,499
Repairs and maintenance	11	16,164	18,724
General expenses	12	198,648	191,461
		905,681	738,597
Deficit for the period		(61,262)	(4,464)

The notes set out on pages 6 to 25 form an integral part of the Financial Statements

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XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

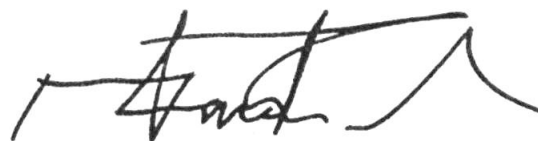
	Note	2013-2014 Kshs. ('000)	2012-2013 Kshs.('000)
Assets			
Current assets			
Cash and cash equivalents	13	17,304	42,550
Receivables from exchange transactions	14	58,455	65,990
Inventories	15	4,409	4,464
Receivable from non- exchange	15a	32,662	29,694
		112,830	142,698
Non-current assets			
Property, plant and equipment-Tangible	20	1,317,091	1,119,816
Property, plant and equipment-Intangible	20A	4,954	6,636
Biological Assets	16	4,950	2,370
		1,326,995	1,128,822
		1,439,825	1,271,520
Total assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	216,131	104,681
Refundable deposits from customers	18	5,945	3,651
Provisions	19	406	350
Current portion of borrowings	21	32,283	32,283
		254,765	140,965
Non-current liabilities			
Borrowings	21	32,229	64,512
		32,229	64,512
		286,993	205,477
		1,152,832	1,066,043
Total liabilities			
Net assets			
Reserves		1,141,292	994,923
Accumulated surplus		11,540	71,120
		1,152,832	1,066,043
		1,439,825	1,271,520

Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Chancellor Pwani University

Date: 31/07/2014



 Prof. Mohamed S. Rajab. PhD
 For Chairman of the University Council

Date: 31/07/2014

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

attributable to the owners of the controlling University

	Reserves Capital replacement development reserve Kshs '000	Accumulated surplus Kshs '000	Revaluation Reserve Kshs'000	Total Kshs '000
Balance as at 30 JUNE 2012	869,963	75,584	0	945,547
Additions in the year	124,960		0	124,960
Surplus/(deficit) for the period	0	(4,464)	0	(4464)
Transfers to/from accumulated surplus	0		0	0
Balance as at 30 JUNE 2013	994,923	71,120	0	1,066,043
Additions in the year	115,093	1,682	31,276	148,051
Deficit for the period	0	(61,262)	0	(61,262)
Balance as at 30 JUNE 2014	1,110,016	11,540	31,276	1,152,832

XIV. STATEMENT OF CASHFLOWS

For the year ended 30 June 2014

	Note	2013-2014 (‘000)	2012-2013 (‘000)
Net cash flows used in operating activities	22	102,657	(36,262)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(209,813)	(138,380)
Biological Assets	16	(899)	(767)
Net cashflows used in investing activities		(210,712)	(139,147)
Cash flows from financing activities			
Development Grants	4	115,093	124,960
Repayment of borrowings	21	(32,283)	(32,283)
Net cash flows used in financing activities		82,810	92,677
Net increase/(decrease) in cash and cash equivalents		(25,245)	(82,732)
Cash and cash equivalents at 1 July,	22	42,549	125,281
Cash and cash equivalents at 30 June,	22	17,304	42,549

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue					
Government grants and subsidies	516,524.00	(59,700.00)	456,824.00	484,395.00	27,571
Rendering of services	234,395.00	10,475.00	244,870.00	261,063.00	16,193
Finance Income	1.00	(0.90)	0.10	49.00	48.90
Other Incomes	90,428.00	(5,538.00)	84,890.00	85,749.00	859
Total income	944,629.00	(54,763.90)	789,584.10	831,256.00	44,671.9
Expenses					
Compensation of employees	648,814.00	15,255.00	664,069.00	645,378.00	18,691.00
Goods and services	316,052	(30,554.00)	285,498.00	260,308.00	25,190.00
Total expenditure	964,866	(15,299.00)	949,567.00	905,686.00	43,881.00
Surplus for the period	(123,518)	(39,464.9)	(162,982)	(74,430)	790.90

Government grants-This was as a result of supplementary allocation not originally budgeted for.

