

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY	
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THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

KARATINA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2021**

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KARATINA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2021

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

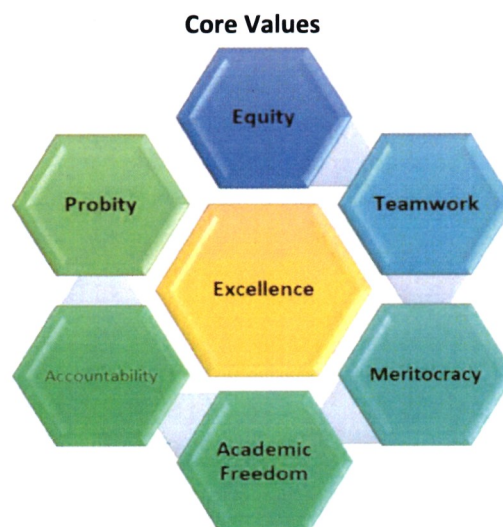
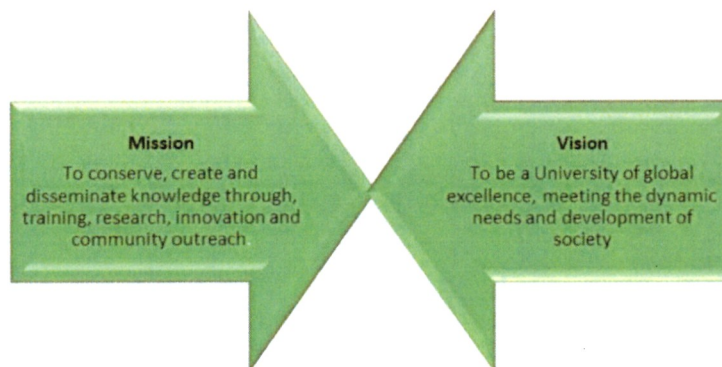
I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

a) Background

Karatina University is a public chartered institution of higher learning as provided for in the Universities Act of 2012, domiciled in Kenya. It is located 140km North of Nairobi (0039'S37014'E) and 15km from Karatina town, off the Nairobi-Nyeri highway, in an area rich in agricultural soils and endowed with vast natural resources. The serene environment makes it very conducive for scholarly and academic work. The University has established six schools namely: School of Agriculture and Bio-technology, School of Business, School of Education and Social Sciences, School of Natural Resources and Environmental Studies, School of Pure and Applied Sciences and School of Nursing and Health Sciences.

b) Principal Activities

The principal activities of the University are stipulated in its vision, mission statements and core values shown below:



c) Key Management

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

- i) University Council (Governance organ)
- ii) Vice Chancellor's Office
- iii) Planning, Finance and Administration Division
- iv) Academic, Research and Student Affairs Division

d) Fiduciary Management

The key management personnel who held office during the financial period ending 30th June 2021 and who had direct fiduciary responsibility were:

S No.	Designation	Name	Functions
1	Vice Chancellor	Prof. Mucai Muchiri	Is the overall administrative and academic head and also the accounting officer of the University
2	Deputy Vice Chancellor (P,F&A)	Prof. Linus Muthuri Gitonga	Is the head of the planning, finance and administration division and is responsible for human resource, administrative, financial, infrastructural and development matters of the University
3	Deputy Vice Chancellor (ARSA)	Prof. Peninah A. Obudho	Is the head of the academic division and in charge of all academic, research and student affairs of the University
4	Ag. Finance Officer	Dr. Grace Kakiya	Is the head of Finance Department and responsible for the day to day running of financial matters in the University.
5	Ag. Senior Procurement Officer	Ms. Agnes Wanjiru	Is the head of Procurement Department and responsible for the day to day running of all procurement matters of the University.

e) Fiduciary Oversight Arrangements

The Council has the overall mandate of ensuring sound management of the University. This includes: - approving statutes and policies; strategic planning; reviewing management implementation of strategies, policies and plans; risk assessment and management, approving budgets and enhancing sound financial management; promoting quality assurance and recommending for appointment Instruments of Governance. For effectiveness the Council governs through clearly mandated council committees, coupled with robust monitoring and reporting systems. Each standing council committee has specific terms of reference as set out in the corporate governance statement on pages (xvii) to (xxv).

f) Registered Place of Business

Karatina University
P.O BOX 1957 - 10101,
KARATINA

g) Contacts

Telephone nos: +254-(0)729-721-200 / 020-2176713

Web: www.karu.ac.ke

Email: vc@karu.ac.ke

h) University Bankers

1. Kenya Commercial Bank
P. O. BOX, 192-10101
KARATINA
2. Co-operative Bank of Kenya
P.O. BOX, 931-10101
KARATINA
3. Equity Bank of Kenya
P.O. Box 855 – 10101
KARATINA

i) Independent Auditors

Auditor General
Office of the Auditor General
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.

2. MEMBERS OF THE UNIVERSITY COUNCIL



Prof. Francis J. Gichaga

Chairman of Council; Independent & Non-Executive Director

Prof. Francis Gichaga was born in 1942. He has previously served as the Chairman; Board of Governors - Kenya Technical Teachers College (1992-2011); Kenya Polytechnic University College Council (2009-2011); National Irrigation Board (2007-2010); Water Services Regulatory Board (2003-2007); Kenya Agricultural Research Institute Board (2002-2003); Kenya Institute for Public Policy Research and Analysis Board (1998-2004); and National Council for Science and Technology (1992-2003).

Prof. Gichaga has served in Public Universities in various capacities; Chancellor of Jomo Kenyatta University of Agriculture and Technology (2010); Vice-Chancellor of the University of Nairobi (1991-2002) among other senior administrative positions.

Prof. Gichaga holds a First Class Honors degree in Civil Engineering, Masters in Civil Engineering and PhD. in Highway Engineering all from the University of Nairobi. He has a honorary DSc in Human Resource Management from JKUAT. He is a member of Institution of Engineers of Kenya; a Fellow of the Institution of Engineers of Kenya, a Registered Engineer, a member of Institution of Civil Engineers U.K. and a Fellow of the Institution of Civil Engineers.

Lastly, Prof. Gichaga has two presidential awards; Moran of the Order of the Burning Spear (MBS)-1990 and Elder of the Order of the Burning Spear (EBS) - 1986.



Prof. Mucai Muchiri

Vice Chancellor & Council Secretary, Executive Director

Prof. Mucai Muchiri is the Vice Chancellor of Karatina University, a position he has held since March 2013. He is the founding Principal of Karatina University College from October 2010 to February 2013 before its transition to a chartered University. He has participated in policy formulation, strategic planning, budgetary and financial management. He has a track record of extension and capacity building experiences both at institutional and national levels.

Prof. Muchiri has over 36 years' experience in public service as an astute scholar & researcher; has served in various senior management positions in Public Universities. In his academic life, he has published over 50 scholarly papers, successfully supervised 17 post graduate students and coordinated 16 research projects with local and international collaborators with from institutions such as USAID, CIDA, SIDA, World Bank, Earthwatch - USA.

Prof. Muchiri is an expert in Fisheries Ecology. He holds a degree in Zoology from the University of Nairobi and PhD. in Fisheries Ecology and Management from the University of Leicester. He has attended various leadership and business programs over his career, including training in Management of Higher Education Institutions from GIMI Israel. He is a Member of Sustainable Aquaculture Research Network for Sub-Saharan Africa; World Aquaculture Society and East African Wildlife Society. He was born in 1959.



FCPA Omingo Magara

Independent & Non-Executive Director

FCPA Omingo Magara born in 1961, holds a Bachelor of Commerce in Accounting from Panjab University, India; MBA in Strategic Management from the University of Nairobi and is a Certified Public Accountant. He is a fellow of Institute of Certified Public Accountants of Kenya - FCPA.

FCPA Magara is the Chair of Finance, HR and Resource Mobilization Committee of Council. He has previously served as the Chair of Kenyatta International Convention Centre Board (2015-2018); before then, he was a Member of Parliament for South Mugirango Constituency (2001-2009) and an Assistant Minister for Trade (2008-2009).



Dr. Scholastica M. Ndambuki

**Representative of Principal Secretary,
Ministry of Education & Non-Executive
Director**

Dr. Scholastica Ndambuki holds a degree in Law from the University of Nairobi; Masters and Doctor of Laws degree from University of South Africa. She was admitted as an Advocate of the High Court of Kenya in 1992.

Dr. Ndambuki is well experienced in handling legal matters. She has worked in the Office of the Attorney General as a Chief State Counsel from 2016; Deputy Chief State Counsel (2013-2016); Deputy Registrar- Industrial Court of Kenya, Nairobi (2007-2013); Magistrate and Senior Deputy Registrar - High Court of Kenya, Nairobi (1993-2007). She was born in 1967.



Ms. Rebecca N. Tonkei

Independent & Non-Executive Director

Ms. Rebecca Tonkei is the Chair of Academic, Research and Enterprise Development Committee of Council. She has previously served as Principal Human Resource Development Officer and Research Officer One at Parliamentary Service Commission. She participated as a member of the Task Force on Re-alignment of Education Sector in line with the Constitution of Kenya, 2010. Further, she was Chief Administrative Officer Discipline (2007-2009) and Human Resource Officer (2006-2007) at Teachers Service Commission.

Ms Tonkei holds a Degree and Masters in Education from the University of Nairobi. She was born in 1969.



Dr. Dunstone Ulwodi

Representative of Principal Secretary, National Treasury & Non-Executive Director

Dr. Dunstone Ulwodi has 15 years' experience working in the public sector. He joined the National Treasury as an Economist/Statistician in 2006 and has risen through the ranks to the position of Deputy Director. He was born in 1977. He holds a PhD in Economics from the University of Nairobi, Master of Arts in Economics, Master of Science in Population Studies and Bachelor of Education, Arts from the same university. He has been instrumental in the development of the digital bond program in Kenya having spearheaded the issuance of the first ever Mobile-Based bonds. He serves as the Manager of the M-Akiba Bond Project at the National Treasury.



Mr. Felix O. Okatch

Independent & Non-Executive Director

Mr. Felix Okatch was born in 1951. He is the Chair of Audit and Risk Management Committee of Council. He has over 15 years working experience on multilateral trade and related bilateral trade negotiations. He has carried out projects for EAC, COMESA, EU and World Trade Organization (WTO). He has served as Marketing Manager - National Bank of Kenya (1998-2005); Marketing Manager - Kenya Wines and Spirits (1995-1998) and Channels Manager-XEROX, Kenya (1990-1994).

Mr. Okatch has also served a board member of Kenya Reinsurance Corp. Ltd (2010-2020); Chairman at Association of Professional Societies in East Africa (2019-date); Vice Chairman at Outward Bound Trust (Kenya Chapter) and Board Chairman Nyawara Girls High School - Yala (2007-2009). He is a member of the Kenya Institute of Management and Institute of Directors.

Mr. Okatch holds B. Com (Hons) - marketing option from the University of Nairobi; MBA in Finance and Marketing from Assam Don Bosco University, India) and is pursuing a PhD from Catholic University of Eastern Africa. He has published several books and articles.

Lastly, Mr Okatch is a recipient of Head of State Commendation award; Elder of the Order of the Burning Spear (EBS).



Ms. Susan K. Gitonga

Independent & Non-Executive Director

Ms. Susan Gitonga the Chair of Governance and Planning Committee of Council. She is an entrepreneur dealing in real estate development and management.

Ms. Gitonga has been member of board of management of Kibirichia Girls Secondary School. She worked as a Private Consultant in Nutrition (2009-2010), Consultant in Nutrition at Kenyatta National Hospital (2006-2008) and High School Teacher in Biology and Chemistry (1991-2006).

Ms. Gitonga holds B.Ed Science from Egerton University and Masters in Food Nutrition and Dietetics from Kenyatta University. She was born in 1968.

3. MANAGEMENT TEAM



Prof. Mucai Muchiri

Vice Chancellor

Academic Qualification

Ph.D. (University of Leicester); B.Sc. (Hons)-University of Nairobi

**Deputy Vice Chancellor
(Planning, Finance & Administration)**

Academic Qualification

Ph.D. (JKUAT); M. Sc. (Kenyatta); B. Ed (Sc.) (Kenyatta)



Prof. Linus M. Gitonga

**Deputy Vice Chancellor
(Academic, Research & Student Affairs)**

Academic Qualification

Ph.D. (Kenyatta); Msc. (UoN); B. Ed (Sc.) (UoN); Cert. Higher Ed. Mgt (Kassel)



Prof. Peninah A. Obudho

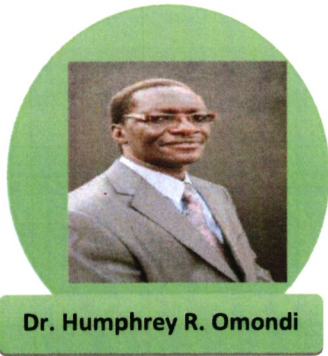
**Registrar
(Academic, Research & Student
Affairs)**

Academic Qualification

D.Phil (Moi); MBA(Moi); M. Ed (UoN);
B. Ed (Arts)(Moi); MKIM



Dr. Wangari Gathuthi



**Registrar
(Planning & Administration)**
Academic Qualification
D. Phil; M. Phil; B. Ed (Arts) (Moi)

Ag. Finance Officer
Academic Qualification
D. Phil(Moi); MBA(Egerton); BBM
(Moi); CPA(K); FA(K); Cert IPSAS



Legal Officer (In attendance)
Academic Qualification
LLB (UoN); Dip. Law(KSL); CPS (K)

4. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year that ended on 30th June 2021. This was the ninth year in operation as a fully-fledged University. In addition, I am delighted to have been appointed to serve Karatina University for the subsequent three (3) years. Together as Council, whose membership was appointed recently, look forward to serve the University with dedication both at the committee and Council level.

Some of the most outstanding achievements during the year include:

- a) Significant progress in the preparation of the Strategic Plan for the period 2021-2025. The Plan is expected to build on the foundation laid by the just concluded SP (2015-2020).
- b) Successful adoption of virtual learning through Moodle platform which facilitated sustainable knowledge transfer to students during the COVID-19 pandemic.
- c) Completion and equipping of the human anatomy laboratory which was done using internally generated resources.
- d) Commendable progress in the construction of the University Library. This is a four storey building that is aimed at enhancing teaching and learning facilities. It is hoped that construction will be completed by October 2021;
- e) Substantial payment of pending bills and an Up-to date remittance of statutory deductions such as NHIF, NSSF and PAYE. This includes remitting of check-off deductions made by staff members.
- f) The University enhanced its community outreach activities by organizing among others a medical camp, training of fish farmers, mediation training for probation officers working in correctional facilities and assisting basic education institutions establish working environmental clubs.

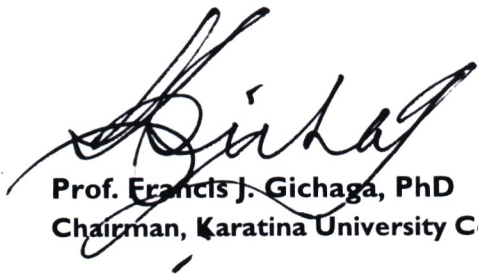
While we are proud of the above achievements, the University has also faced several challenges which have also been aggravated by the Covid-19 pandemic. These include:

- i. Reduction in appropriation-in-aid (A-I-A) generated by the University. This was occasioned by a reduction in the number of students admitted under the PSSP programme. Further, some of the students who were in session experienced challenges paying fees due to hardships brought about by Covid-19.
- ii. Decline in catering and accommodation income since students were away from the University for the better part of the year following suspension of face to face learning.

As a new Council, we look forward to addressing the above challenges mainly by exploring and implementing resource mobilization strategies. Some of these strategies have already been identified and the Director Resource Mobilization tasked with developing actionable plans. We will continue to encourage academic staff to write fundable proposals and to respond to the many requests for consultancies advertised from time to time.

We are grateful that so far, the Government has supported the University by timely remittance of recurrent and capital grants. We also thank H.E the President of the Republic of Kenya and the Cabinet Secretary for Education for having given us the opportunity to serve Karatina University and indeed the country at large.

