

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
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	Mairah Wanjiku

THE AUDITOR-GENERAL

ON

KENYATTA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYATTA UNIVERSITY

Annual Report & Financial Statements

for the Year Ended

30 June 2020

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

Transforming Higher Education ... Enhancing Lives

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Corporate Philosophies

Our Vision

To be a dynamic, an inclusive and a competitive centre of excellence in teaching, learning and service to Humanity.

Our Mission

To provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

Our Identity

A community of scholars committed to the generation of knowledge and cultivation of wisdom for the welfare of society.

Our Philosophy

Sensitivity and responsiveness to societal needs and the right of every person to knowledge.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

Kenyatta University is an international Public University based in Nairobi, Kenya. Its main campus is located 23 kilometers from the City Centre along Nairobi-Thika Super Highway. It is set on 1,105 acres of land providing a quiet and serene environment conducive to learning, research and intellectual growth.

Kenyatta University began its long journey to the attainment of University status in 1965 when the British Government handed over the Templer Barracks to the Government of Kenya. These were converted into an institution of higher learning known as Kenyatta College. Following the Act of Parliament of 1970, Kenyatta College became a constituent College of the University of Nairobi. Consequently, the name changed from Kenyatta College to Kenyatta University College. Kenyatta University College admitted its first batch of 200 students in 1972 to pursue studies leading to the award of the Bachelor of Education of the University of Nairobi.

In July 1978, the Faculty of Education of the University of Nairobi was transferred to Kenyatta University College. As a result, the College became the only institution training teachers at both undergraduate and postgraduate levels at that time. The University status was achieved on August 23, 1985, when the Kenyatta University Act received presidential assent making the institution a full-fledged University. The Act became operational on September 1, 1985 and the University was inaugurated on December 17, 1985.

In December 2012, the Government of Kenya brought the governance and Management of all Universities under one umbrella through the enactment of the Universities Act 2012, which repealed the individual public University's Acts including the Kenyatta University Act 1985. Under the new Universities Act 2012, Kenyatta University was granted Charter on 1st march 2013.

Kenyatta University has over the years established new schools and constituent Colleges. In this pursuit, Jomo Kenyatta University College of Agriculture and Technology became a constituent College of Kenyatta University in 1988 and in 1998 a full-fledged University, Jomo Kenyatta University of Agriculture and Technology (JKUAT). In 2007, Pwani University College in Kilifi was established as a Constituent College. It became Pwani University, a full-fledged University in January 2013. Machakos University College established in 2009 became a full-fledged University, Machakos University in 2016. Mama Ngina University College established in 2017.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

The University has 19 schools, these are;

1. School of Agriculture & Enterprise Development
2. School of Hospitality and Tourism
3. School of Engineering & Technology
4. School of Economics
5. School of Applied Human Sciences
6. School of Humanities & Social Sciences
7. School of Environmental Studies
8. School of Education
9. School of Business
10. School of Law
11. School of Pure & Applied Sciences
12. School of Medicine
13. School of Public Health
14. School of Visual & performing Arts
15. Digital School of Virtual & Open Learning
16. Graduate School
17. School of Architecture & the Built Environment
18. School of Creative, Film & Media Studies
19. School of Security, Diplomacy & Peace Studies

The University has established campuses at;

- Ruiru (2004),
- Parklands (2004),

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information (continued)

Mombasa (2007),
Nairobi City Centre (2010),
Nakuru (2010),
Kericho (2013) and
Daadab (2014).

In Addition to the above campuses, Kenyatta University established Open Distance and e-Learning centres' in Mombasa, Nyeri, Embu, Parklands, Nakuru, Kisumu, Kakamega, Garissa, Marsabit and Kericho.

(b) Principal Activities

The principal activity/mission of the University is to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

(c) Key Management

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

- Vice-Chancellor
- Deputy Vice-Chancellors
- Registrars
- Chief Finance Officer

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 are as listed below;

No.	Designation	Name
1	Vice-Chancellor	Prof. Paul K. Wainaina
2	Deputy Vice-Chancellor (Administration)	Prof. Fatuma Chege
3	Deputy Vice-Chancellor (Academic)	Prof. John Okumu
4	Deputy Vice-Chancellor (Finance and Development)	Prof. Godfrey Mse
5	Deputy Vice-Chancellor (Research, Innovation and Outreach)	Prof. Fredrick Q. Gravenir.
6	Ag. Registrar (Administration)	Mr. N. Gikaria
7	Registrar (Academic)	Prof. Andanje Mwisukha
8	Registrar (Finance and Development)	Dr. Paul Gachanja
9	Registrar (Research, Innovation and Outreach)	Prof. Vincent O. Onywera
10	Ag. Registrar (Corporate Affairs)	Prof. Grace Bunyi
11	Ag. Chief Finance Officer	CPA. Mwai Samuel

(e) Fiduciary Oversight Arrangements

The governing organs of the University are:

The University Council;

The Council shall exercise prudent leadership, innovative enterprise, and good judgment in directing the University and shall always charter in the best interest of the University.

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.

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

The council shall review the viability and financial sustainability of the University, and shall do so at least once every year.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(e) Fiduciary Oversight Arrangements (continued)

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

The Senate of the University;

The Senate shall have the following powers and duties:-

To satisfy itself regarding the content and academic standard of any course of study in respect of any degree, diploma, certificate or other award of the University;

To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;

To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;

To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;

To make regulations governing such other matters as are within its powers in accordance with the charter or the statutes.

The University Management Board:

The University Management Board shall assist the Vice-Chancellor in;

The management of urgent day-to-day academic, administrative, research, developmental and outreach issues;

The efficient management of the human, physical, and financial resources of the University;

Coordination of University and colleges strategic and development plans;

Make proposal to Senate and Council on issues that have University-wide application;

Receive proposals from different sectors of the University for recommendation for Council consideration;

The implementation of Council and Senate approved policies;

Any other matters related to the management of the University.

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(f) University Headquarters

Kenyatta University
Thika Road, Nairobi
P. O. Box 43844- 00100
Nairobi.

(g) University Contacts

Telephone: +254 020 8710901-19
Fax: +254 020 8711573
Telex 25483 KenUnKen
Website: <http://www.ku.ac.ke>

(h) University Bankers

Co-operative Bank of Kenya Ltd.
P.O. Box 48231 – 00100
Nairobi

National Bank of Kenya Ltd.
P. O. Box 41862 – 00100
Nairobi.

Kenya Commercial Bank Ltd
P. O. Box 30081
Nairobi.

Standard Chartered Bank Ltd.
P. O. Box 64355 - 00620
Nairobi.

Equity Bank Ltd
P.O. Box 75104 – 00200
Nairobi

Family Bank Ltd
P.O. Box 74145-00200
Nairobi

(i) Independent Auditors

Auditor General
Anniversary Towers
P.O. Box 30084 - 00100
GPO, Nairobi.

(j) Principal Legal Adviser

Lawrence Mungai and Advocates
P. O. Box 10130 - 00100
Nairobi.

MEMBERS OF THE UNIVERSITY COUNCIL

Chairman of the University Council

Prof. Shem E. Migot-Adholla Ph.D.,

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)



Prof. Adholla (78) is the Chairman of Council of Kenyatta University having been appointed to the council on 14th March 2017. He is a private consultant based in Nairobi, Kenya and works on issues including agriculture and rural development, migration, land policy reform, environmental management and rural health issues. He is currently a member of the Board of Directors of Equity Bank, Kenya and serves as Chairman of Equity Bank subsidiary in South Sudan. Previously he held various positions including the

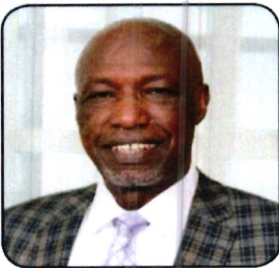
Chairman of the Centre for Corporate Governance, Nairobi, served as

Vice-Chairman of the Board of Directors of the Kenya Wildlife Trust (KWT), the Lead Specialist on Land Policy and Administration for Africa Region at the World Bank Headquarters, Washington, DC, and served (on secondment) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. Earlier, he taught at the University of Nairobi, where he provided leadership in the Department of Sociology and was involved in research activities at the Institute for Development Studies (IDS).

Vice-Chancellor

Prof. Paul K Wainaina Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



Prof. Wainaina (69) is the Vice-Chancellor Kenyatta University, and is an ex-officio member of the University Council, having been appointed as the Vice-Chancellor on 26th January 2018. He is also Professor of Philosophy of Education, Kenyatta University. Prior to his appointment he held various positions including Deputy Vice-Chancellor (Administration) Kenyatta University, Professor of Philosophy of Education, University of Namibia, Professor of Philosophy of Education, Moi University among others.

He is an alumni of University of Alberta, Canada

Member

Amb. Simon Nabukwesi B.Ed, M. Ed., M.A, Ph.D

Amb. Simon Nabukwesi is a member of Kenyatta University Council by virtue of being the Principal Secretary, State Department of Science and Technology in the Ministry of Education, Science and Technology. Previously, he has also served as Kenya's High Commissioner to Canada and Ambassador Plenipotentiary and Extra-ordinary to Cuba. Chairperson of the Association of directors of Foreign Service Academies from the IGAD Region from 2016 to 2019. Head of Europe and Commonwealth Directorate in the Ministry of Foreign Affairs.

He holds B.Ed, M. Ed. in Education Planning and Management and MA in International Project Management. He has a Diploma Level training in Institutional Management at Hiroshima University, Japan and a Pre-university Training at the National Youth Service (1986).



MEMBERS OF THE UNIVERSITY COUNCIL

Member

Dr. Julius Muia

PhD CPA (K), CPS (K), AKIB, ACI Arb's



Dr. Julius Muia is a member of Kenyatta University Council by virtue of being the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Previously, he was the Director General, Vision 2030 Delivery Secretariat to facilitate the implementation of Vision 2030. Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. He is an alumnus of the University of Nairobi with a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Member

Dr. Margaret W. Njoroge ,

Ph.D in counseling Psychology (Egerton University)

Dr. Njoroge (53) was a member of Kenyatta University Council having been appointed on 14th March 2017 and retired on 9th March 2020. She is a Lecturer in the Department of Psychology at the Catholic University of Eastern Africa. Previously she worked in other organizations like NGOs and learning institutions. These include among others, Mount Kenya University, University of East Africa and Kenya Methodist University. She holds a Ph.D. in Counseling Psychology from Egerton University, a Masters Degree in Counseling Psychology and a Bachelors Degree in Psychology (Counseling).



MEMBERS OF THE UNIVERSITY COUNCIL

Member

Mr. Ahmed M. Ibrahim, B.A. (Brunel University), M.A. (University of East London)



Mr. Ahmed (51) is a member of Kenyatta University Council having been appointed on 14th March 2017 and retired on 9th March 2020. He is currently the Chief Executive Officer at Tassia Integrated Academies Limited. He previously worked in several international organizations including Islamic Relief World Wide, The Kenya Red Cross and The Inter-Continental Charity Organization based in London, United Kingdom.

Mr. Ahmed holds a Masters Degree in Arts (International Relations) from Brunel University, London and a Bachelors Degree in Arts (International Development) from the University of East London, UK.

Member

Mr. Eric K. Sila, B. Com., MBA (University of Nairobi)

Mr Sila (52) is a member of Kenyatta University Council having been appointed on 14th March 2017. He is currently Deputy Director, Credit Risk at NIC Bank Kenya. Mr. Sila is a professional banker with leadership skills in credit risk management, credit administration and operational risk amongst others. Previously he was Head of Business Support and Corporate Recoveries (Corporate Credit) at Barclays Bank of Kenya. He has international leadership experience having led teams in Corporate Credit and Business Support and Recoveries in Zambia, Uganda and Tanzania. He holds Masters Degree in Business Administration (Strategic Management) and a Bachelors Degree in Commerce (Finance) from the University of Nairobi.



Member

Mr. Narry P. Onaya-Odeck, B.Ed., PGDip., M.C.,(Nairobi)



Mr. Onaya-Odeck (70) holds a Master Degree in Project Planning and Management and a Bachelor Degree in Education from the University of Nairobi. He is a professional administrator with vast leadership skills in administration and human resource management among others. Mr. Onaya joined the University of Nairobi Administration in the year 1979 as a senior administrative assistant and moved through the ranks working in various departments before becoming the University Registrar in charge of Administration and Human Resource Management in the year 2009. Mr. Onaya has also served as a Member in various Boards including Sangalo

Institute of Science and Technology Board.

MEMBERS OF THE UNIVERSITY COUNCIL

Member

Mrs. Gertrude Muthoni Namu B.Ed., M.Ed. (Kenyatta)



Mrs. Gertrude Muthoni Namu (67) holds a Master Degree in Education (Library and Information Science) and a Bachelor Degree in Education from Kenyatta University. She is an accomplished leader who has vast knowledge and experience in curriculum and programmes development. She has provided strategic and policy direction in various institutions in addition to spearheading and managing relationships, collaboration and accreditation. Mrs. Namu has previously worked in various institutions of higher learning including Kenya School of Professional Studies and Kenyatta University. Mrs. Namu has also

served as a Member of Council, Masinde Muliro University of Science and Technology and as a Board Member of Embu College.

Member

Annald Nyasinga Ongwenyi Bsc.,Msc(KEMU)

Annald Nyasinga Ongwenyi (33) is a member of Kenyatta University Council, having been appointed on 10th March 2020. He is currently the Assistant Director Operations-East and Central Africa at Adrix Knowledge Management Systems. He holds a Master's of Science Degree in Information Science from the Kenya Methodist University and a Bachelor of Science Degree in Information Science (ICT). Mr. Ongwenyi has Vast Knowledge and experience in Organization Operations and Management through training on various Senior Management Courses, and having worked in various government institutions and the private sector. Mr Ongwenyi has been in the forefront in offering Strategic Leadership and advisory services in the areas of Research, Information, Policy, Strategy and Knowledge Management within the East and Central Africa Region.



Member

Ms. Mary Mugo B.Ed (UON),M.A(Kenyatta)

Ms. Mary Mugo (52) is a member of Kenyatta University Council having been appointed on 10th March 2020. She is a Country Director at Edukans Kenya, a Netherlands founded program. She holds a master's degree in Counseling Psychology from Kenyatta University and a Bachelor of Education from the University of Nairobi. She has vast knowledge and experience in Education and leadership gained from working in Government and in NGOs. Besides her current position ,Mary has worked as Country Director - Build Africa Kenya, Associate Director and National Education Coordinator at World Vision Kenya, Senior



MEMBERS OF THE UNIVERSITY COUNCIL

Principal Education Administration Officer at Teachers Service Commission, Senior Education Officer at the Ministry of Education, Government Chief Counselor at the Office of the President-Ministry of State for Public Service, Graduate High School Teacher and Counselor at Tala High School among others. Additionally, Mary is a mentor for young people and women through community and faith based platforms.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Chancellor

Mr. BENSON WAIREGI, E.B.S.,

B. Com. (Accounting), MBA (Nairobi), CPA (K.)



The Chancellor performs such functions and enjoys such powers, rights and privileges as provided for under section 38 of the Act and the statutes. The Chancellor, from time to time, gives advice to the Council which the Chancellor considers necessary for the betterment of the University. The Chancellor has the right to take part in the formal and informal activities of the University.

