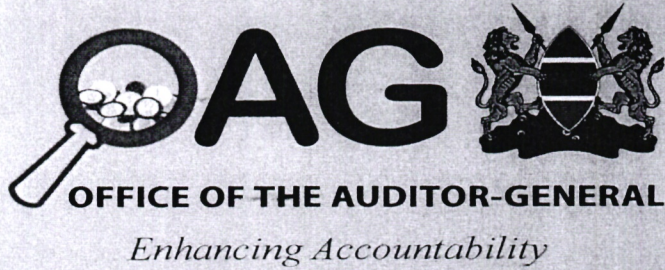


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**DEDAN KIMATHI UNIVERSITY OF
TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	25 MAR 2021
	DAY: Monday
TABLED BY:	Hon. Bruce Kung'u Leader of Opposition
CLERK AT THE TABLE:	Emmanuel Mosey

PARLIAMENT
OF KENYA
LIBRARY





DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
PRIVATE BAG - 10143, DEDAN KIMATHI
TELEPHONE: 061-2050000, 0727092379
E-mail: financeofficer@dkut.ac.ke; website: www.dkut.ac.ke

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

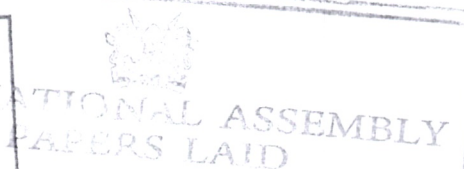
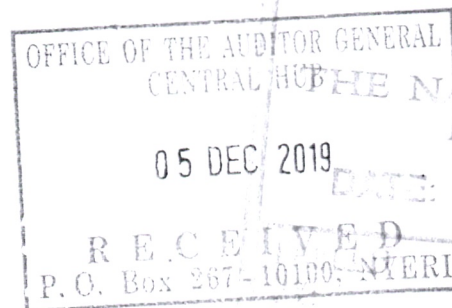


Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT	ii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	vii
THE UNIVERSITY COUNCIL MEMBERS	x
UNIVERSITY MANAGEMENT BOARD	xiv
CHAIRMAN'S STATEMENT	xvii
VICE CHANCELLOR'S STATEMENT	xix
CORPORATE GOVERNANCE STATEMENT	xxiv
MANAGEMENT DISCUSSION AND ANALYSIS	xxxvi
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xliv
REPORT OF THE COUNCIL MEMBERS	xliv
STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES	xlvi
REPORT OF THE INDEPENDENT AUDITORS ON THE UNIVERSITY	xlvii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	52
APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY	59
APPENDIX III: INTER-ENTITY TRANSFERS	60
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	62

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Dedan Kimathi University of Technology (DeKUT) was established under the University's Act 2012 by the Government of Kenya in December 2012. It is a Public University that focuses exclusively on Technology and has a Campus based at the Nairobi Central Business District, Pension T

owers, along Loita street. It is the successor of Kimathi University College of Technology (KUCT), a constituent college of Jomo Kenyatta University of Agriculture and Technology (JKUAT), which was established in 2007. The University offers a wide range of programmes both at the undergraduate and postgraduate level in various Schools and Institutes.

These include: Computer Science and Information Technology, Engineering, Applied Sciences, Food Science and Technology, Health Science, Business Management and Economics, Geothermal Energy Technology, Geomatics, Geospatial Information Systems and Remote Sensing, Tourism and Hospitality and Technical and Professional Studies. The University also offers diploma and Certificate courses for mid-level technical skills. The programmes offered by the University are approved by Senate and other designated bodies like the Engineers Board of Kenya (EBK) and the Commission for University Education (CUE).

(b) Principal Activities

DeKUT's mandate is derived from the overriding objectives of University education in Kenya as stipulated in the Universities' Act 2012. These include: -

- a) Advancement of knowledge through teaching, scholarly research and scientific investigation;
- b) Promotion of learning in the student body and society generally;
- c) Promotion of cultural and social life of society;
- d) Support and contribution to the realization of national economic and social development;
- e) Promotion of the highest standards in, and quality of, teaching and research;
- f) Dissemination of the outcomes of the research conducted by the university to the general community;
- g) Facilitation of life-long learning through provision of adult and continuing education;
- h) Fostering of a capacity for independent critical thinking among its students;

- i) Promotion of gender balance and equality of opportunity among students and employees.
- j) Promotion of equalization for persons with disabilities, minorities and other marginalized groups.