I wish to thank members of Council who have started off very well and encourage them to share information, knowledge and skills that can improve the University. I also wish to thank the University Management for ensuring that there was prudent use of resources even at a time when there was no Council in place. Finally, I wish to thank members of staff, students and guardians for taking up their roles and supporting the University achieve its mission of conserving, creating and disseminating knowledge.



Prof. Francis J. Gichaga, PhD
Chairman, Karatina University Council

5. VICE CHANCELLOR'S REPORT

I hereby present the Annual Report and Financial Statements of Karatina University for the year that ended on 30th June 2021 as required by the Universities Act 2012, Karatina University Charter and the Public Financial Management Act 2012.

Economy and Sector Review

The country's economic growth was expected to decline to below 2.5%. This is due to COVID-19 pandemic which adversely affected the economy. In addition, the swift containment measures not only disrupted normal life and livelihoods, but also to a greater extent businesses and economic activities. The performance of most sectors of the economy contracted in the FY. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities, Health Services and Mining and Quarrying activities. The service sector contracted significantly with economic growth in the Education sector declining by 56.2%. This is due to the change in academic calendars for primary and secondary schools. The University subsector was not spared by the ravages of the pandemic. The government issued a directive suspending face to face learning during a significant period of the FY. This led to a decline in internally generated funds resulting to a decline in performance.

Performance Review

The University has continued with its core business of disseminating knowledge through training, research, innovation and community outreach. During the year under review, the University undertook its principal activities by use of physical and virtual interactions. Physical activities for both members of staff and students were minimized so as to prevent potential spread of the coronavirus. All academic activities were conducted smoothly with an exception of student field trip/ courses, teaching practice and field attachments which were deferred to the first quarter of 2021/22FY. The University will continue to invest in ICT infrastructure so as to ensure business continuity during changes in the business environment.

The University had a student population of 6,093 and 394 members of staff at the end of the financial year. A total of 1,388 students were conferred with various degrees and awarded diplomas during the 8th graduation ceremony in March, 2021. The reduction in the number of graduands was partly attributed to the disruption of the academic calendar in 2020. Students who missed out on the graduation will participate in the ceremony to be held in November 2021.

Operations and Management Review

The University had several achievements during the year under review. Key achievements include:

- i. Training of academic staff on ODeL content creation and delivery. This led to full implementation of ODeL in most of the academic programmes. Therefore, the

University continued to offer teaching and learning experiences in the face of Covid-19 disruptions.

- ii. Improved programme delivery in the School of Nursing and Health Sciences by the construction and equipping of the human anatomy laboratory.
- iii. Enhanced internet access within the University by expansion of network infrastructure in the Resource Centre and University Clinic;
- iv. Enhanced service delivery through the ERP system. Some of the added functionalities include: online admission of students; course loading for lecturers; online booking of hostels; and online transport requisition.
- v. Signed various MoUs with industry such as with the Kenya Forestry Research Institute (KEFRI) and with the University of California (USA) with an aim of collaborating in research and having staff/student exchange programs.
- vi. Organized and hosted an International Conference on cohesion and integration under the theme, *Promoting National Cohesion and Integration: Our Cultural Diversity, Our Heritage, Our Strength*.
- vii. Successfully added value to tea products available to the market by developing and obtaining copyrights to two food products. Two members of staff received the Kenya Copyright Board Certification (KECOBO) for successfully formulation and patenting of purple tea and orange sweet potato yoghurts.
- viii. Secured various consultancies activities such as setting up a Business Intelligence and ERP system for Dentex Ltd.
- ix. Activation of University wide seminar series with international attendance. One such seminar was on Kenya's forest reference level for REDD+.
- x. Increased focus on the greening concept through conservation of energy by installation of solar panels for the borehole;

The challenges experienced by the University include;

- i. Declining enrollments both for GSSP and PSSP students thereby reducing A-in-A. This particularly affected the School of Agriculture and the School of Natural Resources.
- ii. Effects of Covid-19 on the ability of students to pay fees as well as inability to raise funds from catering and accommodation facilities.
- iii. The costs of compliance with Ministry of Health protocols for ensuring safety of learners and staff before resumption of face to face learning during the COVID-19 pandemic.

Risk Management

The University has put in place a robust risk management strategy. This involves a quarterly review of the risks the University faces and developing mechanisms to mitigate them. In addition, the University has ensured a strict adherence to statutory requirements.

Future Developments

Karatina University is currently preparing its Strategic Plan for the period 2021-2025. The Plan is expected to build on past achievements and ensure continued sustainability of the University both in the short and long run. This is in line with Ministry of Education reforms for enhancing financial sustainability and offering quality education.

Some of the areas the University will be focusing on include:

- i. Strengthening the School of Nursing and Health Sciences by developing new academic programmes, enhancing the infrastructure and human resources to ensure quality training that meets international standards.
- ii. Enhancing Open and Distance Learning (ODeL) with a focus on online teaching and learning. This is necessitated by the dynamic changes in the business environment. Appropriate additional infrastructure and staff skills will be developed to ensure it's as close as possible to the classroom experience.
- iii. Emphasis on the Green University Concept so as to incorporate environmental sustainability and efficiency in its operations, curriculum development and implementation, physical developments and university lifestyles. In addition, there will be greater effort in building the capacity of its human resource so as to achieve a sustainable future through training, research, innovation and community outreach.
- iv. Strengthening income generating activities and initiatives to move the University towards self-sustenance;
- v. Enhancing an entrepreneurial culture through establishment of a Fab Lab under the DEPUK programme to offer space for learning and developing innovations.

On behalf of Karatina University management and staff, I wish to take this opportunity to thank the government, our development partners and all the stakeholders for their continued support.

Finally, I would like to express my sincere gratitude to the University Council for providing policy and strategic guidelines; the entire University staff and students fraternity who worked conscientiously to ensure smooth and successful operations of the University.

Thank you.



Prof. Mucai Muchiri, PhD
Vice Chancellor

6. STATEMENT OF KARATINA UNIVERSITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Karatina University has four key result areas and six objectives within its Strategic Plan for the FY 2015- 2020. The key result areas and their respective strategic objectives are as shown below:

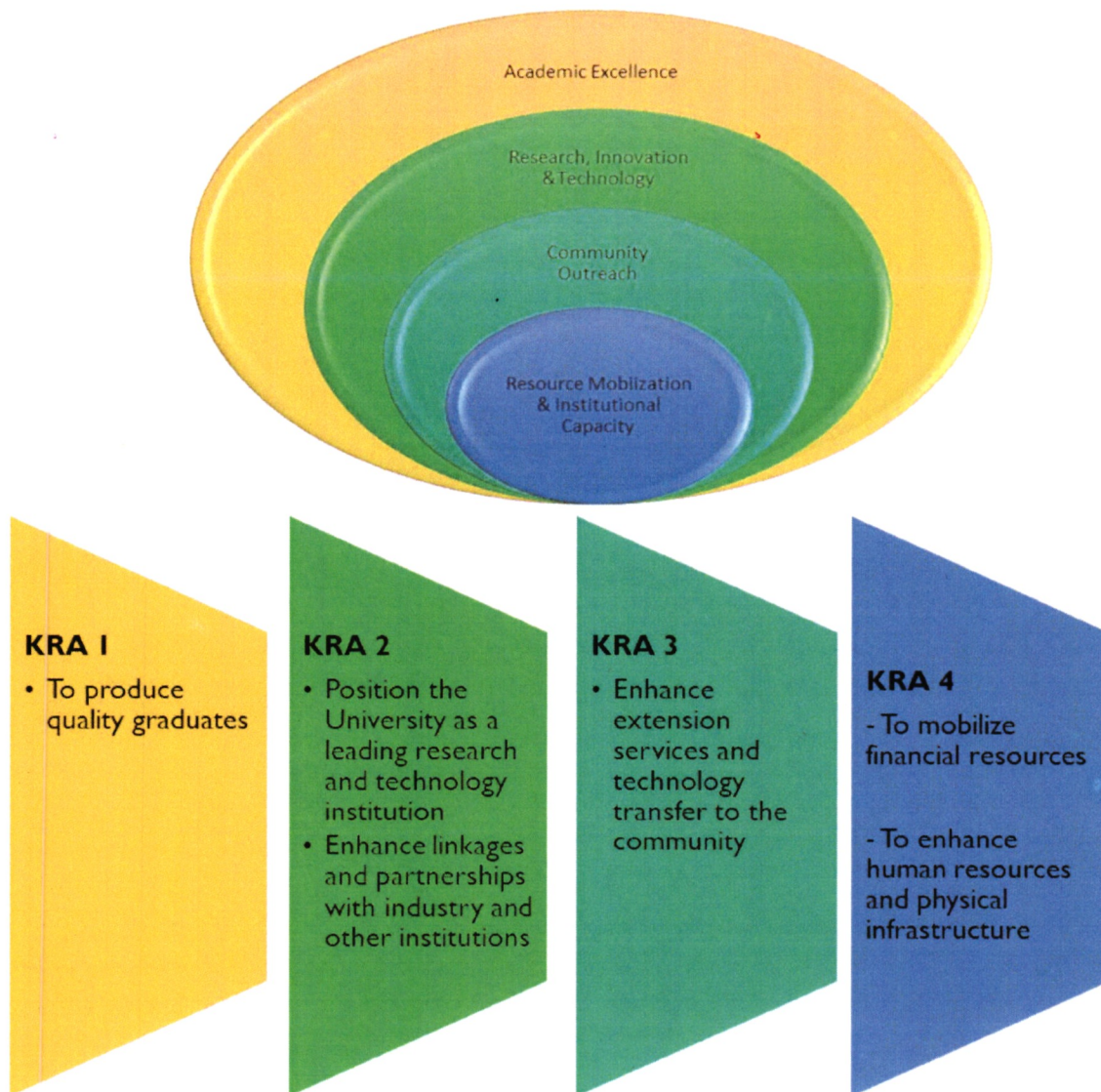


Figure 1: Karatina University Key Result Areas and Strategic Objectives

During the year under review, Karatina University pursued strategic intentions within its Medium Term Strategic Plan. The University included its strategic pillars in the Performance Contract for 2020/2021 and developed its annual work plans based. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The University achieved its performance targets set for the FY 2020/2021 period as indicated in the table 1.

Table 1: Review of Karatina University Performance for FY 2020/2021

KRA	Objective(s)	Key performance indicators	Activities	Achievements
1. Academic Excellence	1. To produce quality graduates	Integrating ICT in Teaching and Learning	Develop and approve ODEL Policy	The policy was developed and approved
			Integration of Zoom to Moodle to facilitate online teaching and learning	The integration was carried out successfully The University also upgraded its server resources to support online teaching
2. Research, Innovation and Technology	2. Position the University as a leading research and technology institution 3. Enhance linkages and partnerships with industry and other institutions	Creation of market driven programmes Enhancing the Green Concept To establish collaborative linkages with industries and other academic institutions	Development/ review of curricula	Reviewed the BSc. Human Nutrition and Dietetics programme
			Encourage environmental consciousness among students by organizing a competition on greening issues	Competition organized and successful students awarded
			Identify industries, sign and implement MoUs	Signed MoUs with KEFRI and an Agreement of Cooperation (AoC) with the Regents of the University of California

KRA	Objective(s)	Key performance indicators	Activities	Achievements
3. Community outreach	4. Enhance extension services and technology transfer to the community	Capacity building and Mentorship	Hold a career week Assist the Community access information on Covid-19	Career week held on 10 th & 11 th June, 2021 Raised funds for purchase of masks that were donated to the elderly and persons in society
4. Resource mobilization and institutional capacity	5. To mobilize financial resources	Enhanced resources	Train at least fifty (50) members of staff on business proposal writing	Training held and staff writing proposals
	6. To enhance human resources and physical infrastructure	Construct a University Library	Complete roofing and plastering of beams, soffits and apply undercoat	Application of undercoat paint ongoing

7. CORPORATE GOVERNANCE STATEMENT

Karatina University's corporate objective is to create long-term value in the Academic and Research sub-sector through the creation, conservation and dissemination of knowledge. This is realized by using innovation, training and community outreach as prescribed by the mission statement and through the discovery, development and conversion of talent and natural resources, and the provision of innovative customer and market- focused academic programmes.

Corporate Governance Principles

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. The University council's governance role, and conduct of business are guided by the Universities Act no. 42 of 2012; the Karatina University Charter, 2013; Mwongozo Code, 2015; Commission for University Education regulations and standards, 2014 and Karatina University Statutes, 2021.

Size and Composition of Council

The council consists of eight (8) members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the University as shown on pages vi & vii. It is expected that one more member will be appointed in due course.

The Role and Functions of Council

The role and functions of council have been indicated on page (xxxviii) and is separate from that of management. The collective responsibility of Council has been set out on page (xli).

Appointment, Removal from Office and Succession Plan

Council members are appointed by the Cabinet Secretary - Ministry of Education through a competitive process advertised to the public. The appointment process takes into consideration the following; development of university education, balanced competencies, gender equity, and the inclusion of stakeholders, persons with disabilities, the marginalized and other minority groups. The Council members were appointed on 4th November 2020 while the Chairman was appointed on 5th February 2021 for a period of three years.

Appointed Council members are required during the first meeting to determine by lot which two of their number shall vacate office after a period of three and four years respectively to ensure continuity in the activities of the Council. It has not been possible to actualize this since appointments and renewals are the prerogative of the Cabinet Secretary. As happened with the new Council it is expected the Cabinet Secretary will retain some of the members for purposes of continuity.



PS State Department of University Education; Ambassador Simon Nabukwesi and Council members during induction workshop in February 2021

Capacity building for Council members

The University organized an induction workshop for Council members in February, 2021. The purpose of the induction was to take Council members through their roles and to equip them with necessary skills required in discharging their mandate. Some of the topics covered during the induction included:

- a) Good corporate Governance Principles
- b) Role and functions of Board
- c) Role of Board in Strategic Planning
- d) Overview and Emerging Policy and Legislative framework in the Education Sector and their impact to Universities in Kenya
- e) Understanding Financial Statements
- f) Finance for Non-Finance Manager (Financial Risk Management)
- g) Analysis of Financial Statements
- h) Detecting Fraud and Signs of Financial Distress
- i) Transformation of the Internal Audit using Technology
- j) Enterprise Risk Management in a University
- k) Fostering the right culture regarding compliance and risk

These topics were facilitated by experts both from the public and private sector. In the subsequent year, the University intends to conduct training covering topics proposed by members. Further, Council was sensitized on changes in practices, policies, laws and regulations governing the institution's operation from time to time.

Council Remuneration

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and National Treasury directives in respect to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), mileage and accommodation allowance are reimbursed where applicable. Also, the Chairman is paid a monthly honorarium.