Chairman of the University Council

PROF. SHEM E. MIGOT-ADHOLLA Ph.D.,

B.A. (University of East Africa), M.A., Ph.D. (Michigan State University)

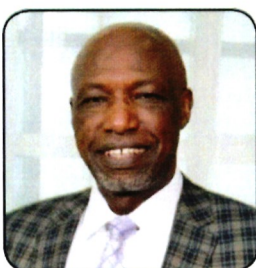
The Chairperson of Council chairs Council meetings and exercises the powers and privileges as provided for in the Universities Act, Kenyatta University Charter and the Statutes.



Vice – Chancellor

PROF. PAUL K. WAINAINA, Ph.D.,

B.Ed., M.A. Ed. (Nairobi), Ph.D. (Alberta)



The Vice-Chancellor is the Chief Executive Officer of the University having the following powers and function:

- Is the academic, administrative and financial head of the University;
- Have the overall responsibility for the direction, organization, administration and programmes of the University;
- Is the accounting officer of the University.

CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Administration)

PROF. FATUMA CHEGE,

B.Ed.,MA (Ed.) (Kenyatta), Ph.D. University of Cambridge (UK)

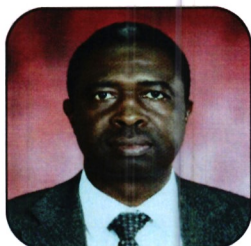
The Deputy Vice-Chancellor (Administration) is responsible to the Vice-Chancellor for all administration affairs including:

- Personnel issues in the University;
- Security issues;
- Catering services;
- Staff houses and accommodation;
- Legal issues;
- Health services;
- Transport services.



Deputy Vice Chancellor (Academic)

PROF. JOHN OKUMU, B.Ed.; M.Sc. (Kenyatta), Ph.D. (Leeds)



The Deputy Vice-Chancellor (Academic) is the head of the Academic Division of the University and is responsible to the Vice-Chancellor and offers leadership, direction, organisation and administration of programmes of the Division.

Deputy Vice-Chancellor (Finance & Development)

PROF. GODFREY MSE, B.Ed. (Nairobi), M.Ed., Ph.D. (Kenyatta)

The Deputy Vice-Chancellor (Finance and Development) is the head of the Finance and Development Division of the University with the following duties and functions:

- Preparation of estimates, allocation of funds, control of expenditure and financial accounting;
- Physical developments;
- Grounds and estates management;
- Procurement services.



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Deputy Vice-Chancellor (Research, Innovation & Outreach)

PROF. FREDERICK. Q. GRAVENIR, M.A. Ph.D. (Prague)



The Deputy Vice-Chancellor (Research, Innovation and Outreach) duties and functions include:

- Driving the University's research agenda in line with Country's Vision;
- Encourage research culture in the University;
- Institutionalise networking, collaboration research and outreach in the University;
- Encourage innovation and handle issues to do with intellectual property rights;
- Ensure dissemination of research findings.

Ag. Registrar Administration

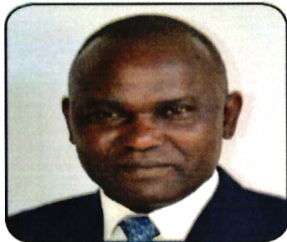
MR. N. GIKARIA B.Ed. (Kenyatta), M.B.A., MSc. (Nairobi)

The Registrar (Administration) is the principal assistant to the Deputy Vice-Chancellor (Administration), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Administration).



Registrar Academic

PROF. ANDANJE MWISUKHA, B.Ed., M.Ed., Ph.D. (Kenyatta)



The Registrar (Academic) is the principal assistant to the Deputy Vice-Chancellor (Academic), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Academic).

Registrar (Finance and Development)

DR. PAUL GACHANJA B.A., M.A., Ph.D.(Kenyatta)

The Registrar (Finance and Development) is the principal assistant to the Deputy Vice-Chancellor (Finance and Development), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Finance and Development).



CHANCELLOR & PRINCIPAL OFFICERS OF THE UNIVERSITY

Registrar (Research, Innovation & Outreach)

DR. VINCENT ONYWERA, B.Ed., M.Ed., Ph.D. (Kenyatta), ISAK 2



The Registrar (Research, Innovation and Outreach) is the principal assistant to the Deputy Vice-Chancellor (Research, Innovation and Outreach), and performs duties delegated or assigned to him by the Vice-Chancellor and/or by the Deputy Vice-chancellor (Research, Innovation and Outreach).

Ag. Registrar (Corporate Affairs)

**PROF. GRACE BUNYI,
B.Ed., M.Ed. (Kenyatta), Ph.D. University of Toronto (Canada).**

The Registrar (Corporate Affairs) is responsible to the Vice-Chancellor and performs duties delegated or assigned to her by the Vice-Chancellor.



Ag. Chief Finance Officer

CPA. MWAI SAMUEL, B.Ed., MBA (Nairobi), CPA (K.)



The Chief Finance Officer is the head of Finance Department and the technical officer responsible for financial strategy and policy matters. He is responsible to the Deputy Vice-Chancellor (Finance and Development) and work closely with the Vice-Chancellor as the Chief Accounting Officer of the University. The Chief Finance Officer superintends and manages the finances and financial reporting obligations, and performs such other duties delegated or assigned to him by the Vice-Chancellor and Deputy Vice-Chancellor (Finance and Development).

CHAIRMAN'S STATEMENT



It is my Privilege to present the Annual Report and Financial Statement for the year ended 30 June 2020 for this great University.

During the year under review the University remained focused on its mission to provide quality education and training, promote scholarship, service, innovation and creativity and inculcate moral values for sustainable individual and societal development.

I would wish to highlight that in the year 2019/2020, the University reported a deficit of Kshs 1,328,615,525 (One billion, three hundred twenty eight million, six hundred fifteen thousand five hundred twenty five) which is higher than the one reported in the year 2018/2019 of Kshs 677,803,757. This can be attributed to the closure of the University on 17th March 2020 following the directive by the Ministry of Education after the outbreak of the Covid-19 pandemic in the Country. Consequently the University lost revenue due to its inability to have the Institution Based Program in April 2020 and the May to July 2020 trimester. In addition, the decrease in student numbers as a result of non-attainment of the University minimum entry grade and reduction in Government Grants. It is my anticipation that in the year 2020/2021 the University through cost cutting and revenue enhanced measures implemented will report improved performance.

Kenyatta University celebrated her 46th Graduation Ceremony in the month of July 2019, with over 7,000 graduands being conferred with various degrees, diplomas and certificates. In her 47th graduation ceremony in the month of December 2019, the University witnessed over 6,000 graduands conferred with various degrees, diplomas and certificates

On infrastructure;

The University continued with the construction of teaching facilities projects such as the School of Business, Applied Human Sciences Building, and the children hospital among others.

In addition the University embarked on construction of Mama Ngina University College, which will be a constituent college of Kenyatta University. The association between KU and Mama Ngina University College started back in 2016, when the Ministry of Education appointed Kenyatta University to mentor its establishment and growth. Since then, the University has worked closely with other stakeholders to ensure that the College fulfills the necessary legal and statutory requirements to eventually become operational.

Kenyatta University is amongst the leading Universities in provision of quality training and also aligning the outcomes to Kenya's Big Four Agenda. The University's infrastructural capacity, achieved over the recent years has served much needed capacity for quality training and research as well as service.

CHAIRMAN'S STATEMENT

We will continue to work closely with the Government and other Collaborating partners to provide highly competitive and versatile graduates which the Country and Region need for sustainable development.

I take this opportunity to thank the Government of Kenya and all collaborating partners, both internal and external for their continued support.

Lastly I want to thank my fellow members of council, members of staff, and students for their tireless effort, team work and for achievements made in the year ended 30th June 2020.



Prof. Shem E. Migot-Adholla Ph.D.
Chairman, Kenyatta University Council

VICE-CHANCELLOR'S REPORT



I am delighted to present the University's results for the year ended 30 June 2020.

During the year under review the University remained on course in implementation of 2016-2026 Strategic Vision Plan; guided by the theme "Enhancing Higher Education, Transforming Lives". The theme is grounded on the principles of inclusiveness and participation, good governance, equity, environmental consciousness and respect for diversity.

During the year, the University put in place the necessary Internal Controls on resources to ensure that we meet the targets of revenue collection and cost control.

The University held its 46th graduation ceremony in the month of July 2019 and its 47th Graduation Ceremony in the month of December 2019 at the main campus. The events saw 7,038 and 6,077 graduands respectively conferred with various certificates, Diplomas and Degrees in respective disciplines.

Kenyatta University registered over 8,000 new students in the year 2019/2020 who were admitted to study at the Main Campus and other University Campuses.

Education, Training and Research

In its endeavor to provide quality education and training, Kenyatta University hosted a Pre-Conference to the 3rd National Conference on Curriculum Reforms on Tuesday, 13th August 2019. The theme of the Pre-Conference was University Sector Positioning, Preparedness and Role in the on-going Educational Reforms for Enhanced Access, Inclusivity, Equity, Quality, and Relevance. The Pre-Conference's aim was to engage participants drawn from a wide spectrum of stakeholders in charting the way forward on university sector positioning, preparedness and role in the ongoing educational reforms. The Cabinet Secretary, Ministry of Education, Prof. George Magoha officially opened the conference and observed that the Ministry was committed to ensure a successful implementation of the new curriculum.

There is a critical mass of experts at the university who could be involved in producing necessary evidence-based information and strategies that can inform effective and efficient implementation of CBC. I urge all university scholars and other stakeholders to dialogue openly and develop a shared understanding of CBC to facilitate more collective engagement and implementation.

Growing Africa's Voice in Artificial Intelligence Strengthening African Machine Learning was the theme through the hashtag #SautiYetu for the 2019 deep learning Indaba. The conference which was held from 25th - 31st August 2019, attracted over 700 participants from 35 countries across Africa and the rest of the world. This was one of the largest machine learning teaching events globally. The Deep Learning Indaba is an annual gathering of the African Artificial Intelligence (AI) community. Over the

VICE-CHANCELLOR'S REPORT

five days, the Indaba brought leaders in the fields of machine learning and Artificial intelligence to Kenyatta University to teach and mentor students, academics, researchers, technologists, entrepreneurs and policy makers, in the theory and practice of deep learning - a type of machine learning that uses deep neural networks and is the basis of recent advances in text-to-speech systems, language translation and object recognition.

The University hosted the inaugural Kenyatta University Biennial Research and Innovation Conference - 2019 from 23rd – 25th October. The conference attracted over 300 delegates from 15 countries representing academia, government, private sector, civil society, practitioners, students and others. The theme of the conference was “Research and Innovation for Achievement of Sustainable Development Goals and Kenya’s Big Four Agenda”.

The Confucius Institute at Kenyatta University held its annual Local Teacher’s Training on 6th November 2019 at the Multi-Purpose Hall of the New International Language and Culture Centre. The Keynote Speaker was Dr. Samson Kariuki who holds a Doctorate of Philosophy in Education Research and Evaluation, School of Education Kenyatta University. Dr. Kariuki has participated as a lead consultant for TVET Competency Based Education and Training (CBET). Together with other panelists drawn from Kenya and China they taught on Chinese Language and Culture in the competence Based Curriculum (CBC).

Kenyatta University through the School of Business signed an MoU on 17th October, 2019 with Bidco Africa towards the provision of internship and attachment opportunities for Kenyatta University students, joint research participation on areas of interest such as disruptive innovations and data analytics, joint hosting of conferences, workshops and seminars.

On Monday 4th November, 2019, through the initiation of the School, the University also signed, for implementation by the School, a MoU with the Nairobi Securities Exchange (NSE). This was towards provision of historical trading data and listed companies’ information to Kenyatta University. It also involves capital markets training and capacity development including provision of tailored training to student groups hosted at Kenyatta University.

Due to the pandemic of covid-19 that has disrupted normal teaching in many institutions, Kenyatta University conducted defenses for both masters and PhD candidates via zoom. Normal defense for doctorate thesis was done on a face to face basis where students face a panel to answer questions about their research. This is the first time defense is being done online by Kenyatta University.

Achievements

Kenyatta University was joined by industrialization CS Betty Maina and Education PS State Department for University Education and Research Amb. Simon Nabukwesi during the launch of a ventilator developed by sixteen Kenyatta University students. The initiative is a collaboration of students drawn from the School of Engineering, Nursing, Medicine and Pharmacy. The project was driven by the dean School of Engineering Dr. Shadrack Mambo and Prof. Nicholas Gikonyo, who is

VICE-CHANCELLOR'S REPORT

the Chairman of the Chandaria Business Innovation and Incubation Centre where the project is housed. Kenyatta University has already filed for patent with the Kenya Industrial Property Institute for this innovation.

Kenyatta University scooped a total of 99 medals to clinch the seventh Kenya Universities Sports Association (KUSA) games title at Moi University in Eldoret from 16th to 21st December 2019. During the games, Kenyatta University bagged 39 gold, 29 silver and 31 bronze medals to emerge top among the 18 universities that competed in the run up to the 2020 national play offs.

Other Activities

This year the Culture Week started with a Multi-faith Extravaganza which was held on Sunday, 27th October 2019. The event is specifically held to thank our creator for all the blessings bestowed upon Kenyatta University throughout its existence. It also offers a platform to embrace tolerance of different faiths by engaging in dialogues which help in eliminating the culture of religious intolerance. The opening ceremony for the Culture Week 2019 was held on Tuesday, 29th October 2019, at the Bishop Square graced by Hon. Amb. Amina Mohammed, Cabinet Secretary, Ministry of Sports, Culture and Heritage, who was the chief guest. Under the auspices of Culture Week, 2019, there was a launch of a book on the late Prof. Francis Davis Imbuga titled: "The Cherished Footsteps". The book authored by Masinde Kusimba is a biography of an icon in the world of African literature, a professor of literature and drama, a renowned playwright, a gifted actor and director – Prof. Francis Imbuga.

The Inauguration ceremony for the sixteenth KUSA Congress was held on 12th November 2019 in the University Amphitheatre. This marked the commencement of a one year term for the new Student Governing Council following successful and peaceful elections held at the University. I congratulate all who competed in various positions during the election. Kenyatta University recognizes students as the focal point of its Vision, Mission and Strategic Plan.

On 13th November, 2019, the Centre for Gender Equity and Empowerment (CGEE) observed the International Day of the Girl Child. Celebrated annually on October 11th, the day highlights inequalities specific to girls. The renowned Family Lawyer, Madam Judy Thongori captivated staff and students on the "Marriage, Divorce and Succession Laws in Kenya- Highlighting the Matrimonial Property Act, 2013." In her simplified legal jargon, Judy urged the audience to write a "Will" from age 18 and avoid "Come we Stay unions".

Kenyatta University held its 2020 career week from January 25th to 31st event. The theme for this year's event was: Mapping and Leveraging on Youth, Technology and Soft Skills. The main objective of career week is to help address the challenges students face when selecting courses to pursue in universities, middle level colleges or technical institutions. The Chief Guest was Dr. Patrick Njoroge, Governor, Central Bank of Kenya who gave the keynote address on "Mapping and Leveraging on Youth, Technology and Soft Skills for the 21st Century Workforce."