Rendering of service-This was as a result of allocation of large student numbers not anticipated for by KUCPPS.

Compensation of employees-The University postponed employment of employees to a later date resulting to a savings.

Goods and services- This was due to strict austerity measures adopted by the university during the year under review.

XV. NOTES TO THE FINANCIAL STATEMENTS**1. Statement of compliance and basis of preparation – IPSAS 1**

The University's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB). The Board was established under section 192 of the PFM ACT 2012. It is mandated, under section 193 of the Public Finance Management Act 2012, to provide frameworks and set standards for development and management of accounting and financial systems by all state organs and public entities

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost convention as modified by the revaluation of certain Non Current assets. 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 – IPSAS 23****Transfers from other national government entities**

Revenues from non-exchange transactions with other 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).

ii) Revenue from exchange transactions – IPSAS 9***Rendering of services***

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Student fees are recognised when the student registers for the semester.

Income on short term deposits is credited to the statement of Financial Performance.

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.

Notes to the financial statement cont.

Revenue from Exchange transactions)

Interest income

Interest income is accrued using the effective yield method. The University earned the interest income from its fixed deposit with Housing Finance Corporation.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. The rental income is earned from the Institution's houses leased to staff.

Budget information – IPSAS 24

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

Property, plant and equipment – IPSAS 17

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses determined by a 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 its fairvalue.

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

Intangible assets–IPSAS 31

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 are carried at cost less any accumulated amortization and accumulated impairment losses.

Notes to the financial statement cont.**e) Financial instruments – IPSAS 29***Financial assets**Initial recognition and measurement*

The University classified its financial assets at fair value through surplus or deficit. The University determines the classification of its financial assets 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.

*Financial liabilities**Initial recognition and measurement*

The University determines the classification of its financial liabilities at initial recognition at fair value through surplus or deficit .

Notes to the financial statement cont.

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.

IPSAS 29.65. 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.

i) Inventories – IPSAS 12

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.

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

Research Grants

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

j) Provisions – IPSAS 19

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event. Bad debts are provided for at 10% of amount due from students to cater for death or discontinuations of students.

Notes to the financial statement cont.**k) Changes in accounting policies and estimates – IPSAS 3**

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

l) Foreign currency transactions – IPSAS 4

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

m) Borrowing costs – IPSAS 5

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.

n) Related parties – IPSAS 20

The University regards a related party as a person or a University with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. The Government of Kenya, Members of key management are regarded as related parties and comprise the Deputy vice chancellor, the Vice chancellor, registrars, and senior managers.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, and short-term deposits on call with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

Notes to the financial statement cont.

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the University's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event. Bad debts are provided for at 10% of amount due from students to cater for death or discontinuations of students.

Notes to the financial statement cont.

3. Public contributions and donations

	2014	2013
	Shs 000	Shs 000
The Dutch Embassy	702	-
The Turkish International Cooperation	12,461	-
Total transfers and sponsorships	13,163	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of year	-	-
Current year receipts	13,163	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities (see note 37)	13,163	-

4. Transfers from the national governments – gifts and services-in-kind

	2014	2013
	Shs 000	Shs 000
Unconditional grants		
Operational grant	484,395	416,024
	484,395	416,024
Conditional grants		
Other Capital grants	115,093	124,961
	115,093	124,961
Total government grants and subsidies	599,488	540,985

5. Rendering of services

Tuition and other fees	261,063	219,092
Total revenue from the rendering of services	261,063	219,092

Notes to the accounts cont..