Council Charter and Meetings

The Council has a board charter which defines the role, functions and responsibility of the board in governance of the institution. The Council has committees whose roles are clearly defined and reviewed annually. Council meets at least once in a quarter i.e. 4 times in a year, unless there are urgent matters that call for a special meeting. These regular meetings are intended to receive reports from the committees of Council that will have considered the matters in detail. Members receive adequate notice and board papers in advance to enable them review and prepare for the meeting. Council was appointed in October 2020 but held its inaugural meeting in January, 2021. Therefore, no meetings were held in the 1st and 2nd quarter of 2020/2021

Council Meetings and Attendance

Council conducts its business under four (4) committees as listed below: -

- 1 Academic, Research and Enterprise Development Committee
- 2 Finance, HR and Resource Mobilization Committee (Formerly Finance and Planning Committee)
- 3 Audit and Risk Management Committee
- 4 Governance and Planning Committee

Composition of each committee is shown below:

Name of the Committee	Members
1. Academic, Research and Enterprise Development Committee	i) Ms. Rebecca Tonkei – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) FCPA Omingo Magara iv) Dr. Scholastica Ndambuki – Rep. Ministry of Education
2. Finance and Planning Committee	i) FCPA. Omingo Magara – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) Ms. Susan Gitonga iv) Dr. Dunstone Ulwodi - Rep National Treasury v) Dr. Scholastica Ndambuki - Rep. Ministry of Education

3. Audit and Risk Management Committee	i) Mr. Felix Okatch – Chair ii) Ms. Rebecca Tonkei iii) Dr. Dunstone Ulwodi - Rep National Treasury
4. Governance and Planning Committee	i) Ms. Susan Gitonga – Chair ii) Prof. Mucai Muchiri –Vice Chancellor iii) Mr. Felix Okatch iv) Dr. Scholastica Ndambuki - Rep. Ministry of Education
5. Staff Appeals Committee of Council	i) FCPA Omingo Magara –Chair ii) Ms. Rebecca Tonkei iii) Dr. Scholastica Ndambuki
6. Students Appeals Committee of Council	i) Ms. Rebecca Tonkei - Chair ii) Ms. Susan Gitonga iii) Mr. Felix Okatch iv) Dr. Scholastica Ndambuki

During the 2nd and 3rd quarters, Council held a total of six (6) meetings and two (2) retreats; one being induction workshop while the other was for strategic planning. Individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Prof. Francis J. Gichaga – Chairman	3
2	Prof. Mucai Muchiri – Vice Chancellor/ Secretary	5
3	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	5
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury and Planning	5
5	Mr. Felix Owaga Okatch	5
6	Ms. Rebecca Tonkei	5
7	Ms. Susan Kanyua Gitonga	5
8	FCPA. Omingo Magara	5

Academic, Research and Enterprise Development Committee

The Committee does the following: Receive and consider reports from the Research and Outreach Committee of Senate and to transmit such reports to the Council; Consider and advise on policy and plans for the exploitation of the University's Intellectual Property and other commercial activities flowing from its research; Advise Council on budgetary allocation of research funds and their effective administration for the support of research and enterprise activities; To receive, consider and make recommendations to Council on matters relating to implementation of academic programmes; To receive and recommend to Council for approval

qualified students to be conferred with degrees and awarded diplomas and certificates of the University that the Senate may refer to the Committee; and to review and recommend to the Council various policies to assist in the overall management of the academic and research function of the University.

The committee held three (3) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Rebecca Tonkei – Chair	3
2	Prof. Mucai Muchiri -Vice Chancellor	3
3	FCPA. Omingo Magara	3
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	3

Finance, HR and Resource Mobilization Committee

The committee critically scrutinizes the budgets and other financial requirements before they are presented to Council. It oversees the University's financial affairs on behalf of Council; develops strategies to mobilize resources and advises the University Council on all human resource matters, including recruitment and staffing levels.

The committee held three (3) meetings and the number each member attended is tabulated below:

S. No	Name	No of meetings attended
1	FCPA Omingo Magara – Chair	3
2	Prof. Mucai Muchiri - Vice Chancellor	3
3	Ms. Susan Gitonga	3
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	3
5	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	3

Governance and Planning Committee

The Committee was established to undertake the following functions;- Ensure the University effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior; Develop and recommend to the Board for approval, governance related policies of Council including a Code of Conduct for Employees and a Code of Conduct for Members of Council; advise Council on matters relating to Strategic Planning; advise Council on matters relating to Performance Contracting and in conjunction with the Chair of the Council, annually conduct and report to the Council the results of a

performance appraisal of the Staff of the University; and consider and recommend to Council issues relating to infrastructure projects.

The committee held one (1) meetings and the individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Susan Gitonga – Chair	1
2	Prof. Mucai Muchiri -Vice Chancellor	1
3	Mr. Felix Owaga Okatch	1
4	Dr. Scholastica Ndambuki - Rep. Principal Secretary, Ministry of Education	1

Audit and Risk Management Committee (ARMC)

Karatina University Council aspires to use the public resources at its disposal in an efficient and accountable manner. In line with the Treasury Circular No. 16/2005, an audit committee was established to provide independent advice and assurance on the University's strategy, performance and compliance to the different statutes.

The committee is required to:- review and report to the Council on the comprehensiveness, reliability and integrity of internal controls measures; recommend to the Council quality assurance and standards needed to provide effective monitoring of processes; monitor and recommend to Council action in respect of the University's management of risks; consider, review and recommend to the Council policies in respect to management and control systems on internal business processes, including accounting policies, anti-fraud and whistle-blowing; consider and approve annual audit plans including any audit reviews that the Council may request from time to time; consider and advise the University Council on matters relating to the security of the University, staff and students; and Review and advise the Council on all matters relating to the risk management framework and internal audit function of the University. The committee held two (2) meetings.

The committee members and number of meetings held during the year are tabulated below: -

S. No	Name	No of meetings attended
1	Mr. Felix Owaga Okatch – Chair	2
2	Ms. Rebecca Tonkei	2
3	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	2

Ad hoc Committees

Council established a Staff Appeals and Students Appeals Committees that met twice each to consider appeals emanating from disciplinary processes.

- a) Ad hoc Staff Appeals Committee – 23rd and 30th March, 2021
- b) Ad hoc Students Appeals Committee – 18th and 21st June, 2021

Council evaluation

Council evaluation is essential in assessing performance, efficiency and effectiveness of the board and individual members. The evaluation of council is an annual exercise conducted by the State Corporations Advisory Committee (SCAC). During the financial year, no evaluation was conducted as members were appointed in October. There are plans to conduct the evaluation in September, 2021.

Ethics and Conduct

Council has an approved Karatina University Code of Ethics and Conduct which governs the general conduct of Council members, management and staff. The code binds both the Council members and staff as they are required to sign and abide with requirements upon joining the University.

Whistle Blowing Policy

Karatina University has a Whistle Blowing Policy which protects the identity and well-being of employees and stakeholders when they provide information on corruption related matters. The institution has four reporting channels through which anonymous reports in respect to corruption can be made. These channels are; reporting hotlines, corruption reporting boxes, the institution's official website link and email.

Governance and Legal Audit

The Council formed a standing committee on governance to ensure compliance with all statutory requirement during the year. Governance and legal audits are to be performed on an annual basis indicating scope and the person who conducts them. During the year under review, the University was unable to conduct both governance and legal audit.

Risk Management

Risk management is a strategic function monitored under the audit and risk management committee of Council and applied in the day to day functions of the University. The University compiles its risk register on a quarterly basis, in addition to reports on mitigation measures implemented. This is to ensure risks are managed in compliance with the approved policies and principles of good corporate governance. The University conducted its an annual risk assessment with guidance from the internal audit department.

Conflict of Interest

Council members and staff are required make disclosure of any potential or real conflict of interest while conducting matters that pertain to the institution. During meetings, members are expected to declare any conflict of interest in the agenda items under discussion and the same is recorded. In case of conflict, the affected member is excluded from discussions and/or decisions on the matter in question.

IT Governance

The University is implementing its approved ICT policy which governs the management of its ICT infrastructure. The ICT Security Framework provides guidance and control over ICT Services, Facilities and Infrastructure and defines the rights and responsibilities of University members in their use of ICT Services and Facilities. This ensures that ICT Security Risks are mitigated and that the Framework remains relevant to the strategic goals of the University.

The process conducted of risk assessment, Audit of ICT controls, and Incident Management and Response provides input into the review of the University's IT governance measures so as to align with the Business Continuity processes.



Council members during Strategic Planning Retreat in June 2021

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Karatina University Operational and Financial Performance

The University has reported a deficit of Kshs 70.3M as at 30th June 2021. This is a shift in performance when compared to a surplus of Kshs 145.9M reported in the previous year. The decline in performance is a result of not achieving the projected internally generated funds as a result of COVID-19 pandemic. Also, the University paid salary arrears for 2017-2021 signed National Collective Bargaining Agreements (CBA) with the three Unions during the FY. However, the CBA funds had been recognized in 2019/2020 FY. Also, the University continued to implement the 2017-2021 CBA while awaiting funding from National Treasury. Lastly, the University exited from Itiati learning site which used to host School of Education and Social Sciences as part of the University reforms agenda and rationalization measures. This led to impairment of some of the assets that were being held in that premise.

The University projects that its cash flows will improve. This is because the economy is expected to experience growth after COVID-19 containment measures. Also, the government's initiative of ensuring that its citizens are vaccinated will facilitate continued operations and economic activities across its citizenry. Therefore, minimal interruptions to University's mandate is expected. Further, the University expects an increase in the number of first year students who will be admitted during the FY. This will boost internally generated funds resulting to improved financial performance.

Pertaining to trends within the Education Sector, the academic calendar for Universities, tertiary and secondary schools has been affected by the COVID -19 pandemic. This may affect the number of students who can enroll for University education due to economic & financial challenges. Also, learning institutions are required to teach virtually, thus projected internally generated funds that enhances institutional funding may not be realized. Further, the change in teaching trends (online teaching) may affect expenditure in respect to the University's core mandate. To enhance financial sustainability, the University is implementing resource mobilization strategies so as to enhance its A.I.A.

SECTION B

Compliance with Statutory Requirements

During the reporting period the University complied with all statutory requirements. The University does not have non-compliance issues that may expose it to potential contingent liabilities. On the other hand, the University has five litigation cases made against it that have financial exposure as shown in Appendix IV.

SECTION C

Key projects and investment decisions the University is planning/implementing

The University has one ongoing project; Library Phase I during 2020/2021 FY. The construction of the Library is at 57% completion rate and is expected to be complete in 2021/22 FY. The figures computed for completion rate is based on the amounts of works certified and not funds disbursed by GOK to finance the projects.

Construction of the Library Phase I is an integral component of teaching, learning and research requirements of the growing Karatina University academic community. It is also a requirement by the Commission for University Education that a Library be established to support learning and research for use by students and lecturers. In constructing a library, the University will adequately support the Big Four agenda. The Construction of the library will provide reading and research space for use by students and lecturers which will support the Big Four agenda.

SECTION D

Major Risks facing the University

The University's activities are exposed to a variety of financial risks including credit and liquidity risks and changes in market prices. The University's overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The specific details of each risk component have been discussed on pages 19 to 21 of this report.

SECTION E

Material Arrears in Statutory and Financial Obligations

The University has significant amounts outstanding relating to part-time lecturers' payments and loan due to the GoK in respect to acquisition of the Tea Training Institute, the fore runner of Karatina University, by Moi University. Karatina University is awaiting consent from National Treasury in order to take up the obligation for payment of principal amount of Kshs 194M and accrued interest of Kshs 22M computed as at 31st December 2018. At the end of the reporting period, the University had Kshs 56M outstanding in respect to part-time lecturers' payment. The Management Board has been settling amounts claimed using available funds.

SECTION F

Financial Probity and serious Governance issues

During the reporting period, the University underwent internal audit and external auditors' reviews. There were no cases of financial improbity reported. The University Management members had a cordial working relationship and no governance issues were raised.

SECTION G

Trend analysis of the University's Financial Performance

From figure 2, the performance of the University which has been fluctuating over the years, which is brought about by the varying incomes received vis-à-vis the expenditure incurred during the financial year. The analysis shows yearly performance from July 2012 to June 2021.

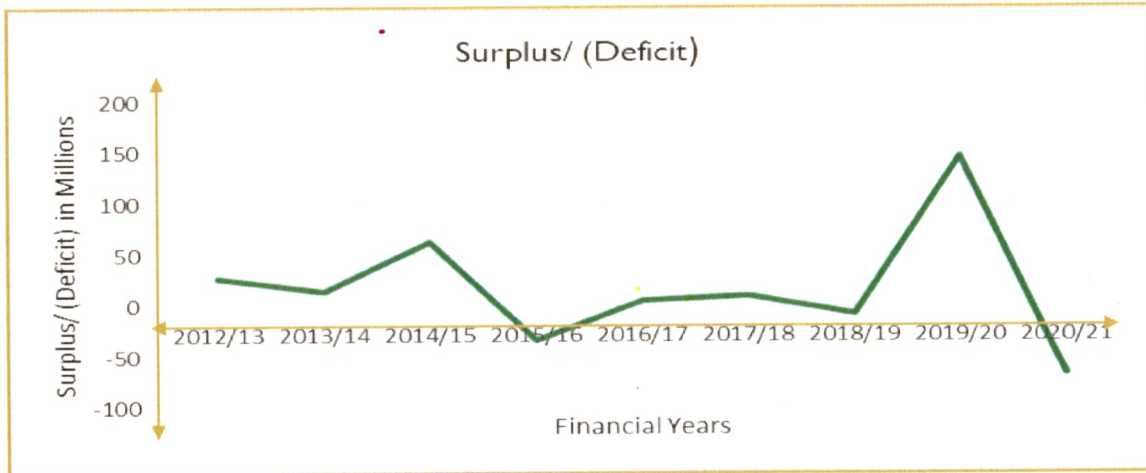


Figure 2: Trend of the University's financial performance

From figure 3, from FY 2012-13 to 2020-21 the total income and the recurrent grants have an upward trend as compared to the A-I-A. The A-I-A has a downward trend occasioned by a reduction in the number of students enrolled under the PSSP programme since FY 2015-16. In addition, A.IA for 2020-2021 FY was affected by COVID-19 pandemic.

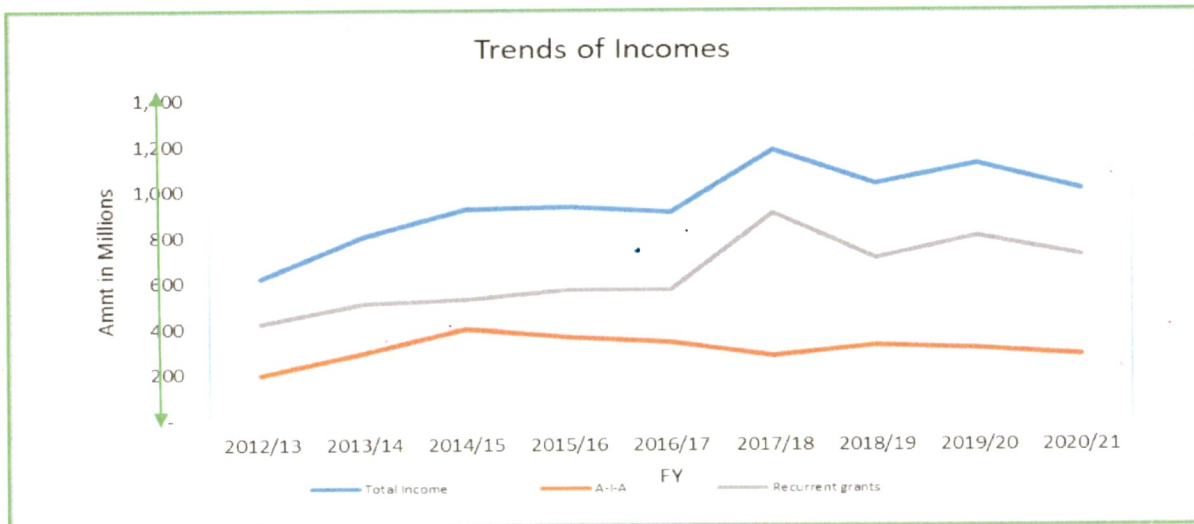


Figure 3: Trend of University's Incomes

Figure 4, shows distribution of individual expenditure categories vis-à-vis total expenditure for the FY 2020/2021. Significant amount of the expenditure relates to employment expenses, at 73%. This comprise of the employment expenses at 68% and 5% being payment of salary arrears emanating from 2017-2021 national Collective Bargaining Agreement with the unions. Board expenses is at 1% because the University Council started its operations during the third quarter. Besides, expenditure for the other items were low as a result of minimal physical activities in the University due to COVID-19 pandemic. Consequently, employment expenses which are fixed costs appear to be higher when compared to the other expenses which are variable costs and had been rationalized over the period.