VICE-CHANCELLOR'S REPORT

Appreciation

In conclusion, I take this opportunity to convey my appreciation and gratitude to the University Council, Management and all members of staff for their commitment to work and their timeliness and splendid effort that have seen Kenyatta University move towards its goal of becoming a world-class University.

Finally, I would like to thank the Government, Local and International Donors, Suppliers and Service providers for their trust, guidance and continued co-operation.



Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR

CORPORATE GOVERNANCE STATEMENT

Introduction

The statement outlines the key aspects of the University's corporate governance framework. Corporate governance is the process by which the University is directed, controlled and held to account. It provides the structure through which the strategic objectives of the University are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between the University Council, Senate, Management Board, Regulators and all Stakeholders.

The University in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its vision, mission, and core values for sustainability of the University.

The governing organs of the University are:

- (i) The University Council;
- (ii) The Senate of the University;
- (iii) The University Management Board.

(i) The University Council

Council Charter

The Council is guided by the Council Charter which defines the governance guidelines within which the Council exists and operates. It clearly states the respective roles, responsibilities and authorities of the Council and its Committees.

Council Appointment and Composition

In accordance with the Universities Act No. 42 of 2012, clause 36(1) the Council consists of nine persons appointed by the Cabinet Secretary for a period of three years and who are eligible for re-appointment for a further one term. The persons are as follows:

- The Chairperson
- Principal Secretary, Ministry for the time being responsible for the University Education
- Principal Secretary, Ministry for the time being responsible for Finance and The National Treasury
- Five members appointed by the Cabinet Secretary, Ministry for the time being responsible for University Education
- The Vice-Chancellor who is an ex-officio member of the Council.

The University Charter (Clause 17) requires that the members of the Council at the first meeting after their appointment determine by lot which of their number shall vacate office after a period of three and four years respectively.

Council Diversity

The Council members possess a broad range of skills, expertise, experience and knowledge essential to undertake the University's mandate. The areas of expertise of the current Council members include Sociology, Finance, Counseling Psychology, Information Science, Business Administration, among others as indicated on pages 9 to 11 of this Annual Report.

The University endeavors to and remains compliant with the one third (1/3) gender balance.

CORPORATE GOVERNANCE STATEMENT

Separation of Powers and Duties

The Chairman of Council's responsibilities include the operation, leadership and governance of the Council, ensuring its effectiveness and setting its agenda. The Vice-Chancellor's role and responsibilities include the day-to-day management of the University's business and overseeing the implementation of strategies and policies approved by the Council. This is clearly stipulated in the University Statutes.

Powers and Functions of the Council

The powers and functions of the Council include:

- To make new or additional Statutes, alter, amend or revoke existing Statutes in consultation with the Senate;
- To establish such standing or other committees with membership and with such terms of reference as it may deem fit;
- To make regulations in accordance with the Charter for any purpose in respect of which regulations may be made, provided that no regulations shall be made until Senate has had an opportunity of reporting thereon;
- To provide the land, building, premises, furniture and equipment, including specialized scientific equipments, vehicles, machinery, facilities and other means required for carrying out the work of the University;
- To determine method of recruitment, appointment and promotion of all staff of the University;
- To make the appointments authorized by the Charter and the Statutes and to determine the terms and conditions of service for all staff of the University;
- To provide for the welfare of every person in the employment of the University;
- To establish, confirm, abolish or hold in suspense any professorship, lectureship or other academic, as well as other senior administrative posts in consultation with the Senate;
- To confer, after report from Senate, the title of Professor Emeritus, Adjunct Professor, Adjunct Faculty and other senior staff;
- To receive, consider and approve from University Management Board estimates of expenditure required to carry out the work of the University and to provide the requisite in so far as the estimates are approved and accepted by the Council;
- To provide control and regulate the finances of the University as the Council may provide in the Statutes or Regulations from time to time;
- To control, manage and regulate accounts, investment property and all the business affairs of the University and for that purpose appoint bankers, auditors, lawyers or any other agent as the Council may deem necessary from time to time;
- To promote and make financial provisions and facilities for research within the University;
- To determine, after considering the recommendations of Senate, all fees payable to the University;
- To invest any moneys belonging to the University including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time think fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rent and subject to the Charter

CORPORATE GOVERNANCE STATEMENT

with the power of varying such investment from time to time by sale or re-investment or otherwise;

- To sell, buy, exchange, lease, grants or take on lease moveable and immovable property on behalf of the University, pursuant to section 17 of the Charter;
- To borrow money on behalf of the University, and for that purpose and subject to the Charter, to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;
- To enter into, vary, carry out or terminate contracts on behalf of the University;
- To select a Seal, Arms and Mace for the University and to have the sole custody and use of the Seal;
- To provide by Statutes for the creation of new Colleges, Campuses, Schools, Departments, Directorates, Institutes, Centres or other bodies of learning and research in the University and for the abolition from time to time of any such bodies, and to approve the establishment, abolition or sub-division of any such bodies on the recommendation of Senate;
- To institute, on the recommendation of Senate, donors' fellowships, studentships, exhibitions, bursaries, prizes and other aids to study and research where appropriate and upon conditions acceptable to the Council;
- To determine the terms and conditions upon which Internal and External Examiners shall be appointed by the Senate;
- To consider and give effect to reports from Senate on those matters upon which Senate is authorized or required to make by the Statute;
- To exercise powers of removal from office for good cause of any officer or staff member and other disciplinary controls in the University;
- May empower any of its committee to act jointly with any committee appointed by the Senate, provided that the Council shall not delegate to the Chairperson or to a committee the powers to approve without further reference to the Council the annual Estimates of Expenditure;
- May refer any financial matters affecting the academic policy of the University to the Senate for advice;
- Shall determine the method and condition of appointment and promotion, terms of service and remuneration of all staff of the University;
- Shall authorize or control the establishment and disestablishment of Campuses, Colleges, Schools, Departments, Directorates, Institutes, Bureau, Units and Centres;
- Shall authorize or control the establishment and disestablishment of academic, library, administrative, technical, secretarial and all other posts in the University necessary for the proper functioning of the University;
- Shall control the appointment of any other persons working for the University, pay honoraria, fees and other remuneration as the Council may determine from time to time.

CORPORATE GOVERNANCE STATEMENT

Meetings of the Council

While the Council is responsible for its agenda, it is the responsibility of the Chairperson and the Council Secretariat working closely with the Vice-Chancellor, to come up with the Annual Council Work Plan and Agenda for the Council meetings.

The Council Work Plan together with the calendar of meetings for the Financial Year 2019/2020 was fixed in advance and provided to all Council members. The agenda and supporting papers were distributed in advance to all members of the Council and its Committee's.

Unless the Council otherwise determines, meetings of the Council are held at least four times in each calendar year at such a place and time as the Chairperson may determine.

At all meetings of the Council, a quorum is the nearest whole number above half the membership of the Council.

Where consensus is not achieved, decisions of the Council may be by a simple majority vote of those present and voting, provided that the Chairperson of the council shall have a casting vote in case of an equality of votes.

The Chairperson may at any time call a meeting of the Council within twenty eight (28) days of receiving request for that purpose addressed to him and signed by at least a half of the membership of Council.

Councils' Effectiveness

In order to ensure that the Council members are effective in their contribution to the management of the University, it is important that they develop good understanding of the University and its operations.

Council members undergo regular training to enable them to fulfill their responsibilities. The University has also developed a comprehensive induction program and inducts all new board members.

Evaluation

The Council has put in place evaluation system to ensure that the Council achieves its objective. Council evaluation is scheduled to take place in the year 2020/2021.

Council Committees

The University has a total of four committees and five boards whose chairperson reports to the main Council and assists in executing the mandate of the Council and by extension, the University.

CORPORATE GOVERNANCE STATEMENT

A) Council Committees

- 1) Finance and Strategy Committee
- 2) Terms of Service and Conditions Committee
- 3) Audit Committee
- 4) Governance, Risk and Compliance Committee

B) Boards

- 1) Staff Appeals Board
- 2) Appointment and Promotions Board (*For Professors, Associate Professors & Equivalent Grades*)
- 3) Disciplinary Board for Senior Staff (*Grade A-F, Graduate Assistants to Professor & Equivalent Grades*)
- 4) Honorary Degree Board
- 5) Sealing Board

Composition of Committees and Boards of the 10th Kenyatta University Council and their Terms of Reference

1. Finance and Strategy Committee

a) Membership

- 1) Council Member - Chairperson
- 2) Vice-Chancellor
- 3) Principal Secretary in the Ministry for the time being responsible for Education
- 4) Principal Secretary in the Ministry for the time being responsible for Finance
- 5) One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Registrar (Finance and Development)
3. Registrar (Planning and Strategy)
4. The Chief Finance Officer
5. Director ICT
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

CORPORATE GOVERNANCE STATEMENT

c) Terms of Reference

i) Finance

The Committee advises the Council on:

- Financial and investment projections of the University.
- Making provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University
- Fees and other rates to be paid by Students

The Committee is responsible on the delegated authority of the Council for:

- Preparing of University Development Plans for an approved period and submit to Council
- Keeping under review approved development programmes and to ascertain that the objectives of the University are being achieved and to make recommendations thereon to Council
- Considering the annual report and financial statement and make recommendation to Council
- Receiving, considering and submitting the proposed budget estimates from the relevant sectors for approval by Council
- Ensuring that there are adequate controls in place for prudent management of financial resources
- Reviewing the endowment and donations policy to ensure adequate monitoring and control
- Exercising such powers as Council may from time to time delegate to the Committee

ii) Strategy

The Committee advises the Council on:

- The vision, core values and the strategic direction of the University
- The status of the implementation of the University Strategic and Vision Plan

The Committee is responsible for the delegated authority of the Council for:

- Reviewing annually the University financial and investment strategy to ensure that it is sustainable and supports the University Strategic and Vision Plan
- Overseeing the development, implementation and integration of the Universities information technology strategy into learning, teaching and research and in the performance monitoring of the University
- Overseeing the implementation of ICT Policy

CORPORATE GOVERNANCE STATEMENT

2. Terms of Service and Conditions Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. Principal Secretary in the Ministry for the time being responsible for Finance
4. One Council Member
5. Vice-Chancellor

b) In Attendance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Corporate Affairs)
3. Registrar (Administration)
4. The Chief Finance officer
5. Human Resource Manager
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- Terms and conditions of service of all staff in the University

The Committee is responsible on the delegated authority of the Council for:

- Considering proposals of terms and conditions of service made by staff unions through the University Management Board

3. Governance, Risk Compliance Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for Finance
3. One Council Member
4. Vice-Chancellor

b) In Attendance

Governance, Risk and Compliance

1. Deputy Vice-Chancellor (Administration)
2. Registrar (Planning & Strategy)
3. Chief Finance Officer
4. Chief Legal Officer

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5. Officer in Charge of Risk and Compliance
6. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

i) Governance

The Committee advises the Council on:

- The roles and operations of the Council based on best practice in corporate governance
 - Regulations and procedures for Council and Council Committees
 - Membership, powers and duties of Committees of Council
- The Committee is responsible on the delegated authority of the Council for:

- Monitoring the performance of Council Committees
- Receiving reports on effectiveness of Council and its Committees
- Considering and recommending to the Council changes to governance framework (Charter, Statutes, and policies)

ii) Risk

The Committee advises the Council on:

- The adequacy and effectiveness of the risk management framework
- Major risks which may impact on the reputation of the University and the associated risk mitigation mechanism

The Committee is responsible on the delegated authority of the Council for:

- Receiving reports and providing oversight on the implementation of the risk management policy
- Receiving regular audit reports on the Risk function and report to Council on any matters that require their consideration
- Reviewing the implementation of the risk management framework on a quarterly basis

iii) Compliance

The Committee advises the Council on:

- All issues relating to external and internal compliance

The Committee is responsible on the delegated authority of the Council for:

- Monitoring the effectiveness of the University's processes for ensuring compliance with relevant laws, rules, regulations, and standards

CORPORATE GOVERNANCE STATEMENT

- Receiving reports on legal compliance audit and recommend on strategies to manage any breaches and risks effectively

4. Audit Committee

a) Membership

1. Council Member - Chairperson
2. Principal Secretary in the Ministry for the time being responsible for University Education
3. One Council Member

b) In Attendance

1. Deputy Vice-Chancellor (Finance & Development)
2. Chief Finance Officer
3. Chief Internal Auditor
4. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Committee advises the Council on:

- The adequacy and effectiveness of management procedures with regard to issues relating to risk management, control and governance

The Committee is responsible on the delegated authority of the Council for:

- Reviewing and approving the audit charter where applicable and internal audit annual work plans
- Reviewing internal and external audit findings and recommendations and proposing corrective and preventive action where necessary
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
- Initiating special audits/ investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer/Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

University Boards

1. Staff Appeals Board

a) Membership

1. Chairman of Council - **Chairperson**
2. Independent Council Member
3. Independent Council Member

b) In Attendance

1. Vice Chancellor
2. The relevant Dean/Head of the Department/Section concerned
3. Registrar (Administration)
4. Human Resource Manager
5. Chief Legal Officer
6. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

The Board is responsible on the delegated authority of the Council for:

- Considering and determining appeals from individual members of staff against decisions in relation to their discipline from both the Junior and the Senior Board of discipline.

2. Appointments and Promotions Board (For Professors, Associate Professors and Equivalent Grades)

a) Membership

1. Chairman of Council - **Chairperson**
2. One (1) Council Member
3. Vice-Chancellor

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. Principal of the College Concerned
3. Dean of the School concerned
4. Head of the Department/Section concerned

CORPORATE GOVERNANCE STATEMENT

5. Registrar (Administration)
6. Human Resource Manager
7. Council Secretary

c) Quorum Rules

One person above half the number of Members

d) Terms of Reference

The Board shall be responsible to the Council for the appointment and promotions of Associate Professors, Professors and Equivalent Grades as may be determined by the Council.

3. Disciplinary Board for Senior Staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades)

a) Membership

1. Vice-Chancellor
2. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Administration)
2. The relevant Dean/Director/Head of the Department/Section concerned
3. Relevant Staff Union representative
4. Registrar (Administration)
5. Human Resource Manager
6. Chief Legal Officer
7. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

Shall be responsible to the Council for the discipline, suspension and removal from Service of all senior staff (Grades A-F, Graduate Assistants to Professor and Equivalent Grades) as may be determined by the Council.