1. Rental revenue from facilities and equipment	2014	2013
	Kshs.(000)	Kshs.(000)
Straight-lined operating lease receipts	9,698	10,769
Total rentals	9,698	10,769
7. Finance income-external investments		
Fixed deposits	49	9,935
Total finance income-external investments	49	9,935
8. Other income		
Students Income	28,015	29,539
Farm Income	6,698	8,154
Guest House Income	36,895	36,179
General Income	4,443	4,441
Total other income	76,051	78,313
9. Employee costs	2014	2013
	Shs 000	Shs 000
Employee related costs-salaries and wages	404,302	284,636
Employee related costs-contributions to pensions and medical aid	68,952	51,585
Travel, accommodation, subsistence and other allowances	30,832	24,356
Housing benefits and allowances	141,268	119,760
Overtime payments	18	576
Employee costs	645,372	480,914
10. Depreciation and amortization expense		
Property, plant and equipment	43,814	46,338
Amortization	1,682	1,161
Total depreciation and amortization	45,496	47,499
11. Repairs and maintenance		
Property	7,564	6,750
Equipment	2,877	1,906
Vehicles	2,587	1,826
Other	3,136	8,242
Total repairs and maintenance	16,164	18,724

Notes to the accounts cont...
12. General expenses

	2014	2013
	Shs 000	Shs 000
Research expenses		
Research expenses	1,898	4,500
	1,898	4,500
Operating expenses		
Stationery expenses	8,147	8,785
Protective clothing	671	573
Publishing and printing	6,940	1,044
Cleaning material	881	1,385
Office expenses	1,649	966
Office consumables	247	258
Telephone	1,765	1,697
Courier and postage	670	373
Electricity expenses	11,584	13,493
Sanitary services	828	773
Bal c/f	33,382	29,347
Water and sewerage	10,320	12,316
Security	7,527	5,586
Subscriptions	1,666	1,345
Admission expenses	83	-
Conf, seminars and w/shops	745	1,586
External travel expenses	580	699
Graduation expenses	4,308	3,411
Fueling of motor vehicles	5,853	6,345
Sanate affairs	281	-
Tender notice expenses	853	1,189
Drinking water	-	1
Corporate social expenses	170	158
Cleaning services	1,171	3,924
	66,941	65,907
Teaching expenses		
Teaching material	786	313
Field courses expenses	1,421	785
Laboratory materials	3,688	1,511
Examination expense	1,288	804
External examiners	949	1,245
Teaching practice expenses	3,980	3,001
Field attachment expenses	4,279	1,903
	16,392	9,561

	2014	2013
Notes to the accounts cont..		
	Shs.'000	Shs.'000
Gas and fuel - guest house	681	1,741
Food stuff - main kitchen	21,490	23,124
Food stuff - guest house	6,417	7,204
Cutlery and crockery - main	468	840
Cutlery and crockery - g/house	229	121
Beds, beddings, linen - g/h	-	391
Consumables kitchen	237	202
Consumables g/h f	894	3,053
Red buffalo expenses	3,625	4,713
External accommodation - g/hse	265	113
	<u>36,174</u>	<u>41,797</u>
Library expenses		
News papers and magazines	882	1,040
Library books and journals	2,103	1,305
	<u>2,986</u>	<u>2,345</u>
Health center expenses		
Drugs	2,709	4,224
Other medical expenditures	72	210
	<u>2,782</u>	<u>4,434</u>
Students expenses		
Sports games & tournaments	1,743	1,003
Students welfare	1,566	1,063
Students activities	290	431
Amenities	756	950
12. General expenses (continued)		
Pusa expenses	2,980	1,629
Student medical expenses	17	23
Caution refund		24
Bursary awards	850	464
Aids control unit	259	1,723
	<u>8,462</u>	<u>7,311</u>
Farm expenses		
Farm maintenance	388	627
Purchase of animal feeds	2,049	3,415
Fungicides, insecticides, and sprays	18	13
Purchase of agri inputs	336	298
Vet services and supplies	71	301
	<u>2,861</u>	<u>4,654</u>
Other admin expenses		
Council expenses	6,899	7,907
Insurance expenses	6,313	3,139