In the discharge of her mandate, the University is further guided by the National Values and Principles of Governance as set out in Article 10 of the Constitution. The University also takes cognizance of other relevant legal, regulatory guidelines and Government Circulars

Vision

The Vision of the University is to be a premier technological University excelling in quality education, research, and technology transfer.

Mission

The mission of the University is to provide academically stimulating, culturally diverse and quality learning environment that engenders research, innovation and technology transfer for national development.

Motto

Better life through Technology

Philosophy

Dedan Kimathi University of Technology is founded on the belief that self actualization, and solutions to global challenges are attainable through a spirit of dedication, self confidence, determination, and best utilization of resources. The Institution also believes in being globally competitive through the employment of global competency skills. To actualize its beliefs and goals, the University is committed to investing in facilities and services that ensure an internationally excellent environment for education and for the furtherance of its aims and objectives.

The ultimate goal of this philosophy is to mould Dedan Kimathi University of Technology into an Institution known for world class research, academic excellence, an exceptional student body, and one that harbors the highest level of innovation, creativity, scholarship and enterprises.

Core Values

Core values constitute the fundamental bedrock beliefs that drive the University. In pursuit of her mission, DeKUT is guided by the following core values:-

1. Teamwork
2. Integrity

3. Diversity
4. Scholarship
5. Innovation
6. Reliability

Quality Policy

DeKUT's management and staff are committed to offering quality education, quality research and quality community services through timely and accurate provision of services to the satisfaction of customers and stakeholders.

In pursuit of this commitment, DeKUT has established and communicated a quality management system that complies with requirements of the international standard ISO 9001:2015 and other Government, statutory and professional requirements to all employees, customers and stakeholders. DeKUT continues to improve the effectiveness of the Quality management System and its strategic objectives through regular review of its QMS in accordance with appropriate quality standards.

Quality Objectives

- 1) To produce quality graduates in line with the University's mandate.
- 2) To generate research and innovations outputs with impact on the national development goals.
- 3) To transfer and commercialize technology from the University, for the benefit of the students, the University and industry.
- 4) To mobilize financial resources to support the University's mandate.

(c) Key Management

Dedan Kimathi University of Technology undertakes its mandate through the following key organs:

- (a) Council
- (b) Vice-Chancellor
- (c) Management Board; and
- (d) Senate

(e) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice-Chancellor	Prof. Paul Ndirangu Kioni
2.	Deputy Vice-Chancellor (A&F)	Prof. Esther Magiri
2.	Head of Finance	Mr. Abraham Mwangi
3.	Head of Procurement	Ms. Gladys Thuku

(f) **Fiduciary Oversight Arrangements**

i) **Audit committee activities**

The University Council has an Audit Risk and Compliance Committee that meets every quarter to consider written audit reports by the Chief Internal Auditor. The reports are generated at the conclusion of each quarter and they examine University's strategies and operations. The Committee also discusses the management letter by the Kenya National Audit office and the responses by the University Management at the end of each financial year's audit. The Committee also ensures that corrective actions are taken on internal and external audit recommendations. They also monitor and ensure timely implementation of the recommended corrective actions.

The Committee is also responsible for the implementation of the risk management framework in the University and compliance to statutory laws, rules and regulations. The Committee approves the internal audit work plan for the year and supervises the plan's implementation. They also approve all relevant policies supporting the Audit Risk and Compliance Department.

DeKUT has an established Audit Risk and Compliance Department which supports this oversight role.

ii) **Finance committee activities**

The University Council has a Finance Committee which provides oversight and advices on matters relating to the financial position of the University. The Committee meets in every quarter to monitor the University's financial key performance indicators and performance against the annual budget. It also advices Council on the financial performance and sustainability of the University. In the periodic meetings, the Committee also discusses and determines the University's financial policies and regulations that are to be applied in a fiscal year.

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

At the beginning of each financial year/ the Finance Committee recommends to Council the approval of the annual University's budget and the medium term financial forecasts which are forwarded to the parent Ministry and to Treasury for approvals and funding. At the end of the financial year, the Committee receives the annual accounts of the University discusses them and recommends their approval to Council.