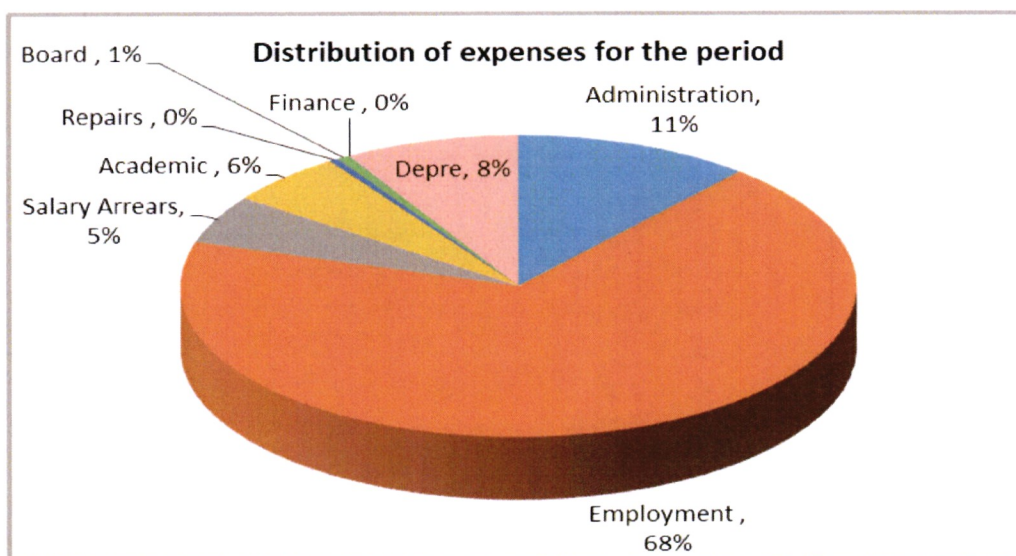


Figure 4: Distribution of recurrent expenses during the FY 2020/2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Karatina University embraced the green-entrepreneurial concept of sustainable resource management. The “Green University Initiative” is a concept that builds on pursuing knowledge and sustainable living practices that lead to more environmentally friendly and ecologically responsible decisions and lifestyles. It requires the incorporation of sustainability into the University systems, processes, operations, curricula, infrastructure development and University’s daily life. Therefore, the University envisages a pragmatic Green Entrepreneurial Culture that address environmental issues and socio-economic challenges, through various green interventions and innovative enterprises directed towards mitigating adverse Climate Change impacts. Outlined below is Karatina University policies and activities that promote sustainability.

i) Sustainability strategy and profile

The University re-aligned on-going environmental-related activities towards the green entrepreneurial university perspective. At the same time, the university initiated other programmes and activities that catapult it towards attaining internationally recognized Green University Standards. Our model of Green Entrepreneurial University is categorized into ten thematic areas (Malay 2014): Environmental Education; Energy, Carbon, and Climate Change; Water efficiency, Water reuse and recycling; Waste re-using and recycling; Biodiversity and Ecosystem Services; Planning, Design and Development; Green Procurement; Green Offices and Green Labs; Green IT; Transport. The University has adopted all reasonable and practical measures to enhance sustainability as per United Nations Sustainable Development Goals.

ii) Economic and Financial Sustainability

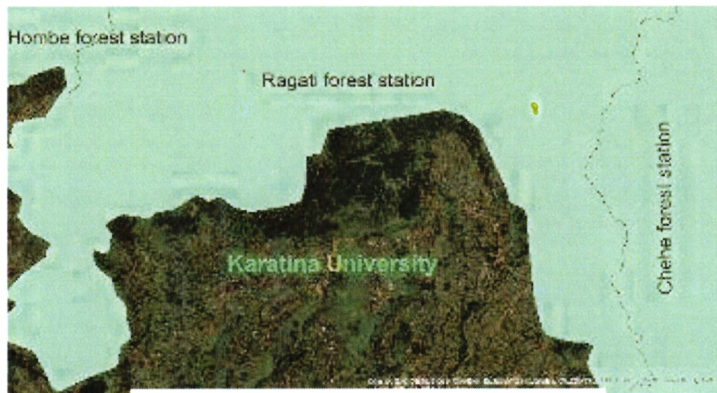
Karatina University is largely financed by the Government of Kenya to undertake its core activities. Additional funds are sourced from tuition fees charged to students. Due to the dwindling numbers of PSSP students who enroll for University education, the University has a Directorate of Resource Mobilization whose sole role is to assist in mobilization of funds. Also, the University rationalized its operations so as to achieve financial sustainability as guided by the Ministry of Education reforms. Further, the University has made effort to align its activities to the budgetary allocations for given year. This is done with aim of avoiding financial constraints.

The University has also automated its processes to enhance service delivery to its clients. This ensures effective and efficient delivery of services leading to high customer satisfaction. In offering its core mandate during the global pandemic of COVID -19, the University has offered its services of teaching using online platforms that are also being used internationally such as Moodle and google classrooms

iii) Environmental Sustainability

The University has an Environmental Policy that provide a framework for: Reducing negative environmental impacts such as energy or water consumption, waste production or impacts on

natural systems. Karatina University's under Green University concept initiative has a Centre for Mountain Studies and Climate change. Through this Centre, the University: - Supported Research in Tropical Mountain Ecosystems and Climate change; provided information on mountain Ecosystems and Climate Change and was involved in local, regional, national and international discussions on mountain studies and Climate change. The Centre is a focal point for supporting research and policy guidelines in reference to Tropical Mountain Ecosystems and their role in Climate.



Location of Karatina University and its environment

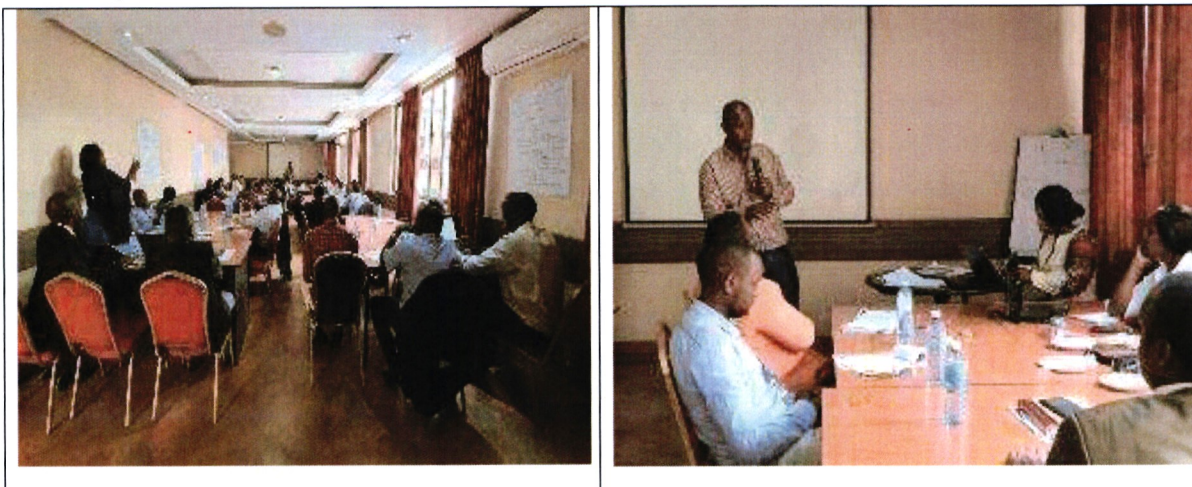
Key achievements include: -

- a) Provision of 3 Masters scholarships for Students of Karatina university (Academic Year 2020/2021) to undertake research on environmental related areas.
- b) Supported the completion of Kenya's Forest reference Level for REDD+ (https://redd.unfccc.int/files/kenya_national_frl_report-august_2020.pdf)
- c) Supported Review of International Documents submitted to the UNFCCC https://unfccc.int/sites/default/files/resource/tar2020_BTN.pdf
- d) supported development of International guidelines on Forest measurements and Greenhouse Gas Inventories <https://www.reddcompass.org/documents/184/0/GFOI-MGD-3.0-en.pdf/9893d3c5-0502-4b56-a93c-f24563faf083>

One of the challenges faced is limited funding to undertake the environmental sustainability projects.

Lastly, Karatina University Centre for Mountain Studies and Climate Change is partnering with the Green Belt Movement (GBM) and the Francis Allen Consulting to develop an On-Line Community- Based Measurement, Reporting and Verification System (MRV) on Carbon Emissions for Nakuru and Nandi Counties. This system spearheaded by the Green Belt Movement/International Climate Initiative fits into the National MRV system and is an ideal tool for Counties to identify effects of Climate Change adaptation and mitigation activities and meeting County targets under the Intentionally Determined Contributions (IDC) for GHG

Emission Reduction. The University is proud to be associated with the Green Belt Movement and Kenya's National GHG inventory process.



Coordinator –Centre for Mountain studies educating stakeholders in Nakuru on Greenhouse Gas inventories

iv) Staff Welfare

Karatina University staff population was three hundred and ninety-four (394) as at 30th June, 2021. This consisted of one hundred and fifty-six (156) teaching staff comprising of eighty-seven (87) male and sixty-nine (69) female; making up 39.75% of the staff population. This includes three (3) members on leave of absence. The administrative staff were two hundred and thirty-eight (238) comprising of one hundred and eleven (111) male and one hundred and twenty-seven (127) female making 60.25% of staff.

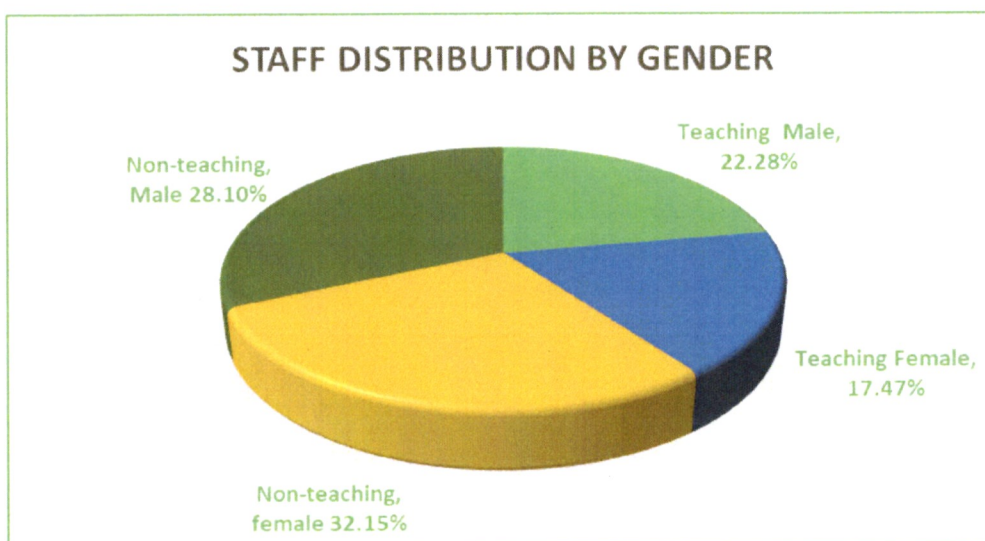


Figure 5: Distribution of Karatina University members of staff

During the reporting period, the University had 6 members of staff on study leave to pursue PhD (5) and Masters degrees (1) outside the country. Further, the University continues to support fifty-nine (59) teaching staff (assistant lecturers and tutorial fellows) who are pursuing PhD programmes within the country. In addition, three (3) Graduate Assistants are pursuing masters' degree. Four members of the teaching staff who graduated with PhDs were appraised and were promoted to Lecturer position.

Members of staff have taken part in-house trainings and seminars sponsored by the University so as to enhance their skills. The trainings include: On line teaching on Moodle; Learning Management system; Preparing online examinations; Administering examinations online; Training of three Integrity Assurance Officers; and Training of two officers on Mediation. Academic staff with additional qualifications have been appraised and appropriately placed as required by CUE.

In commitment to promote employee well-being at the workplace, the University has a Work Environment, Health and Safety policy which outlines guidelines and standards for the prevention and protection of University staff against accidents and occupational hazards arising at the work place. Fumigation of offices has been undertaken in the wake of Covid-19. Further, the University has four Unions: Academic Staff (UASU); Administrative staff (KUSU) and for ancillary staff (KETASWU and KUDHEIHIA) whose roles are to look after the interests of their members. During the reporting period employees were paid arrears for National Collective Bargaining Agreements for 2017-2021 and the University continues to pay the new salaries, as recommended by SRC. Negotiations on outstanding CBA are ongoing and are envisaged to be completed soon.

Lastly, in response to the Covid pandemic, the University in collaboration with the Agha Khan University Hospital organised two Covid- Sensitization webinars that targeted staff and the neighbouring community. The Covid-19 Senate Advisory Committee continues to monitor international and national trends and advise Management and Senate on the measures to be implemented to ensure staff welfare. Treatment has been offered to the affected and Psychosocial support to staff availed. Eligible staff have been allowed to work from home and other reporting on shifts to ensure safety.

v) Market Place Practices

The University has encouraged responsible supply chain and supplier relations by conducting sensitization workshops to Youth, Women and Persons with Disability groups on government procurement procedures; the requirements for accessing government procurement opportunities. In addition, the University has set a target of 40% of its procurements of goods and services to be locally produced. Payments to suppliers are made within 30days of delivery

of goods/services and relevant documents. Part-time lecturers are key service providers, their payments are done after submission of final results and within a month after receipt of claims.

Moreover, the University has a service delivery charter in both Kiswahili and English languages which guides its clients on the services and requirements for the services being sought. The service deliver charters are displayed at strategic points for ease of reference by its clients.

Lastly, the University has Marketing Policy for its programmes that guides on the safety of the consumers' rights and interests with an objective of enhancing visibility of the University and its programmes and as well as positioning KarU as a university of choice.

vi) Social sustainability

Corporate Social responsibility (CSR) activities form a critical part of the strategies enshrined in the Karatina Universities Medium Term Strategic plan. The University prioritized its CSR activities as discussed below and implemented them within the approved budgets.

I. Education

The University undertook the following community outreach programmes in education as follows:

a) School Mentorship Programmes

Teams from Karatina University participated in a mentorship programme of High School in Nyeri County. This is a continuous programmes that aim at imparting life skills, career choices and mentorship to high school students. In the financial year, the talks targeted the Form Four students who were well inducted on the processes of choosing high marketable careers. School principals lauded the University's efforts in providing mentorship to students. Such exposures act as points of motivation to help them make independent and objective decisions to scale the global academic landscapes year. Participating Schools have made this an annual activity, which has resulted in tremendous improvement in the respective school's performance.

b) Donation of Face Masks to Vulnerable Elderly Residents of Nyeri County

Conscious of the need to touch vulnerable lives among local communities, Karatina University embarked on an initiative to donate face masks as an effort to combat the spread of Corona Virus. The initiative was designed to reach out to the vulnerable and elderly members of society. The programme was launched on Thursday, 18th March 2021, where about 100 elderly citizens from Mathira East and West Sub-Counties were invited to the University to receive the mask donation. In addition, elderly citizens received clinical and nutritional checks by staff and students of School of Nursing and Department of Food Science and Nutrition. The launch of the mask donation at the University commenced with a donation drive that has reached out to over 4500 residents of Nyeri County.



Karatina University fraternity donating masks to the public

10. REPORT OF THE COUNCIL MEMBERS

Karatina University Charter provides for the objectives and functions of the Council under section 21 as follows: -

(1) Subject to this Charter, the Council shall be the governing body of the University through which the University as a body corporate shall act and:

(a) shall administer the property and funds of the University in a manner and for the purposes which shall promote the best interest of the University; but the Council shall not charge or dispose of immovable property of the University except in accordance with procedures laid down by the Government of Kenya.

(b) shall receive, on behalf of the University, donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons.

(c) shall approve the appointment criteria and the terms and conditions of service of staff;

(d) shall provide for the welfare of the staff and students of the University.

(e) may enter into association with other universities or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and

(f) shall, after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University.

(2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Vice Chancellor or any other members of the Council generally or specifically authorized by the Council in that behalf.

(3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

(4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.