CORPORATE GOVERNANCE STATEMENT

4. Honorary Degrees Board

a) Membership

1. Vice-Chancellor - **Chairperson**
2. Chairman of Council
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Principal of the College concerned for Honorary Degree(s)
3. Dean of the School concerned for Honorary Degree(s)
4. Registrar Corporate Affairs
5. Registrar (Academic)
6. Council Secretary

c) Quorum Rules

One person above half the number of members

d) Terms of Reference

- 1) To receive and consider nomination (s) from the various boards of Schools and Institutes for the award (s) of honorary degrees and fellowships
- 2) To recommend to the senate persons deemed fit for the award of honorary degrees

5. Sealing Board

a) Membership

1. Chairperson of Council - **Chairperson**
2. Vice-Chancellor
3. One (1) Council Member

b) In Attendance

1. Deputy Vice – Chancellor (Academic)
2. Registrar (Academic)
3. Head, Transcript, Graduation and Certificates
4. Council Secretary

CORPORATE GOVERNANCE STATEMENT

c) One person above half the number of Members

d) Terms of Reference

To receive, verify and seal certificates before they are issued to graduands

Council Remuneration

The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chairman of Council receives honoraria on a monthly basis as indicated in Note 10 of the Financial Statements. Council allowances are based on approved rates and guidance provided in Government Circulars

Conflict of Interest

The Council members are obligated to fully disclose to the Council any real or potential conflict of interest, which comes to any Council member's attention, whether direct or indirect. At any meeting the Council members are expected to make a declaration of any interest they may have in the business under discussion. In the financial year under review, there were no transactions with any of the Council members or their related parties.

Code of Conduct and Ethics

The University has a code of conduct and ethics policy that binds the Council members, management and employees. When joining the University, every employee is provided with a copy of the code of conduct and ethics policy and must commit to abide by its requirements as part of the employment contract with the University.

Whistle Blowing Policy

This is provided for in Kenyatta University Anti-Corruption Policy Clause 17, which states that the University undertakes to protect the identity of persons making corruption disclosures, and the information provided therein shall be handled in utmost confidentiality. Allegations that are false and made with malicious intent are discouraged. Where such malicious or allegations are discovered, the person who made the allegation shall be subjected to disciplinary action.

Risk Management and Internal Controls

The University Council is responsible for the University system of risk management and internal control, which is designed to identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

The Council has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit Committee. Details in relation to the Audit Committee's work in this regard are set out in the University Statutes.

CORPORATE GOVERNANCE STATEMENT

The Vice-Chancellor is responsible for implementing the system, including a system of internal controls and audits, to identify and manage risks that are material to the University. Independent review of the risk management framework is carried out through the University Internal Audit function that carries out risk based internal audit on regular basis.

The University has an in-house legal officer and has appointed advocates to advice on litigation risks. The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The University Council through its Audit Committee receives regular reports during the year on internal controls and risks.

The University's Key Risks include;

1. Strategic/Commercial Risks
2. Economical/Financial/Market Risks
3. Legal and Regulatory Risks
4. Organization/Management/Human Factor Risks
5. Political Risks
6. Environmental Risks
7. Technical/Operational/Infrastructure Risks

Compliance

The Council operates in a manner reflecting the University's values and in accordance with the Corporate Guidance, the University Act, and University Charter, University Statutes, Council Charter, Mwongozo and all other applicable regulations.

The Council is committed to ensuring that it complies with all applicable laws and regulations

Governance Audit

The University did not conduct governance audit this year but the same will be conducted in the year 2020/2021.

Stakeholders

Stakeholders may be categorized, on the basis of location, into internal and external. Internal stakeholders include those inside the University. These include students and employees. On the other hand, external stakeholders are based outside the University, but have implications for survival of the University. These include customers, suppliers, government agencies, development partners, local communities, alumni, external examiners and trade unions.

Going Concern

The Council is committed to ensuring that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE STATEMENT

Conclusion

The Council recognizes that practices and procedures can always be improved. Accordingly, the corporate governance framework of the University is kept under review to take account of changing standards and regulations.

Number of Full Council, Committees and Board Meetings held During the Year 2019/2020

S/N	Type of the Meeting	Number of Meetings
1	Full Council	4
2	Terms and Conditions of Service Committee	2
3	Audit Committee	3
4	Finance and Strategy Committee	4
5	Governance, Risk and Compliance Committee	3
6	Sealing Board	2
7	Disciplinary Board for Senior Staff (Grade A-F, Graduate Assistants to Professor and Equivalent Grades)	2
8	Staff Appeals Board	1
9	Honorary Board	None
10	Appointments and Promotions Board (For Professors, Associate Professors and Equivalent Grades)	6

CORPORATE GOVERNANCE STATEMENT

(i) The Senate of the University

The membership of the Senate shall be:-

- The Vice-Chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- The Principals of each Constituent College;
- The Principals of each College within the University;
- Registrars;
- Executive Deans;
- Directors of Campuses;
- Chairpersons of Departments;
- One Professor representing each College;
- The Chief University Librarian;
- The Chief Finance Officer;
- Director of Student Affairs;
- Director Information, Communication and Technology Services (ICT);
- Two members elected by the students' organization, who shall be entitled to attend
- deliberations of the Senate on matters which are considered by the Chairperson of the Senate to be confidential of which relate to examinations, the general discipline of students, and other related matters; and
- Such other member as Council may determine in accordance with the Statute

The Deputy Vice-Chancellor in charge of Academic affairs shall be secretary to the senate.

The Senate shall have the following powers and duties:-

- 1) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- 2) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- 3) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- 4) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- 5) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.

The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

CORPORATE GOVERNANCE STATEMENT

(ii) The University Management Board

Members of the University Management Board shall be;

- The Vice-chancellor, who shall be the Chairperson;
- The Deputy Vice-Chancellors;
- Registrars;
- Chief Finance Officer
- Chief Legal Officer
- Such other member of senior management as the Council may determine and as provided for in the statutes.

The University Management Board shall assist the Vice-Chancellor in;

- 1) The Management of urgent day-to-day academic, administrative, research, development and outreach issues;
- 2) The efficient management of the human, physical, and financial resources of the University;
- 3) Coordination of University and colleges strategic and development plans;
- 4) Make proposals to Senate and Council on issues that have University-wide application;
- 5) Receive proposals from different sectors of the University for recommendation for Council consideration;
- 6) The implementation of Council and Senate approved policies;
- 7) Any other matters related to the management of the University.

MANAGEMENT DISCUSSION AND ANALYSIS

The University's Management discussion and analysis, provides an overview of the University's financial activities for the fiscal year ended 30th June 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the University's financial statements and Notes to the Financial Statements following this section.

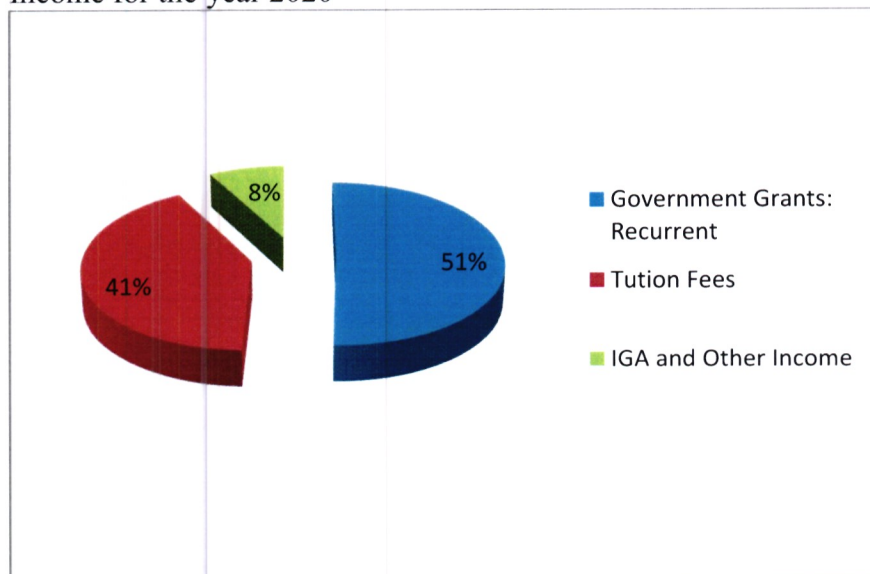
A. University Performance

University Sources of Funds

1. Government Grants – Recurrent and Development
2. Internally generated funds- Tuition and other income generating activities.
3. Externally sourced funds- Donations and grants from private sector, loans and overdrafts

In the year 2019/2020 the University received Kshs 4,117,206,233 Government Grants, Kshs 3,384,128,879 Tuition and other fees and Kshs 641,957,121 from Income Generating Activities and other incomes.

Income for the year 2020



MANAGEMENT DISCUSSION AND ANALYSIS

University Expenditure

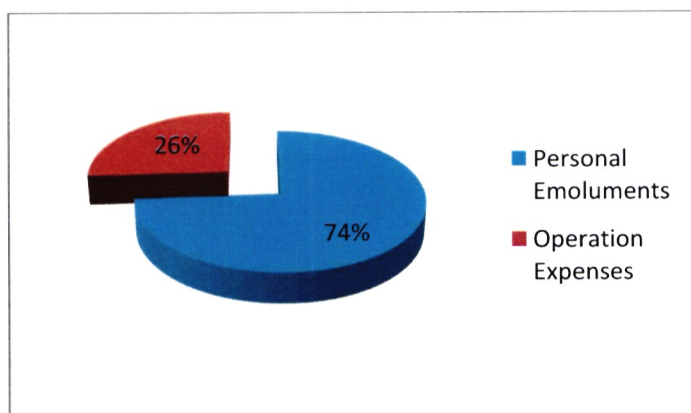
University Expenditures are composed of Personnel Emoluments, Operations and Maintenance.

The University's expenditure increased from 9,215,147,355 in the year 2019 to Kshs 9,239,072,235 in the year 2020 because although management had put in measures to cut down on costs, the 2017-2021 Collective Bargain Agreement was implemented.

In the year 2020, the University's expenditures under the two categories were as follows;

Particulars	Amount in Kshs
1. Personnel Emoluments	6,843,958,196
2. Operation and Maintenance	2,395,114,039

Expenditures for the year 2020

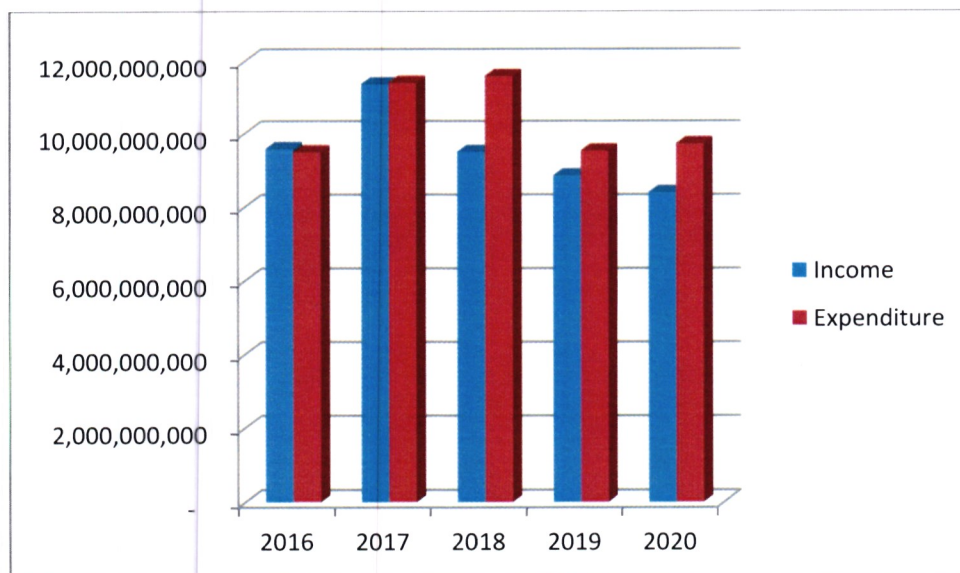


MANAGEMENT DISCUSSION AND ANALYSIS

Five Years Financial Performance 2016 to 2020

PARTICULARS	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
INCOME-KSHS					
Government Grants: Recurrent	3,128,934,681	3,660,925,439	4,148,305,985	3,421,558,999	4,117,206,233
Tuition Fees	6,104,228,062	5,859,663,442	4,347,821,552	4,635,730,730	3,384,128,879
IGA and Other Income	362,299,459	1,847,439,325	1,008,916,433	803,498,917	641,957,121
Income	9,595,462,202	11,368,028,206	9,505,043,970	8,860,788,646	8,143,292,233
EXPENDITURE KSHS					
Personal Emoluments	5,682,895,658	6,631,832,567	7,726,090,829	6,666,580,038	6,843,958,196
Operation and Maintenance	3,819,403,485	4,780,098,638	3,888,361,651	2,872,012,364	2,627,949,562
Expenditure	9,502,299,143	11,411,931,205	11,614,452,480	9,538,592,402	9,471,907,758
Deficit/Surplus	93,163,059	(43,902,999)	(2,109,408,510)	(677,803,757)	(1,328,615,525)

Income and Expenditures Trend 2016 to 2020



MANAGEMENT DISCUSSION AND ANALYSIS

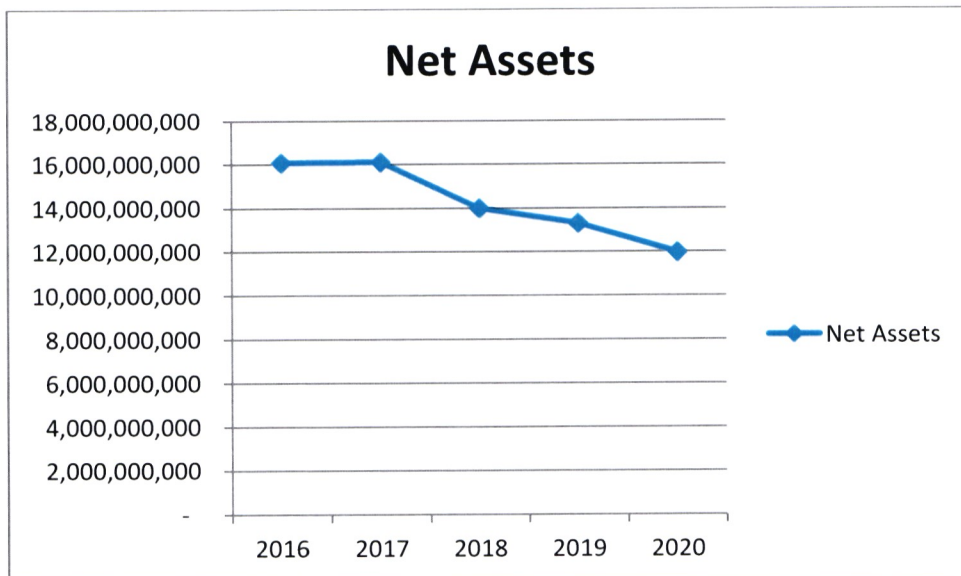
University Net Assets

The University Net Assets are composed of;

1. Revaluation Reserves
2. Accumulated Surplus
3. Capital Fund (Government Capital Grants)

The University's Net Asset for the year 2020 is composed of Kshs 4,394,045,564 Revaluation Reserves, Kshs 4,517,287,606 Revenue Reserves and Kshs 3,023,932,178 Capital Fund.

University's Net Assets for the year 2016 to 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Conclusion:

The University reported deficit in the last two years, with its revenue declining from Kshs 8,537,343,598 in the year 2019 to Kshs 7,910,456,710 in the year 2020. In particular tuition and other fees which is a major component of the University revenue declined from Kshs 4,635,730,730 in the year 2019 to Kshs 3,384,128,879 in the year 2020. The University expenditure increased from Kshs 9,215,147,355 in the year 2019 to Kshs 9,239,072,235 in the year 2020. The decrease in anticipated revenues is due to closure of the University as a result of Covid-19 pandemic and reduction in student numbers. With revenue enhancement and cost cutting measures implemented by Management we are optimistic that the situation will improve in the foreseeable future.