Inter university meetings	41	413
Public celebrations	-	12
Legal services	190	521
Consultancy fees	635	3,658
Notes to the accounts cont...	2014	2013
	Shs.'000	Shs.'000
Audit fees-increase	406	406
Bank charges	345	406
Advertising and publicity	4,326	12,864
Networking and software	-	3,446,186
Internet connection	8,486	40
Honoraria	62	1,152
Senate expenses	788	5,200
Bursary expenses	-	392
Departmental meetings	5,049	1,306
Staff development	1,139	900
Fines and penalties	11,257	-
Staff fees subsidy	865	-
Misc expenses & gen expense	2,057	-
Office furnishing	2,063	2,002
Clearing and forwarding	1,392	-
Ethics review expense	37	35
Charter award expenses	-	7,155
Academic regalia	2,126	-
Provision for bad debts	6,026	-
	60,152	50,951
Total general expenses	198,648	191,461

13. Cash and cash equivalents

	2014	2013
	Shs 000	Shs 000
Bank	16,606	32,276
Cash-on-hand and in transit	527	137
Short-term deposits	171	10,135
Total cash and cash equivalents	17,304	42,549

14. Receivables from exchange transactions

Current receivables

Student debtors	60,256	48,148
Provisions 10%	(6,026)	0
Net	54,230	48,148

	Kshs. (000)	Kshs.(000)
External debtors	2,974	1,153
Imprest debtors	361	3,392
Exchange Students	815	1,126
Deposits	75	12,075
Advance	-	97
Total non-current receivables	58,455	65,990
15.inventories		
Finance stores – stationery	1,919	1,885
Maintenance stores general	485	808
Main kitchen stores	549	395
Notes to the accounts cont..	2014	2013
Note 15 Inventories cont..	'000	'000
Health unit	1,038	686
Cleaning materials	390	461
Farm inputs and feeds	28	230
Total	4,409	4,464

15a) Receivable from Non Exchange Transactions

Grants Ministry of Education	32,662	29,694
Total	32,662	29,694

Note No.16: BIOLOGICAL ASSETS

Biological assets are measured at fair value less costs 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 characterised 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. Premiums on the classification as mature ranged from 0% to 50%.

Orchard plants and Livestock

		2014	2013
		Shs'000	Shs'000
Carrying amount at start of year:	Immature livestock	242	242
	Mature livestock	2,127	2,127
		2,369	2,369
Additions during the year - Orchards	Immature Orchards	47	
	Matured Orchards	852	
		899	
Loss arising from changes in fair value attributable to physical changes	(48)	-	
Gain arising from changes in fair value attributable to price changes of Livestock	1,730	-	
Net fair value (loss)/gain		1,682	-
Carrying amount at end of year: June 2014	Immature livestock	327	242
	Mature livestock	3,723	2,127
	Immature Orchard	47	
	Mature Orchard	852	
	TOTALS	4,949	2,369



Annual Report and Financial Statement -
For the year ended 30 June 2014

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 coconuts 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 realised over a number of years.
- Current market prices are used to determine the fair value of short-term crop.

Notes to the accounts cont..

	Kshs.(000) 2014	Kshs.(000) 2013
17.Trade and other payables from exchange transactions		
Trade creditors	107,749	45,669
Student fees	27,058	11,855
Value Added Tax	457	90
Other control accounts		1,975
Payroll control	65,975	21,075
Research grants	14,892	22,885
Insurance claim payable		1,133
Total	216,131	104,681