(5) The Council shall constantly review the viability and financial sustainability of the University and shall do so once every year

(6) The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices accounting and auditing standards

Principal Activities

The principal activities of the University as stated in its mandate, are stipulated in the Karatina University Charter 2013, under section 6 include:

- a) Provide and advance university education and training to appropriately qualified graduates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and Senate shall from time to time determine and in so doing contribute to national development and humanity;
- b) Assemble and provide resources for university level education, training and research, scholarship, and for the establishment of facilities, institutes, divisions, departments, centres and such other units as the University Council may deem necessary;
- c) Determine who may teach, what may be taught, to whom it may be taught and how it may be taught in the University;
- d) Establish colleges, schools, institutes, centres, departments and such other institutions as may be deemed necessary by the University Council;
- e) Conduct both applied and basic research geared towards local, national, regional and global development;
- f) Establish and maintain an Information Resource Centre including the collection of literature, films, information data bases and other materials relating to natural resources, agriculture, engineering, entrepreneurship, management, law, medicine, social and applied science theories and practices;
- g) Enter into collaborations, linkages, and consultancy network in promoting excellence, meeting the dynamic needs and development of society;
- h) Provide balanced programmes and experiences including participation in natural and cultural conservation, commercial ventures and other activities to the benefit of the University, the community and stakeholders;
- i) Facilitate student mobility between programmes of study at different technical training institutions, polytechnics and universities;
- j) Foster the general welfare of all staff and students; and
- k) Carry out any other activity as may be permitted and approved by the University Council to further the vision, mission and philosophy of the University.

Results

The results of the University for the year ending 30th June 2021 are set out on page 1

Council Members

The members of Council who served during the period are shown on pages (vi) & (ix) in accordance with Karatina University Statutes 2021 and Universities Act 2012.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and Public Audit Act (2015). The Auditor General is empowered to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staff were nominated by the Auditor General to carry out the audit of the University for the period ending 30th June, 2021.



Prof. Mucai Muchiri, PhD
Council Secretary/ Vice Chancellor

Date:

7/2/2022

II. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and sections 14 & 15(1) of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial period and the operating results of the University for that period. The Act also requires the Council Members to ensure that the University keeps proper accounting records that disclose with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the University's assets.

Council is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the University as at the end of the financial period ended on 30th June, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy 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 University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act (2012) and State Corporations Act (2012). The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June, 2021 and the University's financial position. Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the internal financial control systems.

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

Approval of the financial statements

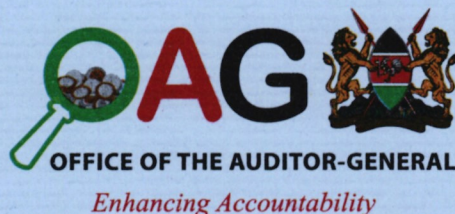
Karatina University annual financial statements have been prepared in accordance with Section 83 of the PFM Act 2012 and were approved by the Council on 20th August, 2021 and signed on its behalf by:


Prof. Mucai Muchiri, PhD
Vice Chancellor


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REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karatina University set out on pages 1 to 33, which comprise of the statement of financial position as at

Report of the Auditor-General on Karatina University for the year ended 30 June, 2021

30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Karatina University as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Receivables from Exchange Transactions

1.1. Recoverability of Students Debts

The statement of financial position reflects receivables from exchange transactions balance of Kshs.99,445,741 as at 30 June, 2021 and as disclosed under Note 18 to the financial statements. The balance includes an amount of Kshs.94,427,241 in respect of student balances out of which students' balances totalling to Kshs.60,268,543 or 64% of the students debts have been outstanding for over 731 days. The debt has accrued as far back to the inception of the University. Further, the provision for bad debts of Kshs.1,888,545 for all the students' debts appears inadequate to cover the potential irrecoverable amounts.

In the circumstances, the recoverability of student's debtors balance of Kshs.94,427,241 as at 30 June, 2021 is in doubt.

1.2. Contingent Assets

Disclosed in Note 5 to the financial statements under significant judgements and sources of estimation uncertainty, is a contingent asset in respect of a staff bond of Kshs.4,162,798. This is a sum due from an assistant lecturer who went for further studies abroad and is yet to resume duties at the University after return from study leave. Records provided indicated that the assistant lecturer was sponsored by the University in 2014 to pursue a PHD in veterinary medicine at Yangzhou University in China for three (3) years and ten (10) months with effect from 1 September, 2014 to 31 July, 2018. The course and financial support were approved by the University at a cost of Kshs.5,662,798 on condition that the lecturer be bonded to the service of the University for a period equivalent to the duration of the course (3 Years, 10 Months) on completion of the course in line with the Government policy on sponsored trainings. The bond terms stipulated that he should pay back the total amount incurred on him should he abscond.

Examination of the personal file and other records revealed that the lecturer returned from study leave and took up a position at Kilifi County Government, despite being bonded for service at the University after completion of studies. The University Management demanded for payment from the former lecturer on 20 August, 2019. The officer committed to pay vide a letter dated 8 January, 2020 and made the first and second instalments of Kshs.500,000 and Kshs.1,000,000 on 18 February, 2020 and 24 March, 2021 respectively leaving an unpaid balance of Kshs.4,162,798. However, the amount of Kshs.4,162,798 did not form part of the receivables balance as at 30 June, 2021.

In the circumstances, the receivables from exchange transactions balance of Kshs.99,445,741 as at 30 June, 2021 is understated by the excluded contingent asset balance of Kshs.4,162,798.

2.0. Part Time Lecturers' Outstanding Dues

2.1. Long Outstanding Part Time Lecturers' Dues

The statement of financial position reflects trade and other payables balance of Kshs.82,730,408 and as disclosed under Note 25 to the financial statement, out of which a balance of Kshs.12,759,486 relates to part time lecturers' dues. The aging analysis provided for audit review indicated that out of the total amount of Kshs.12,759,486, an amount of Kshs.8,905,000 or 70% of the dues have been outstanding for more than one year and relates to the period between 2013/2014 to 2019/2020. According to the Management, the claims have not been paid due to audit queries which are yet to be responded to by the applicants.

In the circumstances, the accuracy and completeness of amount due to part-time lecturers of Kshs.8,905,000 as at 30 June, 2021 could not be confirmed.

2.2. Contingent Liability

As disclosed in Note 5 to the financial statements on significant judgements and sources of estimation uncertainty and under contingent liability, the University has estimated contingent liability on unclaimed part time teaching for Private Self Sponsor Students (PSSP) of Kshs.43,526,680. Management has indicated that the liability accrued relate to the financial years 2016/2017 to 2020/2021 as detailed below:

Academic Year	Amount (Kshs.)
2016/2017	11,057,516
2017/2018	9,357,663
2018/2019	3,094,900
2019/2020	12,591,000
2020/2021	7,425,600
Total	43,526,680

However, details of the nature of the contingent liability, an indication of uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement have not been disclosed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unrecovered Rent Deposit

The statement of financial position reflects prepayments balance of Kshs.12,030,073 as at 30 June, 2021 and as disclosed under Note 17 to the financial statements. Included in this balance is an amount of Kshs.1,670,296 in respect of rent deposit for Nairobi Liaison Office at View Park Towers. The tenancy with the premise's owner was terminated and the University vacated the premises on 31 January, 2020. However, the rent deposit had not been paid back to the University as at 30 June, 2021.

In the circumstance, delay in refund of rent deposit denies the University the needed financial resources and it is not clear when the University will receive the funds.

2.0 Non-Compliance with Ethnic Diversity

A review of human resource records revealed that during the year under audit, the University had three hundred ninety-four (394) employees out of which two hundred and fifty (250) are from one dominant ethnic community which translate to 63% of the

employees of the University. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 July, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

INCOME	Notes	2020/2021	2019/2020
		Kshs.	Kshs.
Revenue from Non Exchange Transaction			
Government Grants	4	722,008,044	805,879,439
Amortization of Granted Assets	5a	8,150,120	7,999,595
Donations	6	2,553,640	733,555
		732,711,804	814,612,589
Revenue from Exchange Transaction			
Tuition and Related Charges	7	256,735,896	272,384,640
I.G.A and Other Incomes	8	29,455,267	39,931,865
		286,191,163	312,316,505
Total Income		1,018,902,967	1,126,929,094
EXPENDITURE			
Administration Expenses	9	125,011,578	120,054,601
Employment Expenses	10	800,932,406	687,731,316
Academic Expenses	11	60,707,676	91,868,318
Repairs and maintenance	12	4,797,907	4,638,780
Board Expenses	13	6,717,250	8,286,035
Finance Expenses	14	404,739	519,974
Depreciation and amortization expense	15	90,700,845	67,888,197
Total Expenditure		1,089,272,401	980,987,220
Surplus /(Deficit)		(70,369,434)	145,941,874

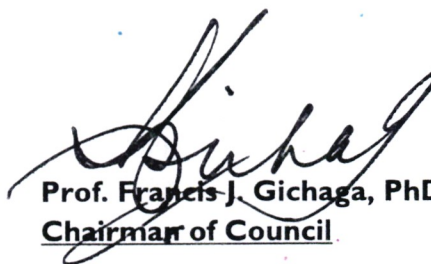
The statement of financial performance is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 31.

Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Ag. Finance Officer

Prof. Mucai Muchiri, PhD
Vice Chancellor



Prof. Francis J. Gichaga, PhD
Chairman of Council



14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2020/2021	2019/2020
		Kshs.	Kshs.
Current Assets			
Cash & Bank Balances	16	161,942,481	180,779,986
Prepayments	17	12,030,073	5,526,141
Receivable from exchange transaction	18	99,445,741	101,719,916
Receivable from non-exchange transaction	19	-	84,216,479
Inventories	20	11,807,908	13,316,215
Total Current Assets		285,226,203	385,558,737
Non-Current Asset			
Biological Assets	21	4,830,664	4,569,244
Property, Plant & Equipment	22	1,858,036,620	1,909,456,484
Intangible Assets- Computer software	23	3,740,868	2,705,213
Capital Work in Progress	24	286,054,125	175,032,515
Total Non-Current Assets		2,152,662,277	2,091,763,457
Total Assets		2,437,888,480	2,477,322,194
Current Liabilities			
Trade & Other Payables	25	82,730,408	88,262,942
Current Deferred Income	5b	8,150,120	7,999,595
Provisions	26	25,082,546	19,895,417
Total Current Liabilities		115,963,074	116,157,954
Non-Current Liabilities			
Deferred Income – Grant	5b	116,906,922	122,891,787
Total Non-Current Liabilities		116,906,922	122,891,787
Capital Funds			
Accumulated Capital Fund	27	1,587,124,911	1,557,900,556
Revenue Reserve	28	100,463,276	132,975,661
Revaluation Reserve	29	517,430,297	547,396,236
Total Capital Fund		2,205,018,484	2,238,272,453
Total Funds & Liabilities		2,437,888,480	2,477,322,194

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 31.

The financial statements set out on this page were signed on behalf of Council by:

Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Ag. Finance Officer

Prof. Mucai Muchiri, PhD
Vice Chancellor

Prof. Francis J. Gichaga, PhD
Chairman of Council

12. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021

	Notes	Accumulated Capital Fund	Revenue Reserve	Revaluation Reserve	Total
		Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30.06.19		1,445,224,082	(29,805,501)	561,816,923	1,977,235,504
Surplus/Deficit for the period		-	145,941,874	-	145,941,874
Transfer of amortized revalued PPE	22(a)	-	14,420,688	(14,420,688)	-
Prior year adj of student balances			(233,350)		(233,350)
Prior year Adj on Catering Income			631,370		631,370
Valuation of Biological Assets		-	136,360	-	136,360
Unrealized Tea farm bonuses		-	(488,074)	-	(488,074)
Decrease in Leave Provisions	26	-	2,372,294	-	2,372,294
Capital Grants		112,676,474	-	-	112,676,474
Balance as at 30.06.20		1,557,900,556	132,975,661	547,396,235	2,238,272,452
Surplus/Deficit for the period		-	(70,369,434)	-	(70,369,433)
Transfer of amortized revalued PPE	22(a)	-	14,420,688	(14,420,688)	-
Gain in Biological Assets (Cows)	21	-	280,140	-	280,140
Impairment Loss on Revalued assets	22(a)		15,545,250	(15,545,250)	-
Part-time Claims Reconciliation		-	5,524,997	-	5,524,997
Provisions for Staff leave days	26	-	2,125,252	-	2,125,252
Unrealized Tea farm bonuses	a	-	(157,807)	-	(157,807)
Decrease in Provisions for bad & doubtful debts	18	-	118,529	-	118,529
Capital Grants		29,224,355	-	-	29,224,355
Balance as at 30.06.21		1,587,124,911	100,463,276	517,430,297	2,205,018,484

- a) The expected bonuses for Tea income recognized in the year 2019/2020 were reduced from Kshs 26 to Kshs 20 per Kg harvested and delivered to the tea processing plant. As a result, the University has recognized the reduction in the projected tea bonuses.

13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	Notes	2020/2021	2019/2020
		Kshs.	Kshs.
Cash flow from Operating activities			
Surplus		(70,369,434)	145,941,874
Adjustment For			
Depreciation & Amortization	14	90,700,845	67,888,197
Adjustment in Provision for Bad debts		118,529	-
Loss in Biological Assets		18,720	-
Amortization of Granted Assets	4	(8,150,120)	(7,999,595)
Prior year Adjustment on Catering Income		-	631,370
Decrease in Provision for Leave		2,125,252	2,372,294
Overstated student Income		-	(233,350)
Prior year Adjustment on Prepayments		5,524,997	-
Unrealized Tea farm bonuses		(157,807)	(488,074)
Operating Activities		19,810,982	208,112,716
Change in:-			
Inventories	20	1,508,308	(2,186,500)
Receivable from exchange transaction	18	2,274,174	(10,500,704)
Receivable from non-exchange transaction	19	84,216,479	(16,178,058)
Prepayments	17	(6,503,932)	301,422
Accounts Payable	25	(5,532,535)	(189,121,880)
Provisions	26	5,187,129	3,727,896
Cash From Operating Activities		81,149,623	(213,957,826)
Net Cash from Operating Activities		100,960,605	(5,845,110)
Investing Activities			
Property, Plant & Equipment	22	(36,679,613)	(1,043,532,788)
Capital Work-in-Progress	24	(111,021,610)	959,430,488
Intangible Assets- Computer software	23	(3,637,022)	(1,865,424)
Granted asset	22	2,315,780	832,370
Net cash from investing activities		(149,022,465)	(85,135,353)
Financing Activities			
Capital Reserve		29,224,355	112,676,474
Net cash flow from financing activities		29,224,355	112,676,474
Net increase/(Decrease) In Cash & Cash Equivalents		(18,837,505)	21,696,016
Cash & Cash Equivalent at Start of Year	16	180,779,986	159,083,970

Cash & Cash Equivalent at End of the Year	16	161,942,481	180,779,986
Analysis of Cash & Cash Equivalents			
Cash & Bank Balances		161,942,481	180,779,986

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 12 to 31.