B. University's Compliance with Statutory Requirements

The University has endeavored to comply with statutory requirement, however for the last two years the University has not been able to remit payroll statutory deductions as indicated in note 23 of the Financial Statements.

C. Key Projects and Investment Decisions the University is Planning/Implementing

SN	PROJECT NAME	COMMENCEMENT DATE	EXPECTED COMPLETION DATES	% OF COMPLETION	ESTIMATED PROJECT COST	COST INCURRED TO DATE	PROGRESS REPORT
3	Mama Ngina University College (Phase 1)	April 2019	April 2020	Inception Stage	377M	118M	Ongoing
4	REC Centre	July, 2015	December, 2018	20%	300M	56M	on hold
5	School of Business	July, 2015	December, 2018	19%	300M	81M	on hold
6	Kenyatta University Children Hospital	July, 2014	December, 2019	28%	2B	201.6M	on hold

D. Major Risks facing the University

The University has identified the following Key Risks;

1. Financial Risk-the University is unable to meet its obligations as and when they fall due
2. Commercial Risk-the University has experienced drastic reduced number of self-sponsored students.
3. Infrastructural Risk-there is a number of stalled projects due to lack of funds.

E. Material Arrears in Statutory/Financial Obligations

The University has not been in a position to meet its expenditures as and when they fall due. At the end of the financial year 2019/2020 the University had not paid its obligations as per note 23 of the Financial Statement.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Introduction

Kenyatta University commits itself to engaging in robust corporate social responsibility (CSR) programmes that demonstrate its good citizenship based on the triple bottom line: people, planet and revenue. Increased revenue in form of profits is put into programs that benefit people in the communities around the University. This is achieved by focusing on the following categories:

1. **Philanthropy:** With the resources the University has, social responsibility is practiced by making donations in form of products, money and services to social causes and nonprofits to benefit charities and local community programs.
2. **Environmental efforts:** At the heart of Kenyatta University's focus of CSR is the environment. The University reduces the large carbon footprints to levels that are considered favourable and beneficial to both the organization and the community.
3. **Ethical labour practices:** Kenyatta University is committed to treating its employees fairly and ethically by ensuring both governing and international labour laws are operationalized.
4. **Volunteering:** The University tackles various community issues by engaging the community with its staff and students in activities and deeds that do not expect any form of return.

For the University to implement and accomplish these key areas of focus, the University initiated the Directorate of Community Outreach and Extension Programmes (COEP) in August 2007. The main objective of the Directorate was to reach out to communities by extending knowledge, skills and other resources to improve their quality of life. The Directorate further helps communities identify, mobilize and utilize their resources that are available to them not only for their own development but for empowerment.

Kenyatta University is endowed with human, financial, tangible and information resources. Because of its diversity in areas of training, research and experiences, the Directorate of COEP gives both staff and students an opportunity to extend its services to communities in any part of this nation and beyond. It is this gesture that KU draws inspiration from- Service to humanity.

CSR Programmes

Driven by inclusivity; enhancing natural capacities and networks; coordination; need-driven and holistic, reflective and evaluative; socially, collaboratively and democratic; and celebratory, as the seven guiding principles, the Directorate of COEP achieves the University's CSR objective through the following programmes:

1. **Community Need Based (CNB) programmes:** These are programmes that involve participatory identification of specific needs within a community and using that information to develop and implement interventions. Activities in these programmes are further divided into:
 - i) **Training need based:** These activities involve teaching and training a particular community in areas of focus to the development of the community.
 - ii) **Philanthropy based:** These activities involve giving products and services to a community that is in need with an objective of improving their lives.
2. **Response to National Crises (RNC) programmes:** These are programmes that ensure a prompt address to occurrences that lead to disruption of normal living conditions affecting the entire section of the population based on the affected people's needs.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

CSR Activities

Activities run by the Directorate are determined by the Government's Performance Contracts to the University or those that are initiated by the Directorate as a unit.

Notably in the year 2019/2020, Kenyatta University donated food stuffs, hand washing equipments and masks to the surrounding vulnerable community members to support Government effort to fight the spread of covid-19. Deputy Vice-Chancellor (Administration) Prof. Fatuma Chege represented the Vice-Chancellor Prof. Paul Wainaina and was accompanied by Kenyatta University staff including the Corporate Affairs office who organized the exercise among other activities.

Besides CSR activities, the University acknowledges partnerships, collaborations and associations geared towards attainment of its objective as far as corporate social responsibility is concerned. Some of the partnerships drawn to the Directorate of COEP include:

- i) Navigators Economic Projects Transformational Facility (EPTF), Kenya
- ii) United Cultural Empowerment and Social Community Organization (UCESCO)
- iii) University of Hungary

Achievements of the CSR activities

Kenyatta University through the Directorate of COEP has ensured that the CSR activities are integrated into its economic, social, societal and environmental objectives to create a socially responsible work environment. By so doing, the following has been achieved:

- i) Generation of a positive publicity and reputation
- ii) Increased patronage and consumer appeal
- iii) Talent attraction and Employee satisfaction and retention
- iv) Strong client and community relations
- v) Triple bottom line effect towards people, planet and revenue

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 15 of the State corporation Act and section 47 of the University Act, 2012, require that the Council prepares 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 year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University and is responsible for safeguarding the assets of the University.


The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) Accrual, and in the manner required by the University Act, 2012 and Kenyatta University Charter. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

The University Council is committed to have the University be and remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

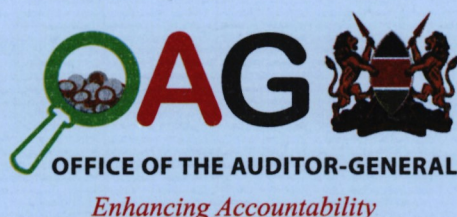
The University's financial statements were approved by the Board and signed on its behalf by:


Prof. Paul K. Wainaina, Ph.D.
VICE-CHANCELLOR


Prof. Shem E. Migot-Adholla, Ph.D.,
CHAIRMAN OF COUNCIL

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYATTA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta University set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Kenyatta University as at 30 June, 2020 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 University's Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Going Concern

During the year under review, the University recorded a deficit of Kshs.1,328,615,525 (2019-deficit of Kshs.677,803,757) thus reducing accumulated surplus from Kshs.5,844,603,131 in June, 2019 to Kshs.4,515,987,606 as at 30 June, 2020. Further, the current liabilities of Kshs.6,389,757,302 as at 30 June, 2020 exceeded the current assets of Kshs.1,581,368,354 resulting to a negative working capital of Kshs.4,808,388,948 which indicates that the University is likely to be unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and taxes amounting to Kshs.3,668,055,743, audit fees of Kshs.8,100,000 and other deductions of Kshs.342,904,902 to the respective beneficiaries, thereby risking fines and penalties. Although the University Management has put in place stringent cost cutting and revenue enhancement measures to address financial challenges, the liabilities still remain unpaid.

The University is therefore operating under financial difficulties and currently it has resulted to financing its operations using costly short-term borrowings which may further worsen the liquidity position. The University is therefore, technically insolvent and if no urgent positive measures are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore, been prepared on a going concern basis on assumption that it will continue to receive financial support from Government, Creditors and Donors.

2.0 Property Plant and Equipment

2.1 Encroached Land

As reported in the previous years, the property, plant and equipment balance of Kshs.17,368,763,652 reflected in the statement of financial position as at 30 June, 2020 includes land registration No.11026/2 measuring 445.17 hectares on which the main campus of the University stands. Included in the 445.17 hectares is a portion of land measuring 12.472 hectares valued at Kshs.123,281,555 that has been illegally encroached upon by informal settlers. Although the University has filed a case in a Court of law against the illegal encroachment, the matter has not been determined, and the informal settlers continue to erect buildings on the land.

2.2 Land Without Ownership Documents

The property, plant and equipment balance of Kshs.17,368,763,652 as at 30 June, 2020 further included land measuring thirty-two hectares (32) whose registration fees of Kshs.880,000 was paid and allocated from Lagdera Constituency Development Fund in Garissa County. However, ownership documents for the land were not availed for audit verification and as a result it has not been possible to confirm that the land is indeed owned by the University.

2.3 Kenyatta University Teaching, Research and Referral Hospital

The property, plant and equipment balance of Kshs.17,368,763,652 as at 30 June, 2020 excludes the value of Kenyatta University Teaching, Research and Referral Hospital that stands on the Universities 7.97 hectares of land. The Hospital was built after the Kenya Government entered into a concessional loan agreement with Export-Import Bank of China for a concessional loan of Kshs.8,756,625,600. Further, the Government of Kenya through Legal Notice No.4 of 25 January, 2019 gazetted Kenya University Teaching, Research and Referral Hospital as a state corporation.

In view of the foregoing, the University's property, plant and equipment balance of Kshs.17,368,763,652 as at 30 June, 2019 could not be confirmed as fairly stated.

3.0 Receivables from Non-Exchange Transactions

3.1 Car Loans

As previously reported, the receivables from non-exchange transactions balance of Kshs.841,223,549 reflected in the statement of financial position as at 30 June, 2020 includes an amount of Kshs.6,280,413 in respect of staff debts out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the

University. The amount has been outstanding for a long period of time. The loans were issued by the National Bank of Kenya and guaranteed by the University but the staff defaulted in repayment after they left the University. The bank however recovered the amounts owed together with accrued interest from the fixed deposit account of the University. Though the car loan debts are being followed by the University's lawyer through legal channels and the appointed debt collection firm, the University has not fully recovered the outstanding loans.

It is not clear how the vehicle logbooks were released to ex-staff and how the ex-employees were cleared by the Management before the University had fully recovered the outstanding loans from them.

3.2 Outstanding Imprest

The receivables from non-exchange transactions balance of Kshs.841,223,549 also includes outstanding imprests totalling Kshs.22,980,050 out of which imprest amounting to Kshs.9,380,326 has been outstanding for over a year. The University has indicated that recovery of the long outstanding imprests is being followed through legal channels and a debt collection firm has been appointed to assist in collecting the debts.

Under the circumstance, recoverability of the receivables amounting to Kshs.10,801,771 is doubtful.

4.0 Nugatory Expenditure - Closure of Kigali and Arusha Campus

As previously reported, Kenyatta University incurred a total of Kshs.518,174,359 to set up both Kigali campus in Rwanda (Kshs.420,749,207) and Arusha campus in Tanzania (Kshs.97,425,152). However, the University closed down the two campuses due to operational challenges imposed by change in legislation by both the Government of Rwanda and the Government of the United Republic of Tanzania after the University had just met all the requirements and was ready to roll out programmes.

Management had indicated that, out of Kshs.97,425,152 investment in Arusha Campus in Tanzania, an amount of Kshs.90,016,542 was expenditure on salary, rentals, operations and maintenance expenses and was hence not recoverable. A balance of Kshs.7,408,610 was in relation to furniture and equipment that were brought to the main campus and distributed to various departments. However, the inventory of such assets was not provided for audit verification. Further, The National Treasury has granted approval for disposal of the property in Kigali Campus.

Although the university has explained that all the due diligence was done before the decision to open up the two campuses, the Management has not made any recovery on the amount so far incurred totalling Kshs.518,174,359.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenyatta 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 judgement, are of most significance in the audit of the financial statements. There are no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the University had an approved revenue budget of Kshs.9,707,504,284 against actual receipts of Kshs.8,143,292,233 resulting to a deficit of Kshs.1,564,212,051. Similarly, the University had an approved expenditure budget of Kshs.9,445,894,572 against actual expenditure of Kshs.9,471,907,759 resulting into an over-expenditure of Kshs.26,013,187. The receipts deficit was attributed to effects of Covid-19 pandemic and reduction in students' numbers while the over-expenditure occurred mainly due to an increase in depreciation of assets that was not considered in the budget. However, there is need by the University to refocus on budgeting on its own locally generated funds.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on 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 has come to my attention to cause me to believe that public Resources has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Staff Ethnic Composition

A review of the university staff data as at 30 June, 2020 revealed that one ethnic community accounted for 40% of council members, 45.4% of senior management and 40.7% of permanent staff. This is contrary to Paragraph 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

The University Management was therefore, in breach of the law.

2. Non-Compliance with One Third Basic Pay Rule

Analysis of the payroll data for the year ended 30 June, 2019 revealed that there was a monthly average of one hundred and sixty (160) University employees who were being paid net salary that is less than a third (1/3) of their basic pay. This is contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service dated May, 2016 which states that public officers shall not over-commit their salaries

beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern or 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 as a going concern or 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 July, 2021


**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

	<u>NOTES</u>	2020 Kshs.	2019 Kshs.
Revenue From Non-Exchange Transactions			
Government Grant	6	4,117,206,233	3,421,558,999
		4,117,206,233	3,421,558,999
Revenue From Exchange Transactions			
Tuition & Other Fees	7	3,384,128,879	4,635,730,730
Income Generating Activities	8	28,985,892	33,680,518
		3,413,114,771	4,669,411,248
Other Incomes	9	380,135,707	446,373,351
Total Revenue		7,910,456,710	8,537,343,598
Expenses			
Telephone, Electricity and Water	10	284,363,618	295,703,534
Personnel Emoluments	11	6,843,958,196	6,666,580,038
Council Expenses	12	6,242,600	8,479,320
Depreciation	13	489,973,783	532,367,988
Repairs and Maintenance	14	137,495,039	123,301,563
Contracted Professional Services	15	40,072,810	23,526,057
Operation Expenses	16	1,355,682,853	1,474,793,004
Finance Cost	17	81,283,337	90,395,851
Total Expenses		9,239,072,235	9,215,147,355
DEFICIT FOR THE PERIOD		(1,328,615,525)	(677,803,757)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

NOTES	2020 Kshs.	2019 Kshs.
ASSETS		
CURRENT ASSETS		
Cash and Bank Balances	18 471,115,866	669,648,577
Receivables from exchange transactions	19a 195,604,014	192,078,954
Receivables from non-exchange transactions	19b 841,223,549	730,322,130
Inventories	20 58,186,398	68,605,664
Investments	21 15,238,526	14,677,126
	<u>1,581,368,354</u>	<u>1,675,332,451</u>
NON - CURRENT ASSETS		
Property, Plant and Equipments	22 17,368,763,652	17,766,272,655
	<u>17,368,763,652</u>	<u>17,766,272,655</u>
TOTAL ASSETS	<u>18,950,132,006</u>	<u>19,441,605,105</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables from exchange transactions	23a 5,673,370,363	4,383,025,754
Refundable deposits from customers	23b 66,788,000	85,954,000
Payment received in advance	23c 205,205,492	285,796,669
Current portion of borrowings	23d 444,393,447	742,562,419
	<u>6,389,757,302</u>	<u>5,497,338,841</u>
NON-CURRENT LIABILITIES		
Borrowings	24a 604,909,358	659,685,393
Deferred Income	24b 21,500,000	22,000,000
	<u>626,409,358</u>	<u>681,685,393</u>
Total Liabilities	<u>7,016,166,660</u>	<u>6,179,024,234</u>
NET ASSETS	<u>11,933,965,348</u>	<u>13,262,580,873</u>
Revaluation Reserve	25a 4,394,045,564	4,394,045,564
Revenue Reserve	25b 4,515,987,606	5,844,603,131
Capital Fund	25c 3,023,932,178	3,023,932,178
TOTAL NET ASSETS AND LIABILITIES	<u>11,933,965,348</u>	<u>13,262,580,873</u>