18.Refundable deposits from customers

Caution money fees	5,945	3,651
Total deposits	5,945	3,651

	2014 Shs.'000	2013 Shs.'000
19.Current provisions		
Audit fees	406	350
Balance as at 30 June	406	350

20. Property, plant and equipment

Depreciation Rates	LAND	WORK IN PROGRESS	BUILDING	MOTOR VEHICLES	GENERAL EQUIPMENT	FURNITURE AND FITTINGS	COMPUTERS	TOTALS
	Kshs(000)	Kshs(000)	Kshs(000) 2%	Kshs(000) 25%	Kshs(000) 12.50%	Kshs(000) 12.50%	Kshs(000) 33%	Kshs 000
Cost/Valuation								
Balance as at 1 July 2012	116,045	150,967	697,571	47,824	71,520	25,433	32,000	1,141,360
Disposal	-	-	-	(360)	-	-	-	(360)
Additions	-	102,690	-	6,326	14,802	5,540	7,638	136,996
At 30 June 2013	116,045	253,657	697,571	53,790	86,322	30,973	39,638	1,277,996
Donations	-	-	-	-	9,796	725	2,642	13,163
Transfer	-	(48,019)	48,019	-	-	-	-	-
Revaluation	-	-	-	31,276	-	-	-	31,276
Additions	-	177,874	-	-	9,608	2,185	6,711	196,378
Adjustment	-	-	273	-	-	-	-	273
At 30 June 2014	116,045	383,512	745,863	85,067	105,702	33,883	48,991	1,519,086
Depreciation and Impairment								
At 1 July 2012	-	-	23,607	33,249	26,601	7,687	21,540	112,684
Adjustment	-	-	-	(843)	-	-	-	(843)
Depreciation	-	-	14,825	9,050	11,297	3,519	7,648	46,339
At 30 June 2013	-	-	38,432	41,456	37,898	11,206	29,188	158,180
Charge For The Year	-	-	14,110	7,051	12,084	3,696	6,874	43,815
Total			52,542	48,507	49,982	14,902	36,062	201,995
NBV 2014	116,045	383,512	693,321	36,560	55,744	18,981	12,929	1,317,091
NBV 2013	116,045	253,657	659,139	12,335	48,424	19,766	10,451	1,119,816

: Adjustments of 273 and (843) related to corrections of values on revalue buildings and depreciation on disposed motor vehicles



Note No.20A-INTANGIBLE ASSETS

DETAILS	SOFTWARE
Depreciation Rates	0.33
	Kshs(000)
<hr/>	
Cost/Valuation	
Balance as at 1 July 2012	8,357.00
Disposal	0.00
Additions	1,368.00
<hr/>	
At 30 June 2013	9,725.00
Donations	0.00
Transfer	0.00
Revaluation	0.00
Additions	0.00
Adjustment	0.00
<hr/>	
At 30 June 2014	9,725.00
Impairment	
At 1 July 2012	1,928.00
Adjustment	0.00
Depreciation	1,161.00
At 30 June 2013	3,089.00
Charge For The Year	1,682.00
<hr/>	
Total	4,771.00
NBV 2014	4,954.00
NBV 2013	6,636.00

21. Borrowings

	2014 Shs 000	2013 Shs 000
Balance at the beginning of the year	96,795	129,078
Repayment of Domestic Borrowings	32,283	32,283
Balance at the end of the year	64,512	96,795
Less: Amount due with one year (current portion)	32,283	32,283
Amount due after one year (Non Current Portion)	32,229	64,512

The outstanding loan is denominated in Kenya shillings and was obtained from Equity Bank at an interest rate of 18% secured by our southern house as collateral.

22. Cash generated from operations

	2014 Shs 000	2013 Shs 000
Deficit from the year	(61,263)	(4,464)
Adjusted for:		
Depreciation	45,497	47,499
Increase in Audit Provisions	56	-
Working Capital Adjustments:		
Decrease in Inventories	55	639
Decrease / (increase) in Receivables	7,535	(68,317)
Exchange Transactions		
Decrease/(increase) in Receivable non Exchange transactions	(2,968)	0
Increase in Payables	113,745	(11,619)
Net cash generated from (Used in) operations	102,657	(36,262)

23. FINANCIAL INSTRUMENTS

Capital risk management

The university manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the university consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents, issued share capital and retained earnings.