Dr. Grace Kakiya (CPA (K) - M/No. 7315)
Ag. Finance Officer



Prof. Mucai Muchiri, PhD
Vice Chancellor



Prof. Francis J. Gichaga, PhD
Chairman of Council

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

S/No	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual		Performance Difference		Explanation of material variances	
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%			
	INCOME												
1	Exchequer grants	722,008,044	-	-	722,008,044	722,008,044					0		
	Exchequer grants - CBA	27,884,766	-	-	27,884,766	(27,884,766)					-100		
2	Tuition Fees and related charges	261,283,200	-	-	261,283,200	256,735,896					-2		
3	Catering Services	5,850,000	-	-	5,850,000	3,536,696					-40	b	
4	Research and Consultancies Income	50,000,000	-	-	50,000,000	17,930,654					-64	c	
5	Farm Income	2,000,000	-	-	2,000,000	1,818,873					-9	d	
6	Other income	5,000,000	-	-	5,000,000	8,722,684					74	e	
7	GOK Capital Grants	58,448,711	(29,224,355)	(29,224,355)	29,224,356	29,224,355					(1)		
		1,132,474,721	(29,224,355)	(29,224,355)	1,103,250,366	1,039,977,202					-140		
	EXPENDITURE												
	Personnel Emoluments												
1	Personnel Emoluments	742,737,188	-	-	742,737,188	785,232,312					(42,495,124)	-6	
2	Casual Wages	12,750,000	-	-	12,750,000	9,083,712					3,666,288	29	
3	Gratuity	6,500,000	-	-	6,500,000	6,616,381					(116,381)	-2	
	TOTAL P.E	761,987,188	-	-	761,987,188	800,932,406					(38,945,218)	-5	f
	Board Expenses												
4	Council expenses	9,000,000	-	-	9,000,000	6,717,251					2,282,750	25	g
		9,000,000	-	-	9,000,000	6,717,251					2,282,750		
	Operating/ Administrative Expenses												
5	Stationery	3,435,250	-	-	3,435,250	3,368,581					66,669	2	
6	Vehicle Repairs & maintenance	3,500,000	-	-	3,500,000	2,732,265					767,735	22	
7	Generator fuel & Maintenance	2,500,000	(1,000,000)	(1,000,000)	1,500,000	1,280,823					219,177	15	
8	Fuel – Vehicles	3,500,000	-	-	3,500,000	3,055,506					444,494	13	
9	Office expenses and entertainment	612,000	-	-	612,000	395,917					216,083	35	
10	Postal expenses	100,000	-	-	100,000	60,421					39,579	40	
11	Publishing & printing	1,700,000	(500,000)	(500,000)	1,200,000	527,110					672,890	6	
12	Computer expenses & Maintenance	1,500,000	-	-	1,500,000	1,495,191					4,809	0	
13	ISO training & Implementation	1,072,333	-	-	1,072,333	451,060					621,273	58	
14	Shows & Exhibition expenses	1,000,000	-	-	1,000,000	293,980					706,020	71	
15	Performance Contracting	1,000,000	(500,000)	(500,000)	500,000	92,296					407,704	82	
16	Legal expenses	1,000,000	-	-	1,000,000	170,155					829,845	83	
17	Strategic Plan Implementation & Monitoring & Review	1,500,000	-	-	1,500,000	-					1,500,000	100	
18	Subscription to Professional Bodies	1,500,000	-	-	1,500,000	732,022					767,978	51	
19	Newspaper & journals	900,000	-	-	900,000	283,147					616,853	69	

S/No	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual		Performance Difference		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%			
	Operating/ Administrative Expenses											
20	Cleaning/sanitary materials	1,800,000	-	-	1,800,000	1,248,465	551,535	31				
21	Telephone expenses	1,656,000	-	-	1,656,000	1,574,260	81,740	5				
22	Insurance Expenses	7,756,012	4,761,413	-	12,517,425	11,847,313	670,112	5				
23	Open Day & cultural celebration	400,000	-	-	400,000	27,540	372,460	93				
24	Public celebrations & funerals	1,000,000	-	-	1,000,000	440,475	559,525	56				
25	Staff Training expenses	825,000	-	-	825,000	787,607	37,393	5				
26	Security services	9,400,000	-	-	9,400,000	8,830,260	569,740	6				
27	Water & Sewerage Expenses	4,000,000	1,300,000	-	5,300,000	5,234,873	65,127	1				
28	Electricity Expenses	10,000,000	-	-	10,000,000	9,915,650	84,350	1				
29	Rent & Rates	12,386,201	6,000,000	-	18,386,201	18,667,724	(281,523)	-2				
30	Uniforms	412,500	-	-	412,500	206,454	206,046	50				
31	Medical expenses	16,000,000	-	-	16,000,000	27,532,686	(11,532,686)	-72				h
32	Advertising & publicity	3,000,000	-	-	3,000,000	1,187,789	1,812,211	60				
33	Internet services	17,366,820	-	-	17,366,820	13,160,194	4,206,626	24				
34	Farm expenses	1,200,000	-	-	1,200,000	1,334,477	(134,477)	-11				
35	Catering expenses	6,000,000	(1,500,000)	-	4,500,000	4,274,960	225,040	5				
36	Audit fees	700,000	-	-	700,000	696,000	4,000	1				
37	Travelling & Accommodation	2,549,250	-	-	2,549,250	2,017,604	531,646	21				
38	External travelling	1,000,000	-	-	1,000,000	103,675	896,325	90				
39	Resource Mobilization	1,000,000	-	-	1,000,000	87,880	912,120	91				
40	Pension Scheme Administration	1,400,000	(1,000,000)	-	400,000	-	400,000	100				
41	COVID-19 Preventive Measures	3,893,450	-	-	3,893,450	878,498	3,014,952	77				
		128,564,816	7,561,413	136,126,229	124,992,857	11,133,372	8					
	Academic expenses											
42	students activities	2,000,000	-	-	2,000,000	1,401,813	598,187	30				
43	Curriculum development/review	1,000,000	-	-	1,000,000	-	1,000,000	100				
44	External examiners	2,500,000	-	-	2,500,000	2,370,658	129,342	5				
45	Graduation Expenses	3,500,000	900,000	-	4,400,000	4,303,120	96,880	2				
46	Industrial Attachment/ Teaching Practice	9,000,000	(4,000,000)	-	5,000,000	4,453,928	546,072	11				
47	Games & Sports	1,500,000	-	-	1,500,000	1,002,362	497,638	33				
48	Library Subscription	1,600,000	-	-	1,600,000	1,113,213	486,787	30				
49	Senate & Deans committees	250,000	(50,000)	-	200,000	96,770	103,230	52				
50	University Committees	500,000	50,000	-	550,000	548,914	1,086	0				
51	Teaching materials	3,000,000	-	-	3,000,000	1,537,849	1,462,151	49				
52	Field trip	3,000,000	1,500,000	-	4,500,000	1,315,688	3,184,312	71				
53	Research expenses	46,500,000	-	-	46,500,000	9,977,284	36,522,716	79				
54	Botanical garden	50,000	-	-	50,000	-	50,000	100				

S/No	DESCRIPTION	Original Budget		Adjustments		Final Budget		Actual		Performance Difference		Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%		
	Academic expenses Cont'd											
55	PSSP Disbursement	25,214,453	(4,500,000)	20,714,453	20,480,346	234,107	1					
56	Examination materials	2,500,000	-	2,500,000	2,339,490	160,510	6					
57	Seminars & Conferences	500,000	-	500,000	486,904	13,096	3					
58	Annual International Conference	500,000	600,000	1,100,000	1,086,245	13,755	1					
59	Placement Board charges	2,925,000	-	2,925,000	2,263,500	661,500	23					
60	Accreditation for Programmes	960,000	(850,000)	110,000	-	110,000	100					
61	CUE Student Accreditation fee	1,950,000	850,000	2,800,000	2,835,000	(35,000)	-1					
62	NCK indexing	662,550	-	662,550	-	662,550	100					
63	Nursing Skills lab	9,557,000	(6,000,000)	3,557,000	1,409,214	2,147,786	60					
64	Tea Institute expense	1,000,000	-	1,000,000	443,531	556,469	56					
65	University linkages- Entrepreneurial concept	600,000	-	600,000	-	600,000	100					
66	Counselling services	200,000	-	200,000	51,480	148,520	74					
67	Community Engagement	500,000	-	500,000	215,498	284,502	57					
68	ODEL expenses	700,000	-	700,000	558,630	141,370	20					
69	Liberation movement expenses	200,000	-	200,000	30,120	169,880	85					
		122,369,003	(11,500,000)	110,869,003	60,321,556	50,547,447	45					
	Repairs and Maintenance											
71	General Refurbishment	4,450,000	(2,000,000)	2,450,000	2,413,943	36,057	1					
72	Maintenance of building	2,400,000	(1,000,000)	1,400,000	1,365,333	34,667	2					
73	Maintenance of plant & Equipment	1,500,000	-	1,500,000	424,242	1,075,758	72					
74	Maintenance of play grounds	500,000	-	500,000	10,740	489,260	98					
75	Maintenance of Catering equipment	1,000,000	-	1,000,000	3,000	997,000	100					
76	Maintenance of Hostel equipment	137,500	-	137,500	-	137,500	100					
77	Water supply equipment	800,000	-	800,000	580,649	219,351	27					
	Total	10,787,500	(3,000,000)	7,787,500	4,797,907	2,989,593	38					k
		1,032,708,507	(6,938,587)	1,025,769,920	997,761,976	28,007,944	28					
	Purchases											
78	Installation of Solar Panels	1,930,000	-	1,930,000	1,893,900	36,100	2					
79	Purchase of computer	4,560,000	4,000,000	8,560,000	8,464,201	95,799	1					
80	Purchase of library books	3,591,173	-	3,591,173	3,106,553	484,620	13					
81	Purchase of Motor Vehicle	7,500,000	-	7,500,000	6,742,000	758,000	10					
82	Purchase of plant & equipment	4,411,750	(2,000,000)	2,411,750	1,857,269	554,481	23					
83	Purchase of Furniture	1,965,000	-	1,965,000	482,375	1,482,625	75					
84	Purchase of Medical equipment	450,000	-	450,000	-	450,000	100					
85	Purchase of Sports Equipment	1,000,000	(500,000)	500,000	386,120	113,880	23					

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Performance Difference	Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%
	Purchases Cont'd						
86	Purchase of lab equipment	7,209,580		7,209,580	4,497,623	2,711,957	38
87	ICT infrastructure -soft ware	8,700,000	(2,061,413)	6,638,587	3,637,022	3,001,565	45
88	Renovation of anatomy lab, partitioning of RC	-	7,500,000	7,500,000	7,319,912	180,088	2
	Development	41,317,503	6,938,587	48,256,090	38,386,975	9,869,115	20
89	Work in progress	58,448,711	(29,224,355)	29,224,356	29,224,355	1	0
	Total	58,448,711	(29,224,355)	29,224,356	29,224,355	1	
	Deficit	1,132,474,721	(29,224,355)	1,103,250,366	1,065,373,306	37,877,060	
					(25,396,104)		m

The statement of comparison of actual vs actuals is to be read in conjunction with notes to and forming part of financial statements set out on pages 10 to 11.

Notes to the Statement of comparison of budget and actual amounts

a) Changes between the original and final budget

There is a change between original and final budget which was occasioned by a reduction of University's development budget by Kshs 29M during the reporting year during supplementary budgets in March 2021. Lastly, the other votes were realigned to cater for unforeseen expenditure in respect to COVID -19 prevention measures and operations guided by the "new normal" way of working.

a) Catering Services

During the reporting period, incomes from catering services had unfavorable variance of Kshs. 2.3M. This was occasioned by minimal physical activities in the University as a result of the global pandemic of COVID -19. Therefore, the University could not realize the projected catering income because the students were on blended learning.

b) Research and Consultancies Income

The University expected to receive Kshs. 50M from research and consultancies activities during the reporting period. However, the realized funds were Kshs. 17.9M resulting to unfavorable variance of Kshs. 32.1M. Members of staff have written proposals for research and consultancies and the same were under consideration by various sponsors.

c) Farm income

Farm income has unfavourable income of Kshs 181,127. This is because the unit price of harvested tea has gone down.

d) Other incomes

Other incomes had favorable variance of Kshs 3.7M during the reporting period. This is as a result of life assurance compensation to a deceased member of staff of Kshs. 4.7M.

e) Personnel emoluments

The University has an overall unfavourable variance of 6% as result of payment of salary arrears resulting from national CBAs (2017-2021). The funds allocated for the same had been recognized in the FY 2019/2020. In addition, funding for continual implementation of the CBA 2017-2021 was not adequate. Besides that, the University rationalized the number of contract staff it required for business continuity, resulting to a favourable variance.

f) Board expenses

During the reporting period, Board expenses had a favourable variance of Ksh's 2.28M. This is because Council was appointed in November 2020 and board activities commenced in January 2021.

g) Medical expenses

The medical expenses vote has unfavourable variance of Kshs 11.5M as result of recognition of medical bills incurred for members of staff and their dependents during the period.

h) Administrative expenses

Some administrative activities that had been targeted for 2020/2021 FY were not achieved as a result of minimal physical activities in the University due to COVID -19. Consequently, an overall favourable variance of 8% was reported.

i) Academic expenses

Most of the academic interactions were carried out via online platforms resulting to a favourable variance of 45%. In addition, some academic activities such as field trips/ courses, teaching practice and field attachments had been put on hold until the normalcy resumes. These activities will be carried out during students' vacation which falls in the 1st Quarter of 2021/2022FY.

j) Repairs and maintenance

The University has operated with minimal staff during suspension of face to face learning and only essential services were being carried out. This resulted to an overall favourable variance of 38% in repairs and maintenance.

k) Purchase of assets

Purchases that could not be completed during the COVID -19 pandemic were suspended. This resulted to a favourable variance of 20%.

l) Budget deficit

The overall budget deficit reported in the statement of comparison of budget vs actuals is a result of payment of salary arrears and implementation of the signed 2017-2021 National Collective Bargaining Agreement. In addition, the projected AIA was not realized due to the effects of COVID-19 pandemic.

15. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Karatina University is established by and derives its authority and accountability from Universities Act of 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. It operates within the mandate of the Ministry of Education which provides the general policy and strategic direction on Kenya's higher education.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with the PFM Act 2012, the Universities Act 2012 and International Public Sector Accounting Standards (IPSAS). The preparation of financial statements is in conformity with IPSAS which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements have been disclosed in the respective notes to the financial statements. The financial statements have been prepared on a historical cost basis except for property, plant and equipment measured at re-valued amounts, financial instruments at fair value and impaired assets at their estimated recoverable amounts.

The financial statements are prepared on accrual basis and presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest whole number. The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the indirect method.

3. ADOPTION OF NEW AND REVISED STANDARDS

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard	Effective date and impact:
Other Improvements to IPSAS	<p>Applicable: 1st January 2021</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant,</p>

and Equipment and IPSAS 31, Intangible Assets.

- d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).
Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

NB/ This standard will not be applicable to the University's operations

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The standard establishes principles for financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will the University to apply a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and indicate the objective for which the asset is held.

NB/ This standard will be applicable to the University's operations in 2023

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of information that a reporting entity provides in its financial statements about social benefits. Social benefits are cash transfers paid to specific individual to mitigate the effect of social risk.

NB/ This standard will not be applicable to the University's operations

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

NB/ This standard will not be applicable to the University's operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Early adoption of standards

The University did not early – adopt any new or amended standards in the year 2020/2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Government grants

Government grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis (IPSAS 23)

Donations

Donations have been recognized as income over the period they have been received to match with the related cost or assets intended to compensate for.

Deferred income

Deferred income recognized in the books is as a result of amortization of granted assets and the asset recognition criteria are met. Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The University has recognized incomes to include student tuition fees and related charges for the period in which it is earned

a) Budget information – IPSAS 24

The original budget for FY 2020/2021 was ratified by the University Council on 5th March 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with approvals from Council. The additional appropriations are added to the original budget by the University upon receiving approvals in order to conclude the final budget. Accordingly, the entity recorded a decline in appropriations of Kshs 29M on the 2020/2021 FY development budget following approval of Ministry of Education. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. The institution will provide an explanation of differences between actual and budgeted amounts under or above 10%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, Plant and Equipment - IPSAS 17

Property, plant and equipment are stated at cost and subsequently shown at market value based on valuations by external independent valuer less subsequent depreciation and impairment losses. Increases in the carrying amounts arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve, all other decreases are charged to the statement of comprehensive income. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

Buildings	2.5%
Furniture, Plant and Equipment	12.5%
Library Books	12.5%
Motor Vehicles	25%
Computers and peripheral devices	30%

In the event of disposal of revalued assets, any revaluation surplus will be transferred directly to retained earnings.

b) Leases

Leases are categorized into finance leases and operating leases. The University has operating leases in respect to rented premises. Under operating leases the lessor effectively retains the risks and rewards of ownership. Obligations incurred under operating leases are charged as an operating expense in surplus or deficit on a straight line basis over the lease period.

c) Intangible assets – IPSAS 31

Computer Software has been recognized at cost as intangible assets. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed finite for a period of three years. The assets are subjected to a full year's depreciation except those acquired within the last three months of the year at a rate of 30%.

d) Work in progress

Work in progress represents properties (buildings) under construction. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Inventories –IPSAS 12

Inventories are stated at lower of cost and net realizable value. Costs include direct material and where applicable direct labour and those overheads that have been incurred to bring the inventories to their present location and condition. Costs of issues are calculated using 'First In First Out' (FIFO) method. Net realizable value represents the estimated selling prices less all estimated costs of disposal

f) Biological assets

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27). A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises. Biological assets for the University comprises of tea bushes and cows refer to note 21 for details.

g) Receivables

Receivables are recognized when commitments are effected at their nominal value.

h) Cash and cash equivalents

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). Bank balances entails amounts held at various banks at the end of the financial year. For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

i) Retirement benefits obligations (IPSAS 25)

Karatina University is operating under Moi University Pension Scheme because it was nurtured by Moi University before being chartered to fully fledged University. A majority of its members of staff during inception had transferred their services to Karatina University and they opted to remain in Moi University Pension Scheme. The Scheme is funded by defined contribution scheme based on the basic salary from both employees and employer at a rate of 7.5% and 15 % respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Kshs 200.00 per employee per month, while the employer contributes Kshs 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) 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.

k) Related Party Disclosures – IPSAS 20

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. The National Government, Members of Council and Members of Management are regarded as related parties in preparation of these financial statements.