The Financial Statements set out on pages 1 to 38 were signed on behalf of the University council members by:


Prof. Paul K. Wainaina, Ph.D.
Vice Chancellor

Date: 24/09/2020


CPA Mwal Samuel
Ag. Chief Finance Officer
ICPAK Member No.: 5257

Date: 24/9/2020


Prof. Shem E. Migot-Adholla Ph.D.
Chairman of Council

Date: 24.9.2020

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2020**

	NOTES	2020 Kshs.	2019 Kshs.
Cash flow from operating expenses			
Deficit for the period		(1,328,615,525)	(677,803,757)
Non-Cash Movement			
Depreciation	13	489,973,783	532,367,988
Bad & Doubtful Debts	16	708,208	(6,614,568)
Bank Loan Interest	17	81,283,337	90,395,851
Interest Received	9	(561,400)	(9,713,285)
Amortisation of Deferred Income	9	(500,000)	(500,000)
		(757,711,598)	(71,867,772)
Decrease in Inventories	20	10,419,266	(10,012,155)
Increase in Debtors & Receivables	19	(115,134,687)	(503,790,589)
Increase in Trade & Other Payables	23	1,189,287,433	1,356,222,031
CashFlow From Operating Activities		1,085,872,012	842,419,286
Net Cash from Operating Activities		328,160,415	770,551,514
Cash Flows From Investing Activities			
Property, Plant and Equipment	22	(92,464,781)	(128,986,788)
Interest Income Received	9	561,400	9,713,285
Net Cash Flow From Investing Activities		(91,903,380)	(119,273,503)
Cash Flow From Financing Activities			
Bank Loan Repaid	24a	(54,776,035)	(54,973,783)
Bank Loan Interest Paid	17	(81,283,337)	(90,395,851)
Net Cash Flow used in Financing Activities		(136,059,372)	(145,369,634)
Net Increase in Cash & Cash Equivalents		100,197,662	505,908,378
Net Cash & Cash Equivalents - Brought Forward		(58,236,715)	(564,145,093)
Cash and Cash Equivalent as at 30th June 2020		41,960,946	(58,236,715)
Analysis of Cash & Cash Equivalents			
Cash and Bank Balances	18	471,115,866	669,648,577
Short Term Deposits	21	15,238,526	14,677,126
Current portion of borrowings	23d	(444,393,447)	(742,562,419)
		41,960,946	(58,236,715)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation Reserve	Revenue Reserve	Capital Fund	Total
Balance as at 30th June 2018	4,394,045,564	6,522,406,889	3,023,932,178	13,940,384,630
Government Grants (Deficit)/Surplus for the period		(677,803,757)	-	(677,803,757)
Balance as at 30th June 2019	4,394,045,564	5,844,603,131	3,023,932,178	13,262,580,873
Government Grants (Deficit)/Surplus for the period		(1,328,615,525)	-	(1,328,615,525)
Balance as at 30th June 2020	4,394,045,564	4,515,987,607	3,023,932,178	11,933,965,347

Note: Capital Funds are grants received from the government for development projects.

KENYATTA UNIVERSITY

Annual Report and Financial Statements

2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	Percentage Difference	Explanation for Material Difference between Budget and Actual Performance
Revenue	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020		
Government Grant	3,184,116,551	933,089,682	4,117,206,233	4,117,206,233	-		
Tuition & Other Fees	4,825,963,096	-	4,825,963,096	3,384,128,879	(1,441,834,217)	(29.88)	Effects of Covid-19 Pandemic and reduction in student numbers
Other Income (IGAs)	764,334,955	-	764,334,955	641,957,121	(122,377,834)	(16.01)	Effects of Covid-19 Pandemic and reduction in student numbers
Total Income	8,774,414,602	933,089,682	9,707,504,284	8,143,292,233	(1,564,212,051)		
Expenses							
Telephone, Electricity and Water	290,000,000		290,000,000	284,363,618	5,636,382	1.94	
Personnel Emoluments	5,833,892,224	923,089,682	6,756,981,906	6,843,958,196	(86,976,290)	(1.29)	
Council Allowances	10,000,000		10,000,000	6,242,600	3,757,400	37.57	Effects of Covid-19 Pandemic and contract expiry of some Council Members
Depreciation				489,973,783	(489,973,783)		
Repairs and Maintenance	140,000,000		140,000,000	137,495,039	2,504,961	1.79	
Contracted Professional Services	39,700,000		39,700,000	40,072,810	(372,810)	(0.93)	
Operation Expenses	2,136,212,666	(9,000,000)	2,127,212,666	1,588,518,376	538,694,290	25.32	Reduction in operation expenses due to cost cutting measures implemented by the University Management.
Finance Cost	82,000,000		82,000,000	81,283,337	716,663	0.87	
Total Expenditure	8,531,804,890	914,089,682	9,445,894,572	9,471,907,759	(26,013,187)		
(Deficit)/Surplus for the period				(1,328,615,525)			

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: General Information

The University is established by and derives its authority and accountability from the University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University’s principal activity is to provide quality education and training.

NOTE 2: Statement of compliance and basis of preparation

The University’s financial statements have been prepared in accordance with and comply with the Accrual Basis of Accounting method under the International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

NOTE 3: Adoption of New and Revised Standards

i Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>Not applicable to the University</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> 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. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> 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 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 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, 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

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2020.

NOTE 4: Summary of Significant Accounting Policies

a) Revenue Recognition

i) Revenue from non-exchange transaction

These are revenues received by the University from the Government for recurrent expenditures. The University recognizes revenue from non-exchange transaction on accrual basis.

ii) Revenue from exchange transaction

The University recognizes revenue from exchange transaction on accrual basis. This is done when the students register and the amount of revenue can be reliably measured and it's probable that the economic benefit associated with the transaction will flow to the University.

b) Budget information

The original budget for FY 2019-2020 was approved by the Ministry of Education on 4th July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs 933,089,682 on the 2019-2020 budget following the governing body's approval.

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.

c) Property, plant and equipment

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

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Furniture and Equipments	-	10%
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor Vehicles	-	25%
Academic Gown	-	5%
Buildings	-	2%
Computers Hardware	-	30%
Computer Software	-	30%
Patent & Rights	-	20%

d) Intangible assets

Intangible assets such as patent rights acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

e) Research and development costs

The University expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the University can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset such as buildings, the asset is carried at cost less any accumulated amortization. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

f) Financial Instruments

Investments

Investments (Fixed Deposits) are recognized at their initial cost add interest earned. The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Receivables

Receivables from exchange transactions (Fees) are recognized when students register with the University. Receivables from non-exchange (other debtors) transactions are recognized when an invoice is raised or at a time when the debt is determinable.

g) Financial Liabilities

Loans and Borrowing

Loans are recognized at initial cost plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the University.

The cost of library books is expensed in statement of Financial Performance in the year that such cost arises.

As at 30th June 2020, the University did a stock take and the stock taking figures were reconciled to the ledger balances for preparation of the Financial Statement.

h) Employee Benefits

The University operates a defined contribution benefit scheme, Kenyatta University Pensions Fund for its employees who are on permanent employment. Defined contribution plans are post employment benefit plans under which an University pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The University contributed Kshs 431,213,352 in the year 2020, Kshs 407,170,170 in the year 2019, Kshs 461,842,842 in the year 2018 towards the pension scheme.

i) Foreign currency transactions

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

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

The University had an outstanding balance on long term borrowings of Kshs 604,909,358 (being loan borrowed from Co-operative Bank in the year 2015) as at 30th June 2019. The total interest paid for the year was KShs 81,283,337 recognized as an expense in the statement of financial performance.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

In the year 2018-2019, the University had KShs (58,236,715) in cash and cash equivalent compared to KShs 41,960,946 in the year 2019-2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Provision on bad and doubtful debts

The University provides for bad and doubtful debts at the rate of 10% of the value of debtors at the end of the financial year. The amount recognized as an expense in the statement of performance is the difference between last year's provision (2019) and this year's provision (2020).

	2019	2020
Bad and doubtful debts	391,627,566	398,709,646
Provision for Bad debts @ 10%	39,162,757	39,870,965

Amount recognized in the Statement of performance 2020 is the difference between 2019 and 2020 provision which is Kshs 708,208.

Kindly note that the University did not provide for Kshs 677,988,882 owed by The National Treasury for the 2017-2021 CBA.

m) 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, 2020.

o) Related Parties

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 entity, or vice versa. The National Government, Council Members and Members of Management Board are regarded as related parties.

As at 30th June 2019, The National Treasury had not remitted Kshs 677,988,882 for the 2017-2021 CBA.

Kenyatta University Teaching Hospital

Erected on the University land is the Kenyatta University Teaching Hospital project. The project is through a bi-lateral agreement between the People Republic of China and the Kenya Government through a loan of Kshs 8,756,025,600 processed by the Exim bank of China.

Through the order of the President and Commander in-Chief of Kenya Defence Forces in the Kenya Gazette Supplement No.2, dated 25th January 2019, Legal Notice No. 4, The Kenyatta University Hospital was established as a State Corporation to be known as the Kenyatta University Teaching, Referral and Research Hospital.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The project having been supervised by the University there are unresolved administrative and legal issues including the issue of 7.97 hectares of land. The University Management is pursuing the unresolved issues.

The Council expenses in terms of honoraria, sitting allowances and other expenses are indicated in note 12 of the financial statement.

p) University Performance

In the year 2019-2020, the University reported a deficit of Kshs 1,328,615,525. This can be attributed to the closure of the University on 17th March 2020 following the Ministry of Education directive after the outbreak of Covid-19 pandemic. This led to loss of revenue as the University did not have the Institution based program in April 2020 and the May to July trimester.

The deficit was financed with a bank overdraft approved by the University Council and Treasury which was sourced from Equity bank.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The University did not make any key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

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)

NOTE 6: Government Grants		2020	2019
		Kshs.	Kshs.
A10001	Recurrent Grants:Kenya University	3,992,996,521	3,290,027,070
A10006	Mama Ngina (Gatundu) University College	124,209,712	131,531,929
		4,117,206,233	3,421,558,999

NOTE 7: Tuition & Other Fees		2020	2019
		Kshs.	Kshs.
A20001	Tuition Fees JAB	780,861,900	684,363,000
A20002	Tuition Fees SSP	1,506,478,160	2,149,727,916
A20003	Tuition Fees ICE	235,128,517	539,836,500
A20005	Tuition Fees Open Learning	195,020,400	444,872,100
A20007	Activity Fees	46,418,000	54,480,000
A20008	Examination Fees	182,352,000	228,810,000
A20009	Library Fees	42,231,780	53,615,000
A20010	Registration Fees	44,758,000	59,925,000
A20011	Identity Card	7,616,700	10,009,500
A20012	Medical Fees	84,034,000	92,468,000
A20013	Material Development Fee	71,111,700	107,860,500
A20015	Accommodation Fees JAB	45,407,100	42,445,444
A20016	Accommodation Fees SSP	5,234,000	7,639,800
A20017	Accommodation Fees I.C.E.	2,022,000	1,516,500
A20025	Tuition Fee - Chinese Language	8,972,621	659,470
A20026	Computer Fees	126,482,000	157,502,000
		3,384,128,879	4,635,730,730

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: IGA

		2020	2019
		Kshs.	Kshs.
IGA Income			
A20020	Regional Centre for Capacity Development		3,041,585
A30003-A30013	Catering	48,496,470	99,334,054
A30004-A30009	Cyber Café	10,958,978	25,516,827
A30003-A30017	KU Conference Centre	66,345,758	54,317,881
A30004-A40028	KU Funeral Home	65,101,926	79,527,602
A30003-A30017	North Coast Beach Hotel	54,534,238	70,900,161
A20021-A30016	Other IGAs	16,384,045	24,487,455
		261,821,415	357,125,566
IGA Expenditure			
K19001-K19019	Regional Centre for Capacity Development	142,291	3,942,364
K19001-K19525	Catering	102,917,595	135,403,761
K19001-K19039	Cyber Café	6,638,344	17,770,466
K19001-K19019	KU Conference Centre	31,823,175	25,598,176
K19001-K19018	KU Funeral Home	4,764,112	26,015,312
K19001-J18011	North Coast Beach Hotel	74,679,604	99,857,044
K19001-K19019	Other IGAs	11,870,402	14,857,925
		232,835,523	323,445,048
Surplus		28,985,892	33,680,518

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9 : Other Income		2020	2019
		Kshs.	Kshs.
A20022	Consultancy & other Prof. Services	41,863,998	21,337,480
A20031	Affiliation Fees	267,727	296,226
A20037	COVID 19 Control Income	11,877,850	
A30012	Conferences & Seminars fees	168,000	19,189,005
A30019	Hire of Hall & Conference Facilities	19,583,810	10,000
A40001	Convocation Fees	78,609,000	40,076,000
A40002	Hire of Gowns	1,766,050	1,352,000
A40007	Surcharge & Fines	64,031	253,785
A40009	Commission	6,916,778	3,855,659
A40011	Forex Gain	19,464,542	21,352,803
A40012	Interest Income	561,400	9,713,285
A40013	Sale Of Application Forms	15,169,900	23,418,021
A40014	Miscellaneous Income	59,992,088	117,799,102
A40015	Rent/Lease income	52,842,843	57,209,074
A40016	Health Unit	145,464	279,691
A40017	Sale Of Obsolete Items	66,400	220,557
A40018	Security Staff Charge	950,300	975,600
A40020	Dustbin Staff Charge	1,860	2,124
A40023	Alumni Revenue	94,750	
A40027	Sale of Tender Documents	100,000	39,500
A40028	University Bookshop	1,165,430	4,022,248
A40029	Culture week Income	562,500	53,893
A40030	Administrative Research Fees	3,059,253	6,693,727
A40031	Community Outreach Income	82,800	960,292
A40032	Disability Day		500,000
A40034	Un Women Leadership Centre	7,204,212	6,169,828
A40036	Income Ethics Review Board	697,000	830,324
A40038	Library Fines	777,548	2,123,140
A40040	Amortisation of Deferred Income	500,000	500,000
A40044	YALI Income	48,008,247	89,617,945
A40046	KU Health Service Reimbursement	7,571,927	17,522,041
		380,135,707	446,373,351

KENYATTA UNIVERSITY

Annual Report and Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: Telephone, Electricity and Water Expenses

		2020 Kshs.	2019 Kshs.
K19133	Telephone And Postage	8,558,875	7,472,041
K19134	Electricity Expenses	186,300,044	194,783,765
K19136	Water Reticulation & Sewerage	89,504,699	93,447,728
		284,363,618	295,703,534