The gearing ratio at the period end was as follows:

	2014 Sh'000	2013 Sh'000
Bank borrowings	64,512	96,795
Cash and cash equivalents	(17,304)	(42,550)
Net borrowings	47,208	54,245
Equity*	1,152,832	1,066,043
Net debt to equity ratio	4%	5%

* Equity comprises share capital and retained earnings

23 FINANCIAL INSTRUMENTS (Continued)

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 recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

	2014 Sh'000	2013 Sh'000
Categories of financial instruments		
Financial assets		
Receivables including cash and cash equivalents	108,421	138,234
Financial liabilities		
Loans and payables	254,765	140,964

Financial risk management objectives

The university's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the university's services. The university's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The university does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

Interest rate risk management

The university is exposed to interest rate risk as the entity borrows funds at floating interest rates. The risk is managed by the university by a close management monitoring control.

The sensitivity analysis for floating rate liabilities is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

Credit risk management

Credit risk refers to the risk that customers will default on its contractual obligations resulting in financial loss to the university.

The university's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the university's management based on the university policy of providing for debts that are over ten months old.

The credit risk on trade receivables is limited because the customers are known customers with high credit ratings.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The university does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The university's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The university does not have significant credit risk exposure to any single counterparty. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The amount that best represents the university's maximum exposure to credit as at 30 June 2014 and 30 June 2013 is made up as follows:

2014

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000
Trade receivables	91,117	-	-
Due from directors	-	-	-
Due from related companies	-	-	-
Due from shareholders	-	-	-
	91,117	-	-
	91,117	-	-

23 FINANCIAL INSTRUMENTS (Continued)

2013

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000
Cash and cash equivalents	42,550	-	-
Trade receivables	95,684	-	-
Due from a director	-	-	-
Due from related companies	-	-	-
Due from shareholders	-	-	-
	138,234	-	-
	138,234	-	-

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the university's short and medium-term funding and liquidity management requirements. The university manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The university can also borrow from commercial banks in the short term further reducing its liquidity risk.

The table below analyses the university's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2014

	Less than 1 month Sh'000	Between 1-3 months Sh'000	3 months to 1 period Sh'000	1-5 periods Sh'000	Total Sh'000
Trade payables	4,068	25,480	186,583	-	216,131
Students	-	-	-	5,945	5,945
Due to directors	-	-	-	-	-
Borrowings – bank overdraft	-	32,283	-	32,283	64,566
	<u>4,068</u>	<u>57,763</u>	<u>186,583</u>	<u>38,228</u>	<u>286,642</u>

2013

	Less than 1 month Sh'000	Between 1-3 months Sh'000	3 months to 1 period Sh'000	1-5 periods Sh'000	Total Sh'000
Trade payables	-	-	104,681	-	104,681
Due to related companies	-	-	-	-	-
Due to a director	-	-	-	-	-
Borrowings – bank overdraft	-	32,283	-	64,512	96,795
	<u>-</u>	<u>32,283</u>	<u>104,681</u>	<u>64,512</u>	<u>201,476</u>

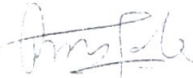
XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

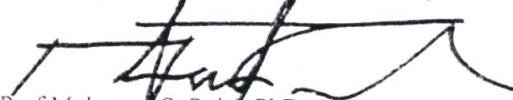
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unable to confirm carrying value of property due to encroachment by squatters on university land	The University has received a favourable Judgement but awaits the disposal of an appeal	Prof. Mohamed Rajab (Vice Chancellor)	Resolution in Progress	Next Twenty Four Months

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your University responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.


 Prof. Mwakio P Tole PhD
 Acting Vice Chancellor

Date: 21/7/15


 Prof. Mohamed S. Rajab PhD
 For Chairman of Council

 Date: 21st July 2015