Related party transactions during the year as tabulated below:

Related party transactions		Kshs
Members of Council	Note 13 - Board expenses	6,717,251
Members of Management	Note 10 - Incorporated in the employment expenses	53,256,032
National Government	Note 4 - Recurrent grants	722,008,044
	Note 27 – Capital grants	29,224,355
	TOTAL	811,205,681

l) Comparative figures

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

m) Provisions – IPSAS 19

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material. Where the University expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement Refer to note 26.

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the University's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the University's accounting policies are dealt with below:

Impairment losses

At each year end, the University reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property and equipment

Critical estimates are made by the University council in determining depreciation rates for property and equipment.

Useful lives and residual values

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

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

Provisions bad and doubtful debt

The University provided for bad and doubtful debts at a rate of 2% of the debtors from exchange transactions. Where there is no certainty of a receivable, the amounts will be expensed after clear analysis of the account receivable and recorded as expenses. Additional disclosure of these estimates of provisions is included in Note 18. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent liabilities

The University 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. The contingent liabilities for the year are tabulated below: -

Contingent liabilities	2020/2021	2019/2020
Description	Kshs	Kshs
Part-time teaching claims	43,526,680	42,100,485
Court case against the University	4,426,570	1,628,593
Moi University - GoK Loan	194,129,972	194,129,972
Rent- Nairobi Liaison Office		1,616,914
Total	242,083,220	239,475,964

The University has disclosed Kshs 12.75M being amounts owed to part-time lecturers who have claimed for payment. However, there's an additional Kshs 43.5M owing to unclaimed PSSP part-time payments. Also, the University may take up a loan of Kshs 194M that was used to acquire granted assets from Moi University once it gets consent from National Treasury. In addition, the loan had accrued interest of Kshs 22M as at 31st December, 2018 which the University will be required to take up. Lastly, the details for the courts have been indicated on page 35.

Contingent assets

The University 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 University. 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. The contingent assets for the year is tabulated below: -

Contingent assets	2020/2021	2019/2020
Description	Kshs	Kshs
Staff Bond	4,162,798	5,162,798
Total	4,162,798	5,162,798

The University has disclosed Kshs 4.16M being bond sum for a member of staff who went for further studies and is yet to resumè to the University to offer his services after resumption from study leave.

a. FINANCIAL RISK MANAGEMENT

The University's activities expose the institution to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the

business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place practices to ensure that credit is extended to students and customers with an established credit history.

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

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its 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 prior experience and their assessment of the current economic environment.

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

Receivables	Total amount	Fully performing	Past due	Impaired
At 30th June 2021	Kshs	Kshs	Kshs	Kshs
KTDA Bonus Payment	769,163	769,163		
Student Balances	94,427,241	65,231,103	29,196,138	-
Moi University	2,254,226	2,254,226	-	-
Total	97,450,630	68,254,492	29,196,138	-
At 30 June 2020				
KTDA Bonus Payment	935,331	935,331	-	-
Student Balances	100,353,678	67,517,362	32,836,316	-
Moi University	2,254,226	2,254,226	-	-
Total	103,543,235	70,706,919	32,836,316	-

(ii) Liquidity risk management

The University's financial liabilities are categorized as general creditors, part time payments, contractors' fees and retention amounts. The amounts disclosed in the financial position are the contractual undiscounted carrying amounts due within 12 months and the impact of discounting is not significant.

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30th June 2021	Kshs	Kshs	Kshs	Kshs
Trade Creditors	8,565,842	5,842	1,950,343	10,522,027
Part time lecturers	-	-	12,759,486	12,759,486
Contractors balance	-	-	-	-
Contractors' Retention	-	-	22,331,014	22,331,014
Total	8,565,842	5,842	37,040,843	45,612,527
At 30 June 2020				
Trade Creditors	657,034	490,990	2,357,634	3,505,658

Part time lecturers	-	-	26,016,800	26,016,800
Contractors balance	4,915,586	-	-	4,915,586
Contractors' Retention	-	-	13,353,790	13,353,790
Total	5,572,620	490,990	41,728,224	47,791,834

(iii) Market risk

Council has put in place an internal audit function to assist in assessing the risks faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risks in respect to interest rates and foreign exchange rates will affect the University's income or value held by the financial instruments. The overall responsibility for managing market risk rests with the Audit and Risk Management Committee. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

The University is exposed to foreign exchange risk because it has revenues earned and expenses incurred denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognized in the books of accounts. The University bank accounts are denominated in Kenya Shillings and transaction will be reflected depending on the transaction day spot rate.

Interest rate risk

The University is exposed to interest rate risk arising from bank deposits. This exposes the institution to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on deposits. To manage the interest rate risk, the University management usually negotiates for favourable interest rates with the bank.

Sensitivity analysis

The University conducts its interest rate exposure by conducting a sensitivity analysis. Using the end year figure on fixed deposit in respect to bank guarantee for fuel of Kshs. 1,120,000.00, in case the current floating interest rates increase/ decrease by 1%, interest income reported in the statement of comprehensive income will increase or decrease by Kshs 11,200. The net effect will either increase the surplus to Kshs. 67,746,329 or decrease to Kshs. 67,723,929.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020/2021	2019/2020
Note 4: Government Grants	Kshs.	Kshs.
July	60,167,337	60,138,580
August	60,167,337	60,138,580
September	60,167,337	60,138,580
October	60,167,337	60,138,580
November	60,167,337	60,138,580
December	60,167,337	60,138,580
January	60,167,337	60,138,580
February	60,167,337	60,138,580
March	60,167,337	60,138,580
April	60,167,337	60,138,580
May	60,167,337	60,138,580
June	60,167,337	60,138,580
June - Supplementary funds	-	84,216,479
	722,008,044	805,879,439
Note 5(a): Deferred Income- Granted Assets	Kshs	Kshs
Deferred Income B/Forward	130,891,382	138,058,607
Additional Granted Assets	2,315,780	832,370
Amortization of Granted Assets	(8,150,120)	(7,999,595)
Deferred Income C/Forward	125,057,042	130,891,382
Note 5(b): Deferred liability-Granted Assets	Kshs	Kshs
Current Deferred income	8,150,120	7,999,595
Long-term deferred income	116,906,922	122,891,787
	125,057,042	130,891,382
The deferred income of Kshs 125,057,042 has been divided into two; Current deferred income of Kshs 8,150,120 which relates to the current year's amortization on granted assets and long term deferred income of Kshs 116,906,922 is in respect to capitalization of granted assets		
Note 6: Donations	Kshs	Kshs
University Events	1,941,740	-
Needy & Vulnerable Student Fund	611,900	733,555
	2,553,640	733,555
Note 7: Tuition and Related Charges	Kshs	Kshs
Tuition & Accommodation GSSP	235,887,419	224,048,115
Tuition & Accommodation PSSP	20,786,977	48,222,525
Student Application Fees	61,500	114,000
	256,735,896	272,384,640
Note 8: I.G.A and Other Incomes	Kshs	Kshs
Kitchen Food Sales	3,536,696	7,847,007
Tea Farm	1,395,087	1,569,826
Farm & Milk Sales	423,786	516,325
Laundry	21,995	-
Conference Facilities	158,000	5,558,415

Hire of Facilities		89,773	451,084
Fines		1,067,108	911,310
Interest from deposits		49,980	50,117
Insurance & Deposit refund		4,782,188	62,136
Research funds		16,412,612	19,480,612
Consultancy & Survey works		1,518,042	3,463,813
Gain/Disposal of assets		-	21,220
		29,455,267	39,931,865
EXPENDITURE		2020/2021	2019/2020
Note 9: Administration expenses		Kshs	Kshs
Stationery		3,368,581	2,628,834
Motor vehicle repairs		2,732,265	2,895,092
Generator fuel		1,280,823	2,302,814
Motor vehicle Fuel		3,055,506	3,595,647
Office expenses		395,917	508,958
Postage		60,421	126,995
Printing and Publishing		527,110	538,105
Computer & accessories expenses and maintenance		1,495,191	943,294
ISO expenses		451,060	1,247,249
Shows and Exhibitions		293,980	522,339
Performance contracting		92,296	706,843
Legal expenses		170,155	127,465
Annual subscription and membership fee		732,022	1,187,160
Professional Services		-	176,813
Newspapers and Journals		283,147	629,950
Cleaning materials		1,248,465	1,412,931
Telephone		1,574,260	1,569,260
Insurance		11,847,313	6,323,890
Open & Cultural Celebrations		27,540	202,921
Public celebrations and funerals		440,475	730,850
Training expenses		787,607	525,507
Security		8,830,260	10,226,640
Water & Sewer		5,234,873	3,217,594
Electricity		9,915,650	11,780,478
Rent & Rates		18,667,724	11,947,924
Staff Uniforms		206,454	268,719
Medical Expenses		27,532,686	18,450,175
Advertising		1,187,789	1,637,516
Internet Charges		13,160,194	16,874,605
Farm Expenses		1,334,477	1,252,564
Catering Expenses		4,274,960	10,193,156
Audit Fees Expense		696,000	-
Loss of Tea bushes		18,720	-
Traveling & Accommodation		2,017,604	3,479,325
External Travel & Accommodation		103,675	541,792
Provisions for bad and doubtful debts		-	229,035
Resource Mobilization		87,880	807,264

COVID -19 Preventive measure		878,498	244,900
		125,011,578	120,054,601
EXPENDITURE		2020/2021	2019/2020
Note 10: Employment expenses		Kshs	Kshs
Payroll expenses		719,444,137	610,375,551
Pension Employer costs		65,788,175	49,246,049
Gratuity		6,616,381	6,424,245
Contract Staff expenses		9,083,713	21,685,471
		800,932,406	687,731,316
Employment expense relates to short-term employee benefits recognized during the period in which the employee renders the related service.			
Note 11: Academic Expenses		Kshs	Kshs
Students activities		1,401,813	4,752,287
Curriculum development/review		-	844,437
External Examiners		2,370,658	1,912,925
Graduation		4,303,120	4,061,775
Industrial Attachments/ Teaching Practice		4,453,928	11,330,539
Games & Sports		1,388,482	1,604,358
Subscription to E-library		1,113,213	778,451
Senate & Deans expenses		96,770	541,640
University Committees		548,914	2,015,367
Teaching materials		1,537,849	1,350,951
Field trips		1,315,688	7,390,124
Research Program		10,007,404	9,002,234
Part-time teaching expenses		20,480,346	37,160,911
Examination material		2,339,490	2,385,638
Seminars & Conferences		486,904	1,073,208
Annual International Conference		1,086,245	50,174
Placement Board charges		2,263,500	1,999,500
Accreditation for Programmes		-	320,000
CUE accreditation fees		2,835,000	1,346,000
NCK indexing		-	553,900
Nursing Skills Lab expenses		1,409,214	709,259
Tea Institute Expenses		443,531	282,992
Entrepreneurial Concept		-	9,730
Counseling services		51,480	180,520
Community Outreach		215,498	211,400
ODEL expenses		558,630	
		60,707,676	91,868,318
Note 12: Repairs & maintenance costs		Kshs	Kshs
General Refurbishment		2,413,943	3,774,261
Maintenance of buildings		1,365,333	248,984
Maintenance of Catering / Hostel equipment		3,000	18,600
Maintenance of plant & Equipment		424,242	565,435
Maintenance of playground		10,740	-
Water Supply Expenses		580,649	31,500

	2020/2021	2019/2020
	4,797,907	4,638,780
	2020/2021	2019/2020
Note 13: Board Expenses	Kshs	Kshs
Sitting Allowance	2,655,000	3,454,000
Travelling & Subsistence	1,630,966	1,799,219
Accommodation	1,848,200	2,177,625
Other expenses	583,084	855,191
	6,717,250	8,286,035
Other expenses refer to costs incurred in respect to stationery and meals served in lieu of lunch allowance during board meetings		
Note 14: Finance Expenses	Kshs	Kshs
Bank Charges	404,739	519,974
	404,739	519,974
Note 15: Depreciation and amortization expense	Kshs	Kshs
Depreciation Buildings	52,127,665	36,534,717
Depreciation Computer & Accessories	5,978,090	4,422,205
Depreciation Library books	7,730,956	7,297,660
Depreciation Motor Vehicle	11,204,528	7,714,683
Depreciation Equipment & Furniture	11,058,239	10,187,758
Amortization of intangible assets-Computer Software	2,601,367	1,731,173
	90,700,845	67,888,197

	2020/2021	2019/2020
Note 16: Cash & Bank Balances	Kshs.	Kshs.
Co-operative Bank Of Kenya- Cash at bank	61,305,743	73,724,397
Kenya Commercial Bank - I138274968	1,134,575	1,140,806
KCB - Cash at hand	680	-
Kenya Commercial Bank-I106185382	57,216,437	60,873,564
Equity Bank- Cash at Bank	41,165,046	43,921,219
Fixed Deposit (Bank Guarantee- Fuel)	1,120,000	1,120,000
Total Cash & Bank Balances	161,942,481	180,779,986
Cash and cash equivalent comprises of cash at bank, cash at hand and fixed deposits in respect to a bank guarantee for fuel being provided by Vivo Energy Ltd. The fixed deposit has a maturity period of one year and it earns interest at 5.25%.		
Note 17: Prepayments	Kshs.	Kshs.
Deposits : Rent (Nairobi Campus)	1,670,296	2,902,774
Prepayment : Insurance	1,185,508	1,486,432
Staff prepayments and debtors	9,174,269	1,136,935
Total Prepayments	12,030,073	5,526,141
The University has one active lease arrangements for providing teaching facilities i.e. Telkom Building at Karatina town - hosting School of Business. Ragati Tea Factory premises at Itiati that was hosting School of Education and Social Sciences was closed. The University gave a notice and exited Ragati Tea Factory premises by 30 th June 2021. The Liaison office at View Park Towers in Nairobi was closed in the month January 2020. The lease payments terms require the University to pay a one off three		

months' deposit at the beginning of the lease and a standard amount of rent quarterly in advance.

Contract	Lease Period	Escalation Clause	Renewable Clause	Future lease Aggregate Amount
Telkom Kenya Ltd	1/10/2018-30/09/2024	5% Per Annum	Renewable	32,850,057.60
Ragati Tea Factory	1/10/2017-30/06/2021	5% Biannual	Closed	-
NSSF-View Park Towers	1/10/2014-30/09/2020	20% Biannual	Closed	-
Total minimum Future aggregate payment				32,850,057.60

The quarterly leases payments were accounted as expenses under rent and rates in the administration expenses while the deposits are accounted as current assets.

Staff prepayments relate to funds paid in advance to members of staff due to salaries.