NOTE 11: Personnel Emoluments

		2020 Kshs.	2019 Kshs.
J18001	Basic Pay	3,273,629,489	2,648,538,660
J18002	House Allowance	1,253,469,022	1,262,869,545
J18003	Entertainment Allowance	9,687,000	12,730,068
J18004	Headship/Directorship Allowance	112,993,604	110,273,745
J18005	Responsibility	101,006,274	90,495,334
J18006	Car Allowance	5,492,000	5,291,797
J18007	Domestic Servant Allowance Office	4,128,192	3,426,120
J18008	Commuting & Bus fare	508,884,269	523,532,875
J18009	Leave Travelling Allowance	48,202,562	40,261,805
J18010	Gratuity	155,379,112	258,729,218
J18011	Wages	306,334,723	540,538,881
J18012	Part Time Teaching	354,177,289	594,592,705
J18014	Passage & Baggage	2,512,300	2,569,875
J18016	NSSF Employer Contributions	1,392,000	2,209,800
J18017	Telephone Allowance	17,089,377	16,923,791
J18019	Exam Coordination Allowance	27,869,948	29,397,611
J18020	Acting Allowance	2,114,736	3,153,675
J18022	Overtime	7,566,980	4,997,203
J18023	Pensions Employer Contribution	431,213,352	407,170,170
J18024	Health Risk Allowance	31,655,782	12,582,579
J18025	Special Readers Allowance Special Education	915,000	2,213,399
J18026	Terminal Benefits	25,531,977	8,022,939
J18029	Emergency Call Allowance	64,056,379	14,832,000
J18030	Extraneous Allowance	98,406,829	71,226,242
J18031	Staff Uniform	250,000	
		6,843,958,196	6,666,580,038

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12: Council Expenses

	2020	2019
	Kshs.	Kshs.
J18027 Sitting Allowance	3,440,000	4,650,000
J18001 Honoraria	1,044,000	1,044,000
K19139 Other Expenses	1,758,600	2,785,320
	6,242,600	8,479,320

NOTE 13: Depreciation

	2020	2019
	Kshs.	Kshs.
K20152 Depreciation Of Buildings	257,959,995	257,959,995
K20153 Depreciation Of Motor Vehicles	1,221,295	24,849,974
K20156 Depreciation Of Computer Hardware	16,944,794	32,085,468
K20157 Depreciation Of Computer Software	3,300,643	9,901,930
K20158 Depreciation Of Furniture & Fittings	209,986,717	207,010,282
K20159 Depreciation Of Academic Gowns	560,339	560,339
	489,973,783	532,367,988

NOTE 14: Repairs and Maintenance

	2020	2019
	Kshs.	Kshs.
K19029 Maintenance of Sports Ground		
K19157 Maintenance of Furniture & Equipment	24,642,490	32,886,854
K19158 Maintenance of Swimming Pool	58,000	95,700
K19159 Maintenance of Motor Vehicle	2,606,250	6,423,203
K19160 Minor Works & Alterations	85,443,646	61,907,971
K19161 Maintenance Of Hostels	1,356,838	36,500
K19162 Maintenance Of Residential Quarters		153,580
K19163 Maintenance Of Grounds & Roads Main Campus	968,404	2,478,813
K19164 Maintenance Of Building & Stations Main Campus	22,100,928	19,038,592
K19166 Repainting of University Building	237,665	271,850
K19169 Maintenance of Kitui Campus	80,817	8,500
	137,495,039	123,301,563

NOTE 15: Contracted Professional Services

	2020	2019
	Kshs.	Kshs.
K19152 Audit Fees	3,000,000	3,000,000
K19153 Professional Contracted Services	37,072,810	20,526,057
	40,072,810	23,526,057

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2020	2019
	Kshs.	Kshs.
K19001 Stationery	54,649,069	71,298,372
K19002 Staff Uniforms	4,074,010	6,595,875
K19003 Photocopying & Printing	17,691,685	24,831,916
K19004 Cleaning Materials	4,374,259	9,217,807
K19005 Office Tea Expenses Office	3,255,434	4,713,273
K19006 Departmental Meetings	1,959,922	7,248,208
K19007 Other Office Consumables Office	16,351,944	21,365,098
K19008 General Office Equipment Office	9,937,849	33,218,071
K19009 Teaching Materials/Chemicals	3,963,455	6,115,176
K19010 Field Courses	25,409,332	40,909,258
K19011 Laboratory Glassware	142,311	39,212
K19012 Tools & Apparatus	1,435,764	581,170
K19015 Animal Feeds Sciences	374,200	431,692
K19018 Travelling & Accommodation	25,439,658	47,156,701
K19019 Fuel & Gases	449,207	1,607,182
K19023 Regional Expenses Open Learning	65,106,138	52,736,477
K19025 Rent for Regional Centres Open Learning	437,713	23,202,092
K19027 Examination Stationery	24,920,802	18,160,560
K19028 Research and Travel Grants	865,040	1,625,072
K19121 Advertising and Publicity	17,420,234	27,703,396
K19123 Newspapers Magazines & Publications	1,634,455	6,695,756
K19126 Culture Week Expenses	3,281,320	1,500,611
K19127 Drugs Health Unit	22,032,801	28,428,457
K19128 Drugs Nairobi Hospital	207,310	-
K19129 Medical Reimbursement	4,884,728	1,290,533
K19130 Medical Insurance Inpatient Grades A and above	65,000,300	179,865,423
K19131 Hospitalization Grades I IV	205,000	
K19132 Medical Referrals	106,818,518	
K19135 Sanitary Services	2,902,394	8,557,548
K19137 Land Rent & Rates	5,366,208	4,602,114
K19138 Fumigation	590,324	
K19140 Public Celebrations	3,389,083	9,433,132
K19141 Bursary	12,633,000	14,319,105
K19142 Graduation Expenses	27,138,024	22,576,525
K19143 External Examiners Expenses	4,525,975	20,564,343
K19141 Interuniversities VCs Meeting Main Campus	50,000	
K19145 Staff Development & Training	3,267,314	5,604,051
K19146 Funeral Expenses	1,570,245	2,044,342
K19147 Insurance Premiums	64,602,888	60,644,903
	608,357,912	764,883,451

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2020	2019
	Kshs.	Kshs.
K19148 Bank Charges	107,055,285	116,703,868
K19150 Obsolete Stock Main Campus		237,600
K19151 Provision for Bad & Doubtful Debts	708,208	(6,614,568)
K19154 Ex gratia Payments	2,509,511	4,580,911
K19155 Fees Commission Awards & Honoraria	1,735,124	4,700,421
K19156 Rental/Hire Of Premises Expenses	40,778,975	13,243,715
K19171 Medical Expenses Students	799,288	1,819,043
K19176 Contracted Cleaning Services	70,149,601	37,107,204
K19178 Curriculum Review Seminar	214,375	378,200
K19182 Community Outreach and Extension Work	295,000	36,325
K19183 International Collaborations Expenses	712,138	444,743
K19200 Computerisation & Networking	31,181,667	8,036,102
K19201 Motor Vehicle Fuel	19,942,669	33,954,693
K19204 Senate Affairs		891,300
K19207 Games & Tournament Other Campuses	4,600,293	4,252,557
K19208 Games & Tournaments Main Campus	7,997,308	10,034,783
K19209 E. A. University Games	531,803	4,883,019
K19210 Vice Chancellor's Committees	2,993,460	7,858,774
K19214 Foreign Exchange Loss	8,019,629	14,320,362
K19215 ISO Certification	292,670	752,400
K19216 Management Board Expenses	1,696,767	849,100
K19217 Hire Of Security	119,048,189	94,092,534
K19218 Hire of Sport Facilities	1,002,000	946,500
K19219 Clearing & Forwarding	5,159,200	4,545,417
K19220 Performance Contract	365,020	2,901,474
K19221 Board Room Supplies	242,227	276,000
K19222 Internet Connectivity	44,437,285	80,122,771
K19223 Sports Uniform	40,492	72,450
K19225 Career Week	1,401,130	2,954,025
K19227 Interuniversity Games	3,380,350	
K19233 Academic Dress	2,646,500	381,710
K19235 Rented Accomodation for University Guests	40,000	
K19236 Professional Boards Registration	40,000	
K19237 Mentoring Activities	63,300	20,000
K19239 Hire of Tents	351,000	639,000
K19242 KU US Foundation		4,000
K19244 PhD Fast Tracking Fund	100,000	
	480,530,463	445,426,432

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 16: Operations Expenses

	2020	2019	
	Kshs.	Kshs.	
K19246	Invigilation Expenses	2,729,425	3,078,700
K19500	Conference Seminars & Workshops	4,976,690	5,623,142
K19501	External Travel & Accommodation	7,919,617	25,669,539
K19502	Local Passage & Baggage	174,085	1,074,330
K19503	Subscriptions	21,079,216	33,769,941
K19504	Placement Board Expenses	55,500	7,512,000
K19505	Postgraduate Stipend Expenses		200,000
K19506	Vc's Research Grants	6,515,200	18,400,000
K19507	Admission Expenses	1,907,040	5,359,418
K19508	Teaching Practice	45,665,608	38,649,200
K19509	Library Books & Journals	21,588	484,068
K19511	Library Bindery & Stationery		149,640
K19512	Student Amenities	5,663,766	5,637,394
K19513	Practicum	16,384,091	15,910,793
K19517	Research Proposal & Development Main Campus		32,000
K19519	Peer Counselling	855,000	80,000
K19520	Printing University Magazines	8,306,891	5,373,756
K19523	OVS Expenses	1,489,364	-
K19524	KUSA Expenses	6,174,820	11,331,027
K19526	Summer Programme	145,150	757,000
K19530	Kenya Military Collaboration	21,476,299	27,438,745
K19535	VAT/Tax Payment	157,379	
K19537	Wellness Centre Conferences and Seminars	108,100	79,400
K19538	Farm Expenses Kitui	180,900	114,000
K19539	Somesha Mwenzako		1,724,000
K19540	KU Equity Bank Annual Conference	22,582,004	21,280,759
K19542	Incubation Centre Mentoring Activities	1,040,176	
K19546	AIDS/HIV Awareness Activities	179,600	125,270
K19548	Un Women Leadership Centre	3,614,318	5,270,468
K19552	Students Work Study Program		60,000
K19555	Operationalization Committee		123,250
K19557	Software Licences	49,803,778	11,647,932
K19558	KU Corporate Social Responsibility	1,305,256	530,485
K19559	KU Smart Cards	3,911,820	2,528,000
K19560	Courts Awards and Penalties	1,509,860	
K19561	Consultancy Services Unit Training Expenses	22,381,303	9,895,442
K19562	Medicare Cards Expenses		1,050
K19563	Externally Funded Training AJIRA	2,384,086	432,291
K19564	Mama Ngina (Gatundu) University Expenses	793,353	1,212,117
K19566	Council Other expenses	309,910	2,927,966
K19567	East Africa Military Games	306,000	
K19569	Apostolic Conference Expenses	708,855	
K19570	Kenya Police Games	586,930	
K19572	COVID 19 Migation Expenses	3,391,500	
		266,794,478	264,483,122
		1,355,682,853	1,474,793,004

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17: Finance Cost		2020	2019
		Kshs.	Kshs.
K19173	Bank Loan Interest	81,283,337	90,395,851
		81,283,337	90,395,851

NOTE 18: Cash and Bank Balances		2020	2019
		Kshs.	Kshs.
F15003	Equity Bank - TOWA Project	427	427
F15005	Equity - North Coast Beach Hotel	4,464,353	2,011,437
F15006	Equity Community Outreach	6,390,026	2,898,566
F15010	NBK Fees A/C No. 0359150801	15,535,262	49,123,748
F15011	Std Fees Collection A/C No. 2018814400	10,454,802	2,639,609
F15012	Std Dollar A/C No. 8702018780000	187,875,869	100,596,399
F15013	NBK Payment A/C No.0359002400	1,100,969	
F15014	NBK Tuition A/C No. 0359150800	15,318,731	14,228,549
F15015	NBK Research A/C No. 2110781300	31,843,594	32,230,529
F15016	NBK Aicad A/C No. 2110781400	361,957	2,378,871
F15017	NBK Harambee A/C 0310891603 (Capitation)	670,366	671,366
F15018	KCB AVU	25,994,025	87,955,275
F15019	Co op Fees Collection A/C No. 0112962461400	678,031	55,818,666
F15020	Std Pound A/C No. 2802018780000	36,096,067	10,684,214
F15021	Cash In Hand	13,000	49,150
F15022	Equity Fees Collection A/C No. 0290518859	4,372,421	3,895,116
F15025	KCB Fees Collection A/C No. 099 250 640 601	2,931,134	2,801,289
F15026	Standard Chartered Euro A/c 9302018780000	26,232,261	33,382,179
F15027	Equity - NCBH Dollar	357,407	139,082
F15028	Equity - NCBH Euro	55,240	53,477
F15031	KU Shuttle Bank A/c No. 1130296769655	6,605	6,605
F15032	Equity KU Meals Bank A/c No. 1130296626107	473,284	20,591
F15033	Equity KU Application Bank A/c No. 1130296626073	585,876	3,167,082
F15034	Equity KU Rental Income A/c No. 113029701357	49,834	1,824,779
F15035	Equity Bank Referral Hosp. A/c 1130298198	5,580,206	1,363,023
F15038	Equity Bank City Enterprises A/C 1130299385909	20,628	20,628
F15039	Equity Bank Rec Centre A/C 1130299618873	12,480	12,840
F15040	Family Bank Collection A/C 04500023316	81,660,588	253,627,685
F15041	MPESA Virtual Account	50,000	154,590
F15042	NBK USD 02020059150800	11,930,420	7,892,806
		471,115,866	669,648,577

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19: Receivables From Non-Exchange Transactions

	2020	2019
	Kshs.	Kshs.
M21003 Guarantee Deposits	27,954,962	20,954,962
M21006 Staff Debtors	6,280,413	6,327,583
M21008 Sundry Debtors	770,150,864	669,606,790
M21010 Imprest Control	22,980,050	14,448,286
M21012 Imprest Research	20,209,317	23,673,393
M21021 Staff Welfare Recoveries	-	386,122
M21023 Gurantee Deposit Letter of credit	16,512,032	16,243,432
M21027 Debtors-NCBH	17,006,875	17,844,320
Total	881,094,514	769,484,887

NOTE 19a: Receivables from Exchange Transactions

M21007 Student Fees Arrears	195,604,014	192,078,954
Total Receivables	1,076,698,528	961,563,841
B11014 Provision For Bad Debts	(39,870,965)	(39,162,757)
	1,036,827,563	922,401,084

Total Receivables From Non-Exchange Transactions

881,094,514

769,484,887

Provision For Bad Debts

39,870,965

39,162,757

NOTE 19b: Net Receivables from Non-Exchange Transactions

841,223,549

730,322,130

NOTE 20: Inventories

	2020	2019
	Kshs.	Kshs.
H17002 Maintenance Store	3,846,316	2,914,752
H17003 Health Drugs Store	6,560,114	5,654,523
H17004 Petrol Stock	3,342,049	3,770,699
H17005 Food Stuff	1,146,110	8,346,468
H17006 Finance Store General	15,317,358	20,243,066
H17007 Accommodation	557,411	903,403
H17010 Ruiru Campus Maintenance Store	-	3,548,536
H17012 Bookshop Store	27,417,040	23,224,218
	58,186,398	68,605,664

NOTE 21: Investments

	2020	2019
	Kshs.	Kshs.
G16004 NBK Ruiru	15,238,526	14,677,126
	15,238,526	14,677,126

These are short term deposits that are renewable every three months at negotiated interest rate.