DeKUT has an elaborate staffing structure and facilities that support the finance operations of the University.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Physical Address

Along Nyeri-Mweiga Road
Dedan Kimathi, Private Bag- 10143
Tel: 061-2050000
Website: www.dkut.ac.ke
Email: vc@dkut.ac.ke

Independent Auditors

Auditor General
Kenya National Audit Office, Anniversary Towers
P.O Box 30084-00100
NAIROBI

Legal Advisors

Principal Legal advisors

The Hon. Attorney General, State Law Office
P.O Box 40112-00100
NAIROBI

DeKUT's Legal Officers

Ms. Nelius Mwangi
Senior Legal Officer
Dedan Kimathi University of Technology
Private Bag, 10143
Dedan Kimathi, Nyeri

Mr. John Rukioyah
Assistant Legal Officer
Dedan Kimathi University of Technology
Private Bag, 10143
Dedan Kimathi, Nyeri

Other Legal Advisors

Wahome Gikonyo & Co Advocates,
Kona hauthi Suite F5,
Second Floor,
Kanisa Road/Kimathi Way,
P.O. Box 2088-10100,
NYERI.

**Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019**

Patricks Law Associates (PLASS Advocates),
Old Mutual Building, 4th Floor,
Suite 401, Kimathi Street,
P.O. Box 16727-00100 G.P.O.,
NAIROBI

Muthoga Gaturu & Co,
Advocates,
Barclays Bank Building off Kenyatta Road,
P.O. Box 1294 - 10100,
NYERI.

Bankers:

Consolidated Bank Nyeri Branch
P. O. Box 935-10100,
Nyeri-Kenya.

Kenya Commercial Bank Nyeri Branch
P.O Box 215-10100,
Nyeri-Kenya.

Standard Chartered Bank Nyeri Branch
P. O. Box 1-10100,
Nyeri-Kenya.

Equity Bank Nyeri Kimathi Way Branch
P.O. Box 75104-10100
Nyeri-Kenya.

Family Bank Nyeri Branch
P.O. Box 74145-10100
Nyeri-Kenya.

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

Council Members

- | | |
|---------------------------------------|---|
| 1. Dr. Jane Nyakang'o | Council Chairman |
| 2. Amb. Prof. Ruthie C. Rono | Independent Council Member |
| 3. Dr. Janet Wahito Kabeberi-Macharia | Independent Council Member |
| 4. Eng. John Kisenga | Independent Council Member |
| 5. Mr. Raphael Anampiu | Independent Council Member |
| 6. Mr. Kennedy Adongo | Independent Council Member |
| 7. Mr. James Kiburi | Alternate to the Principal Secretary,
Ministry of Education, State Department of
University Education |
| 8. Mr. Kennedy Nyachiro | Alternate to the Principal Secretary,
National Treasury |

University Management Board

- | | |
|----------------------------|------------------------------|
| 1. Prof. P. Ndirangu Kioni | Vice-Chancellor |
| 2. Prof. Esther Magiri | Deputy Vice-Chancellor (A&F) |
| 3. Prof. Jennifer Khamasi | Registrar(AA&R) |
| 4. Dr. Paul Mbote | Ag. Registrar(A&F) |
| 5. Mr. Abraham Mwangi | Ag. Finance Officer |

The University Council Members

Dr. Jane Nyakang'o - Council Chairperson



Dr. Jane holds a B. Sc in Chemistry from Kenyatta University, M. Sc Environmental Science & Technology, with distinction, from IHE-Delft, Netherlands, an MBA Strategic Management and PhD Environmental Policy from the University of Nairobi. Currently, she is the Managing Director, Kenya National Cleaner Production Centre. She has previously worked as a Research Officer, Kenya Industrial Research & Development Institute (KIRDI) and the Head, Energy & Environment Division, Kenya Industrial Research & Development Institute (KIRDI)

Dr. Janet Kabeberi Macharia - Council Member



Dr. Janet was admitted as an advocate, High Court of Kenya, in September 1987. She holds a degree in law from the University of Nairobi, a diploma in law from Kenya School of Law, a master of law from Columbia University, New York, USA, a Diploma in Women's Law, Women's Law Institute, Oslo Norway and a Ph.D. in Law from University of Warwick, England. She is currently the Head, Gender and Social Safeguards Unit & Senior Gender Adviser United Nations Environment, (UNEP), Nairobi, Kenya (Global). She has previously worked in various capacities as the Regional Gender and Development Specialist/Policy Advisor: United Nations Development Programme, Regional Service Centre, Johannesburg, South Africa; National Programme Officer: United Nations Development Fund for Women (UNIFEM), Regional Office for East, Central and Horn of Africa, in Nairobi, Kenya; Regional Coordinator and Founder: Women and Law in East Africa (WLEA) Research Network, based in Nairobi, Kenya covering Kenya, Uganda and Tanzania and a Senior Lecturer Faculty of Law, University of Nairobi, Kenya.