	2020/2021	2019/2020
Note 18: Receivables from exchange transactions	Kshs.	Kshs.
KTDA Bonus Payment For year 2020/21 & Tea Farm sales for the month of June 2021	769,163	935,331
Student Balances	94,427,241	100,353,678
Moi University	2,254,226	2,254,226
Imprest Debtors	3,883,656	183,754
	101,334,286	103,726,989
Provisions for bad and doubtful debts	1,888,545	2,007,074
	99,445,741	101,719,916
Note 18 (b) Receivables from exchange transactions	Kshs.	Kshs.
Student Balances	94,427,241	100,353,678
Provisions for bad and doubtful debts	(1,888,545)	(2,007,074)
Net Student Balances	92,538,696	98,346,604
Note 19: Receivables from non-exchange transactions	Kshs.	Kshs.
MoE- Capitation June	-	84,216,479
		84,216,479
Note 20: Inventories	Kshs.	Kshs.
Central stores	3,440,874	3,829,338
Medical	735,423	3,352,976
Laboratory reagents	5,563,716	5,028,411
Catering	887,300	477,181
Games & Sports	1,180,595	628,310
	11,807,908	13,316,215
Note 21: Biological Assets	Kshs.	Kshs.
Tea Bushes	3,869,424	3,888,144
Cows	961,240	681,100
	4,830,664	4,569,244

The University has bearer biological assets in respect to cows and tea bushes. The tea bushes plantation is for agricultural produce on 9 acres of land and their value is determined by the number of bushes. In addition, the University has 5 cows for milk production, 9 weaners (4 heifers & 5 bulls) and 2 calf.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY										
FIXED ASSET SCHEDULE AS AT 30TH JUNE 2021										
Note (22a)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST										
BAL AS AT 30.06.19	359,000,000	478,547,647	81,077,180	71,021,408	79,943,646	131,751,349	1,201,341,230			
ADDITIONS	-	1,019,468,674	215,280	2,878,099	13,500,000	6,638,362	1,042,700,415			
GRANTED ASSETS	-	-	-	832,370	-	-	832,370			
BAL AS AT 30.06.20	359,000,000	1,498,016,321	81,292,460	74,731,877	93,443,646	138,389,711	2,244,874,015			
ADDITIONS	-	7,319,912	8,464,201	3,106,553	6,742,000	8,731,167	34,363,833			
GRANTED ASSETS	-	104,240	104,240	374,040	1,837,500	-	2,315,780			
BAL AS AT 30.06.21	359,000,000	1,505,336,233	89,860,901	78,212,470	102,023,146	147,120,878	2,281,553,628			
DEPRECIATION										
ACCUMULATED DEPRECIATION 30.06.19	-	50,437,646	71,592,911	22,971,662	58,728,266	65,530,021	269,260,507			
AMORTIZATION FOR THE YEAR		3,788,913		4,210,682			7,999,595			
DEPRECIATION FOR THE YEAR		28,669,336	3,585,453	3,086,853	1,597,049	6,798,050	43,736,741			
AMORTIZATION OF REVALUED AMOUNTS		4,076,468	836,752	125	6,117,634	3,389,708	14,420,688			
ACCUM DEPRE 30.06.20	-	36,534,717	4,422,205	7,297,660	7,714,683	10,187,758	66,157,024			
ACCUMULATED DEPRECIATION 30.06.20	-	86,972,363	76,015,117	30,269,322	66,442,949	75,717,779	335,417,531			
AMORTISATION FOR THE YEAR	-	3,788,912	7,818	4,238,546	114,844	-	8,150,120			
DEPRECIATION FOR THE YEAR	-	28,717,035	5,133,520	3,492,285	4,972,049	7,668,531	49,983,420			
AMORTIZATION OF REVALUED AMOUNTS	-	4,076,468	836,752	125	6,117,635	3,389,708	14,420,688			
IMPAIRMENT LOSS ON REVALUED ASSETS		15,545,250					15,545,250			
ACCUM DEPRE 30.06.21	-	52,127,665	5,978,090	7,730,956	11,204,528	11,058,239	88,099,478			
ACCUMULATED DEPRECIATION 30.06.21	-	139,100,028	81,993,207	38,000,278	77,647,477	86,776,018	423,517,008			
Net Book Value 30.06.21	359,000,000	1,366,236,205	7,867,694	40,212,192	24,375,668	60,344,860	1,858,036,620			
Net Book Value 30.06.20	359,000,000	1,411,043,958	5,277,343	44,462,555	27,000,696	62,671,932	1,909,456,484			

The figure for depreciation charge for the year reflected in note 15 includes amortization of intangible assets of Kshs. 2,601,367 which is reflected in note 23.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

KARATINA UNIVERSITY									
SUMMARY OF GRANTED ASSETS AS AT 30.06.2021									
Note (22b)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLE	EQUIP & FURNITURE	TOTAL		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
BALANCE AS AT 30.6.2019	10,796,000	151,556,510	-	37,459,436	16,417,705	4,251,052	220,480,703		
ADDITIONS				832,370		-	832,370		
BALANCE AS AT 30.06.2020	10,796,000	151,556,510	-	38,291,806	16,417,705	4,251,052	221,313,073		
ADDITIONS	-	-	104,240.0	374,040.0	1,837,500.0	-	2,315,780.0		
BALANCE AS AT 30.06.2021	10,796,000	151,556,510	104,240	38,665,846	18,255,205	4,251,052	223,628,853		
DEPRECIATION									
ACC AMORTIZATION 30.6.2019	-	52,850,528	-	8,902,813	16,417,705	4,251,052	82,422,097		
AMORTIZATION FOR THE YEAR	-	3,788,913	-	4,210,682	-	-	7,999,595		
ACC AMORTIZATION 30.06.2020	-	56,639,441	-	13,113,495	16,417,705	4,251,052	90,421,693		
AMORTIZATION FOR THE YEAR	-	3,788,912	7,818	4,238,546	114,844	-	8,150,120		
ACC AMORTIZATION 30.06.2021	-	60,428,353	7,818	17,352,041	16,532,549	4,251,052	98,571,813		
NBV AS AT 30.06.2021	10,796,000	91,128,157	96,422	21,313,805	1,722,656	-	125,057,040		
NBV AS AT 30.06.2020	10,796,000	94,917,069	-	25,178,311	-	-	130,891,380		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 23 :Intangible Assets- Computer Soft ware		
COST		Kshs.
BALANCE AS AT 30.06.2019		18,023,165
ADDITIONS		1,865,424
BALANCE AS AT 30.06.2020		19,888,589
ADDITIONS		3,637,022
BALANCE AS AT 30.06.2021		23,525,611
AMORTIZATION		
ACCUMULATED AMORTIZATION 30.06.19		15,452,203
AMORTIZATION FOR THE PERIOD		1,731,173
ACCUMULATED AMORTIZATION 30.06.20		17,183,376
AMORTIZATION FOR THE PERIOD		2,601,367
ACCUMULATED AMORTIZATION 30.06.21		19,784,743
Net Book Value 30.06.2021		3,740,868
Net Book Value 30.06.2020		2,705,213

	2020/2021	2019/2020
Note 24: Capital Work-In-Progress	Kshs.	Kshs.
Additional roofing	3,179,582	-
Library Phase I	282,874,543	175,032,515
	286,054,125	175,032,515
Capital work in progress relates to amounts incurred and paid for construction of the Library and additional roofing.		
Note 25: Trade & Other Payables	Kshs.	Kshs.
Trade Creditors	10,522,027	3,505,658
Part time Lecturers	12,759,486	26,016,800
Unexpended NRF research funds	2,394,780	8,290,415
Contractors' Balance	-	4,915,586
Contractors' Retention Fees	22,331,014	13,353,790
Student prepayments	34,243,601	31,957,694
Unutilized HELB	479,500	223,000
	82,730,408	88,262,942
Note 26: Provision	Kshs.	Kshs.
Provisions for Staff leave days	4,993,951	7,119,203
Provision for Audit Fees	1,392,000	696,000
Provisions for Gratuity	18,696,595	12,080,214
	25,082,546	19,895,417
Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it no longer probable that an outflow of resources embodying economic benefit will be required to settle the obligation. Employees' entitlement to annual leave is recognized when it accrues		
	2020/2021	2019/2020
Note 27: Accumulated Capital Fund	Kshs.	Kshs.
Balance B/F	1,557,900,556	1,445,224,082
Capital Grants for the year	29,224,355	112,676,474
Balance as at 30.6.21	1,587,124,911	1,557,900,556

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2019/20 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants for FY 2011/2012	157,120,452
Granted Assets from Moi University*	86,322,861
Capital Grants for FY 2012/2013	239,703,675
Prior year Adjustment- tea bushes	2,053,896
Capital Grants for FY 2013/2014	201,583,999
Capital Grants for FY 2014/2015	218,226,667
Capital Grants for FY 2015/2016	143,337,425
Capital Grants for FY 2016/2017	100,475,662
Capital Grants for FY 2017/2018	28,961,458
Capital Grants for FY 2018/2019	267,437,987
Capital Grants for FY 2019/2020	112,676,474
Balance as at 30.6.20	1,557,900,556

Note: These Granted Assets relate to opening balances B/f from operations carried out at Moi University as indicated below:

*Granted Assets from Moi University	
Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales and bonuses for the month of June 2011	2,683,012
Student Balances	19,119,863
Moi University	19,116,170
	90,963,239
Trade Creditors	(4,640,378)
Total Granted Assets	86,322,861

Additional disclosures

The University will be taking up a loan of Kshs 194M that was used to acquire granted assets from Moi University once it gets consent from National Treasury. In addition, the loan had accrued interest of Kshs 22M as at 31st December, 2018 which the University will be required to take up.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2020/2021	2019/2020
Note 28: Revenue reserve		Kshs.	Kshs.
Surplus/Deficit B/F		132,975,661	(29,805,501)
Surplus/Deficit for the period		(70,369,434)	145,941,874
Transfer of amortized revalued PPE		14,420,688	14,420,688
Valuation of Biological Assets		280,140	136,360
Unrealized Tea farm bonuses		(157,807)	(488,074)
Prior year adj of student balances		-	(233,350)
Adjustment in Leave Provisions		2,125,252	2,372,294
Prior year Adj on Catering Income		-	631,370
Prior year Adj on staff prepayment		5,524,997	-
Decrease in Provisions for bad & doubtful debts		118,529	-
Impairment Loss on Revalued assets		15,545,250	-
		100,463,276	132,975,661
Note 29: Revaluation reserve		Kshs.	Kshs.
Balance B/F		547,396,236	561,816,923
Transfer of amortized revalued PPE		(14,420,688)	(14,420,688)
Impairment Loss on Revalued assets		(15,545,250)	-
Balance as at 30.06.21		517,430,298	547,396,236

Revaluation reserve represents the increase in the value of property, plant and equipment arising from revaluation of the University assets. The valuation was carried out in May 2018 by Amazon Valuer Ltd. In addition, Impairment Loss on Revalued Assets relates to the closure of Itiati (Ragati Tea Factory) that hosted School of Education by 30th June 2021.

Appendix I: 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. The University has nominated focal persons to resolve the various issues as shown below with the associated time frame within which it is expected that the issues will be resolved.

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1.	Recoverability of Student Debtors	The management has communicated to students on timelines for fee payment as per fee payment policy	Vice Chancellor	Partly Resolved	
2.	Inaccurate Classification Of Students' Debtors	The University does not have impaired student debtors	"	Resolved	
3.	Receivable Amount Due on Breach of Bond Agreement	Kshs 1M has been recovered since the last audit	"	Partly Resolved	
4.	Contingent Liability in Respect to Part-time Lecturers' Outstanding Dues	Details of the nature of contingent liability has been provided for review	"	Resolved	
5.	Authenticity of Amount Payable in Respect to Part-time Lecturers'	Timely issuance of appointment letters to Part-time lecturers' has been done and payments made for claims presented.	"	Resolved	
6.	Rent payable to NSSF of Kshs 1,616,914 having been excluded from trade and other payables	The amounts have been paid and recognized in the books	"	Resolved	
7.	Non – Compliance with University Fees Payment Policy	The University has continued to implement the fee payment policy and students not able to pay requested to defer their studies. The identified students were registered before the approval of the fee payment policy in August 2015 and the policy was implemented after the date of approval.	"	Resolved	
8.	Non-compliance with Ethnic Diversity	When advertising for new positions persons from marginalized communities	"	Not Resolved	

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
9.	Unrecovered Rent Deposit	are encouraged to apply The University has demanded for amounts payable from NSSF and reconciliations done for amounts payable	"	Partly Resolved	
10.	Delay in Inspection and Receipt of Reader Machine	The machine was inspected and is in use	Vice Chancellor	Resolved	
11.	Delay in Appointment of University Council	The Council members were appointed and gazetted. The governance body is now functional	"	Resolved	



Prof. Mucai Muchiri, PhD
Vice Chancellor



Prof. Francis J. Giekaga, PhD
Chairman of Council

Appendix II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Project Title	Donor	Period/ Duration	Donor Commitment	Separate Donor reporting required as per donor agreement	Consolidated in these financial statements
Library Phase I	GoK	3 years	Yes	No	Yes

STATUS OF PROJECTS COMPLETION						
Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual for the year	Sources
Library Phase I	491,331,404	282,874,543	57%	29,224,355	29,224,355	GOK
	491,331,404	282,874,543		29,224,355	29,224,355	

Appendix III: INTER-ENTITY TRANSFERS

a) Transfers from Ministry of Education

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year 2020/2021	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	722,008,044	-	29,224,355	751,232,399	918,555,913
Total	722,008,044	-	29,224,355	751,232,399	918,555,913

Appendix IV: LITIGATION STATUS

The University has five ongoing court cases with financial exposure as follows: -

Suit No and details	Subject Matter	Implication/contingency Kshs
1 Nyeri Court of Appeal no. 52 of 2014- Oindi Zaipeline vs Karatina University	The student contested being conferred with Karatina University degree instead of degree by Moi University. The case was not active during the FY	479,073/-
2. Nairobi Employment & Labour Relations Court Cause no. 755 of 2018 - Simon Ndicu (Claimant) vs Karatina University	Suit filed by the Claimant for a sum of Kshs. 611,100/- together with costs and interest thereon being unpaid part-time dues for courses taught from September 2014. The Claimant also contests the rate of remunerating the part-time dues. Judgement of the matter was delivered on 8 th April 2021 where the Claimant was awarded the Kshs. 611,100 which includes the statutory deduction component. The University has settled principal and interest of Kshs 784,216.41. Being dissatisfied with the outcome, the Claimant has since filed an application to review the judgments so that the principal amount is decreed to be a net amount. The application comes up for ruling on 30 th July 2021.	656,184/=
3. Karatina PMCC No. 6 of 2019 – Margaret W. Karungaru vs Karatina University	This suit relates to the University vacating leased premises as per the notice of termination i.e. by 31 st May 2017. However, the University did not carry out repairs on time which was assessed to cost Kshs 200,000/= The Plaintiff claim is for rent for 3 months following the May 2017. The parties have resulted to use arbitration and the process is ongoing.	2,148,395.60
4. Karatina PMCC – Employment and Labour Relations Cause no. 8 of 2019 James Magondu Githinji vs Karatina University	The suit is for part-time teaching claims for Kshs. 185,020/- for hours allegedly taught in laboratory sessions and Kshs. 135,135/- for change in hourly rates paid. The total claim is Kshs. 320,155/-. The matter is listed for court hearing on 23 rd September 2021.	519,186.00
5 Karatina Employment and Labour Relations Cause no 3 of 2021 – Kihui Mungai Wabira Vs Karatina University	The suit is for unclaimed part-time dues of Kshs 420,325. The matter is currently being negotiated out of court. A mention of the same to confirm terms of settlement is scheduled for 22 nd July 2021.	623,731.50

APPENDIX V

KARATINA UNIVERSITY

Break down of Transfers from the State Department of University Education and Research

FY 2020/2021

a) Recurrent Grants

Bank Statement Date	Amount (Kshs)	FY
07/31/20	60,167,337.00	2020/2021
08/31/20	60,167,337.00	2020/2021
09/30/20	60,167,337.00	2020/2021
10/30/20	60,167,337.00	2020/2021
11/30/20	60,167,337.00	2020/2021
12/31/20	60,167,337.00	2020/2021
01/31/21	60,167,337.00	2020/2021
03/10/21	60,167,337.00	2020/2021
03/31/21	60,167,337.00	2020/2021
04/30/21	60,167,337.00	2020/2021
06/16/21	60,167,337.00	2020/2021
06/25/21	60,167,337.00	2020/2021
Total	722,008,044.00	

b) Development Grants

Bank Statement Date	Amount (Kshs)	FY
09/14/20	29,224,355.00	2020/2021

The above amount have been communicated to and reconciled with the Parent Ministry

CPA Grace Kakiya
Ag. Finance Officer
Karatina University

Mr Robert Asumani
Head of Accounting Unit
Ministry of Education

Sign.....*GA*.....

Sig.....*RA*.....

Date.....*09/15/20*.....

Date.....*11/8/2021*.....