KENYATTA UNIVERSITY
PROPERTY PLANT AND EQUIPMENT
For The Year Ended 30th June 2020

Note 22

DEPRECIATION RATES	LAND KSHS	BUILDINGS 2%	MOTOR VEHICLES KSHS	25%	FURNITURE & EQUIPMENT KSHS	10%	COMPUTER HARDWARE KSHS	30%	COMPUTER SOFTWARE KSHS	30%	PATENT & ACADEMIC RIGHTS KSHS	20%	GOWNS KSHS	5%	CAPITAL WORK	
															IN PROGRESS KSHS	TOTAL KSHS
COST / VALUATION																
As at 1st July 2018	6,085,271,458	12,738,094,532	452,048,114	452,048,114	1,981,726,543	88,376,277	456,505,158	2,780,871	77,116,824	77,116,824	7,830,375	7,830,375	11,206,780	11,206,780	820,500,428	22,630,300,213
Additions															37,829,640	128,986,788
Capitalisation		159,905,221													(159,905,221)	(47,744,524)
Loss through Fire																
As at 30th June 2019	6,085,271,458	12,897,999,753	452,048,114	452,048,114	2,070,102,820	2,099,867,168	459,286,029	471,291,238	77,116,824	77,116,824	7,830,375	7,830,375	11,206,780	11,206,780	698,424,847	22,759,287,001
Additions					29,764,348		12,005,209								50,695,224	92,464,781
Capitalisation																
As at 30th June 2020	6,085,271,458	12,897,999,753	452,048,114	452,048,114	2,099,867,168	2,099,867,168	471,291,238	471,291,238	77,116,824	77,116,824	7,830,375	7,830,375	11,206,780	11,206,780	749,120,071	22,851,751,782

Depreciation and Impairment

As at 30th June 2018	-	2,038,836,044	425,976,844	425,976,844	1,512,639,241	88,376,277	404,359,274	63,914,252	63,914,252	7,090,329	7,090,329	-	-	-	-	4,460,646,359
Charge for the Year	-	257,959,995	24,849,974	24,849,974	207,010,282		32,085,468	9,901,930	9,901,930	560,339	560,339	-	-	-	-	532,367,988
As at 30th June 2019	-	2,296,796,039	450,826,818	450,826,818	1,719,649,523	88,376,277	436,444,742	73,816,181	73,816,181	7,650,668	7,650,668	-	-	-	-	4,993,014,347
Charge for the Year	-	257,959,995	1,221,295	1,221,295	209,986,717		16,944,794	3,300,643	3,300,643	560,339	560,339	-	-	-	-	489,973,783
As at 30th June 2020	-	2,554,756,034	452,048,113	452,048,113	1,929,636,240	88,376,277	453,389,536	77,116,824	77,116,824	8,211,007	8,211,007	-	-	-	-	5,482,988,130
NET BOOK VALUES																
As at 30th June 2020	6,085,271,458	10,343,243,719	0	0	170,230,928	170,230,928	17,901,702	(0)	(0)	2,995,773	2,995,773	749,120,071	749,120,071	17,368,763,652		
As at 30th June 2019	6,085,271,458	10,601,203,714	1,221,295	1,221,295	350,453,297	350,453,297	22,841,287	3,300,643	3,300,643	3,556,112	3,556,112	698,424,847	698,424,847	17,766,272,655		

Financial Statements for the Year Ended 30th June 2020

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
NOTE 23a: Trade and other Payables from Exchange Transactions	Kshs.	Kshs.
B11015 Provision For Audit Fees	9,400,000	6,400,000
B11017 Tax Retention Electricity	15,843,737	15,843,751
C12001 Pay As You Earn	2,086,671,984	1,649,940,869
C12002 NHIF	3,997,070	5,289,270
C12003 NSSF	1,021,126	808,926
C12004 Pension	1,460,872,079	1,176,669,156
C12007 Vat	81,321,150	57,974,531
C12008 Court Attachments	127,688	136,612
C12011 Nairobi City Council	78,670	
C12013 Insurance Claim	3,301,168	2,088,976
C12014 Salary Arrears	468,726,402	
C12015 Withholding Tax	23,346,793	19,912,455
C12020 Welfare Deductions	40,065,855	60,186,526
C12022 Insurance Deductions	13,671,848	31,553,658
C12023 Cooperative Deductions Cooperative	222,594,128	318,751,809
C12024 Students Clubs	217,904	260,106
C12025 Other Salary Deduction	40,700,292	25,929,514
C12026 Staff Loans Deductions	60,920,438	29,967,327
D13004 Orphans & Vulnerable Students Fund (OVS)	-	1,171,771
D13007 Rent Deposits Nakuru	89,400	89,400
D13010 Other donation	381,311	
D13011 Centre for Career Development & Placement	25,800	
D13013 Debtors Overpayment	948,940	948,940
D13018 Recreation Centre Fund	168,000	168,000
D13019 Christian Union Chapel	25,101	25,101
D13020 KU Alumni	1,200,000	1,200,000
D13022 Mam Ngina (Gatundu) University College- Development	303,865,708	306,498,042
E14001-105 Research Fund	326,213,243	295,129,778
L20001 Hospitals	47,831,439	4,067,885
L20002 Drug Suppliers	12,825,051	17,269,908
L20003 Referral Doctors	2,403,335	2,401,035
L20004 General Creditors	444,485,901	352,342,407
M21021 Staff Welfare Recoveries	28,799	
Sub-Total	5,673,370,363	4,383,025,754
NOTE 23b: Refundable Deposits From Customers		
C12005 Students Caution Money	66,788,000	85,954,000
NOTE 23c: Payment Received in Advance		
C12010 Fees Paid In Advance	205,205,492	285,796,669
	5,945,363,855	4,754,776,422

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23d: Current portion of borrowings		2020	2019
		Kshs.	Kshs.
F15013	NBK Payments A/C No. 0359002400	-	33,246,519
F15023	Equity Bank Ruiru A/C No. 0291051982	442,807,836	707,491,490
F15037	Equity Bank A/c 1130199002464	1,585,611	1,824,409
		444,393,447	742,562,419

NOTE 24a: Long Term Liabilities		2020	2019
		Kshs.	Kshs.
L20017	Co-operative Bank Loan 2015	659,685,393	714,659,176
	Repayment	54,776,035	54,973,783
		604,909,358	659,685,393
	Loan Balance	604,909,358	659,685,393

Co-operative Bank Loan: This is a long term (non-current) loan granted to partly finance development of a mall "Unicity" and to finance purchase of properties for satellite campuses. In the year 2015, repayable over a period of 15 years (180 months) at an interest rate of 14.25% per annum computed on reducing balance basis.

NOTE 24b: Deferred Income		2020	2019
		Kshs.	Kshs.
D13008	Balance as at 1st July 2019	22,000,000	22,500,000
		22,000,000	22,500,000
A40040	Amortisation 2%	500,000	500,000
	Balance as at 30th June 2020	21,500,000	22,000,000

Donation from Chandaria Foundation for the construction of Chandaria Business Innovation and Incubation Centre. Recognized as deferred income and amortized at the rate of 2% per annum of the original value of Kshs 25,000,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B11001 NOTE 25a: Capital Fund	2020 Kshs.	2019 Kshs.
Balance as at 1st July 2019	3,023,932,178	3,023,932,178
Government Capital Grants	-	-
Balance as at 30th June 2020	3,023,932,178	3,023,932,178

B11002 NOTE 25b: Revenue Reserve	2020 Kshs.	2019 Kshs.
Balance as at 1st July 2019	5,844,603,131	6,522,406,888
Deficit for the Year	(1,328,615,525)	(677,803,757)
Revenue Reserve 2020	4,515,987,606	5,844,603,131

B11004 NOTE 25c: Revaluation Reserve	2020 Kshs.	2019 Kshs.
Balance as at 1st July 2019	4,394,045,564	4,394,045,564
Revaluation for the Year	-	-
Revaluation Reserve 2020	4,394,045,564	4,394,045,564

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 26: Capital Work in Progress		2020	2019
		Kshs.	Kshs.
N23029	Teaching & Referral Hospital	71,054,773	71,054,773
N23064	Recreation Centre	56,297,048	56,200,883
N23068	Children Hospital	201,644,139	201,451,809
N23070	School of Business	81,069,865	80,973,700
N23071	Perimeter Wall Referral Hospital	64,669,351	64,669,351
N23072	School of Architecture	10,620,712	10,620,712
N23073	Stadium Complex	9,814,401	9,814,401
N23079	Central Stores	20,456,693	20,456,693
N23081	Kitui Campus Boundary Wall	5,076,468	5,076,468
N23084	Rwanda Campus	122,887,083	72,844,469
N23086	International Languages and Cultural Centres	500,000	500,000
N23088	Underground Tank Kitui Campus	9,805,154	9,805,154
N23089	Water Tanks KUTeaching and Referral Hospital	77,429,037	77,429,037
N23090	Thika Road KU Access Road	17,795,347	17,527,397
		749,120,071	698,424,847
Capitalized Projects			
N23069	Applied Human Sciences		68,055,389
N23087	Referral Road		81,903,832
N23085	Earth Dam Kitui Campus		9,946,000
Total			159,905,221

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 27: Financial Risk Management

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

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

(i) Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Council. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	195,604,014	195,604,014		-
Receivables from non-exchange transactions	881,094,514	776,565,662	104,528,852	-
Bank balances	471,115,866	471,115,866		-
Total	1,547,814,394	1,443,285,542	104,528,852	-
At 30 June 2019				
Receivables from exchange transactions	192,078,954	192,078,954		-
Receivables from non-exchange transactions	730,322,130	601,866,546	128,455,584	-
Bank balances	669,648,577	669,648,577	-	-
Total	1,592,049,661	1,463,594,077	128,455,584	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The University's policy is payment on registration and thus students' receivables are categorised as either past due or impaired.

Past due amounts are those beyond the maximum established credit period of 30 days and represent slow but paying students. These receivables continue to be serviced even though this is not done on the contractual dates. The Students Finance Section is actively following these debts.

The overdue and impaired debt arises mainly from the students who have taken academic leave and the ones who have dropped out of school. These students have not completed their courses and the debt is payable whenever the student comes back to continue with studies. This debt has been fully provided for.

Concentration risk

Concentration risk is the risk posed to the University by any single or group of exposures which have the potential to produce losses large enough to threaten the ability of the University to continue operating as a going concern

The student receivables wholly relate to balances due from students, that are unrelated, and do not have the potential to produce large losses thus there is no concentration risk.

(ii) Liquidity Risk Management

Liquidity risk is the risk that the University may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Ultimate responsibility for liquidity risk management rests with the University management board, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk by maintaining banking facilities and through continuous monitoring of forecasts and actual cash flows.

Prudent liquidity risk management includes maintaining sufficient cash to meet the University's obligations. Senior management reviews the cash forecasts monthly and determines the University's cash requirement.

The table below analyses the University's financial liabilities into relevant maturity based on the remaining period at the end of reporting period to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Current Portion of Borrowing	1,585,611	-	442,807,836	444,393,447
Payment Received in advance	-	205,205,492	-	205,205,492
Borrowings	4,581,149	13,743,446	586,584,763	604,909,358
Trade and other payables	861,236,655	1,399,509,564	3,411,324,144	5,672,070,363
Refundable Deposits	-	-	66,788,000	66,788,000
Total	867,403,415	1,618,458,502	4,507,504,743	6,993,366,660
At 30 June 2019				
Current Portion of Borrowing	42,562,419	-	700,000,000	742,562,419
Payment Received in advance	-	285,796,669	-	285,796,669
Borrowings	4,581,149	13,743,446	641,360,798	659,685,393
Trade and other payables	708,539,876	1,161,939,540	2,512,546,338	4,383,025,754
Refundable Deposits	-	-	85,954,000	85,954,000
Total	755,683,444	1,461,479,655	3,939,861,136	6,157,024,235

(iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign exchange risk

The University is exposed to foreign exchange risk because it has revenues and expenses 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 recognised in the books of accounts. The University also has various bank accounts denominated in other currencies other than the Kenya Shillings that is the Dollar, Euro and Pound.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Foreign currency denominated financial instruments solely consists of bank balances.

The carrying amounts of the University's foreign currency denominated bank balances at the balance sheet date are as follows:

At 30 June 2020

	KSH Sh	USD Sh	EURO Sh	GBP Sh	Total Sh
Bank balances	-235,824,846	200,163,697	26,287,502	36,096,067	26,722,420
	=====	=====	=====	=====	=====

At 30 June 2019

Bank balances	-192,279,819	108,628,286	53,477	10,684,214	-72,913,842
	=====	=====	=====	=====	=====

The University manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by projecting for expected cash proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University's interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the University's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the University takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Fair value of financial assets and liabilities

Level 1 input are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

This note provides information about how the University determines fair values of various financial assets and liabilities.

Fair value of the University's financial assets and liabilities that are measured at fair value on a recurrent basis

Some of the University's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique (s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/06/2020 Sh	30/06/19 Sh				
Property and equipment	17,368,763,652	17,766,272,655	Level 3	Observable Inputs	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) Capital Risk Management

The objective of the University's capital risk management is to safeguard the Council's ability to continue as a going concern. The University capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revenue Reserve	4,516,726,205	5,844,603,131
Revaluation reserve	4,394,045,564	4,394,045,564
Capital Fund	3,023,932,178	3,023,932,178
Capital and Reserves	11,934,703,947	13,262,580,873
Total borrowings	604,909,358	659,685,393
Cash and cash equivalents	41,399,546	-58,236,715
Net borrowings	563,509,812	717,922,108
Gearing (Net debt to equity ratio)	4.7%	5.4%

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Going Concern</p> <p>The University is operating under financial difficulties and currently it has resulted to financing its operations using costly short term borrowings which may further worsen the liquidity position. Therefore, the University is technically insolvent and if no urgent positive steps are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore been prepared on a going-concern basis on assumption that it will continue to receive financial support from Government, creditors and donors.</p>	<p>In addition to anticipation of financial support from the Government, bankers, creditors and donors, the University Management has implemented the following cost cutting and revenue enhancement measures to address financial challenges;</p> <ol style="list-style-type: none"> 1. Restructuring of income generating activities 2. Closed campuses operating at a loss 3. Restructuring of established Campuses 4. Merged schools and departments 5. Merger and de-establishment of directorates 6. Freeze employment of staff 7. Rationalized existing staff on seasonal contracts 8. Stopped further expansion on infrastructure 9. Reviewed all operational expenses with a view of reducing costs as we maintain quality. <p>With the above measures in place, the University will be in a position to meet its obligations as and when they fall due in the foreseeable future.</p>	Management	Not Resolved	5 years
2.0 2.1	<p>Property Plant and Equipment Encroached Land by Squatters (Kamae)</p>	<p>Land (Main campus) measuring 12.472 hectares valued at Ksh 123,281,555.00 which has been illegally encroached by the Kamae squatters. Among other measures taken, the university filled a case in a court of law against the illegal</p>	Management	Not Resolved	