Mr. Raphael Anampiu - Council Member



Mr. Raphael holds a Bachelor of Commerce Degree, Finance Option as well as an MBA, Strategic Management from the University of Nairobi. He is also an affiliate member of the Association of Chartered Certified Accountants. He Currently serves as an Executive Director at Alpha Commercial Bank based in South Sudan and is also a Founding Partner of Flex Money Transfer, an entity focused on Global Remittances that is regulated and licensed by the Central Bank of Kenya. He previously worked with Stanbic Bank in various senior roles including heading the Banks Transactional Banking business in South Sudan and its Cash Management Business in Kenya

Prof. Ruthie C. Rono- Council Member



Prof. Ruthie holds a MA in Educational Psychology from the University of Cincinnati, Ohio, USA and a PhD in Educational Psychology from Kenyatta University. Currently, she is the Deputy Vice Chancellor Academic Affairs, United States International University – Africa. Previously, she has served as a High Commissioner of the Republic of Kenya to The Republic of Zambia and Republic of Malawi and the Kenya Permanent Representative to COMESA, an Ambassador of Kenya to the Kingdom of the Netherlands and the Czech Republic and the Dean, School of Arts & Sciences, United States International University.

Mr. Kennedy Adongo- Council Member



Mr. Kennedy holds B. Ed, from Moi University and a Master's in International Studies, from the University of Nairobi. Currently, he is the Programme Officer, United Nations Environment Programme, Kenya, Korea, China, Switzerland. He has previously worked in various capacities as the Programme Manager, Kinghorne Limited, Tanzania, Uganda, Somalia, Kenya (TUSK); Programme Officer, Equity Group

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

Foundation, Kenya, Tanzania; Programme Officer, Kenya Institute of Professional Counseling, Tanzania, Uganda, Somalia, Kenya, Southern Sudan and Project Assistant (pro bono), Federation of Women Lawyers in Kenya (FIDA-Kenya)

Prof. Eng. P. Ndirangu Kioni - Vice Chancellor



Prof. P. Ndirangu Kioni is serving as the first Vice-Chancellor of Dedan Kimathi University of Technology since its award of charter on 14th December, 2012. He holds a B.Sc. degree in Mechanical Engineering from University of Nairobi and a PhD degree from Cambridge University, UK. He is a professional engineer with industrial experience gained from working in different engineering positions at Unilever Kenya Limited (East African Industries), Nairobi, before joining academia, and from being involved in a wide range of engineering consultancy projects while working in academia. He has steadily grown through the ranks in academia to his position as a Professor of Mechanical Engineering. His research interests are combustion and computational fluid dynamics. He has published widely and supervised many research students, and benefitted from research fellowships taken in Ruhr-University, Bochum, Germany, Tottori University, Japan. He has also served in many University administrative positions: Chairman of Mechanical Engineering, Dean, Faculty of Engineering at Jomo Kenyatta University of Agriculture and Technology, Principal of Kimathi University College of Technology. He has also served on various boards. He was a member of board of directors of Africa Laser Centre, based in South Africa, board of trustees and board of governors for Kimathi Institute of Technology; Chairman of board of governors for Nyandarua Institute of Science and Technology; founding chairman, Central Kenya branch and member of council of Institution of Engineers of Kenya; Patron, Council of Deans and Principals of Engineering in Kenya.

Eng. John Kisenga - Council Member



Eng. Kisenga holds a Bachelor Degree in Electrical Engineering from University of Nairobi and an M.Sc. degree in Digital Communication System from Loughborough University in United Kingdom. He is a member of various professional associations including the Engineers Registration Board and the Institution of Engineers in Kenya, Kenya Bureau of Standards, Seminars Committee of IEK, the Electrical Industry Standards Committee, the National Maritime Master Plan Drafting Committee, Regional African Satellite Broadcasting National Committee among others. He has held a wide range of appointments including serving in the Council of the Western University College of Science and Technology, member of the technical teams at Telkom Kenya and Smithkline Beecham and in various engineering capacities at Telkom Kenya.

Mr. James Kiburi-Council Member



Mr. Kiburi holds a Bachelor of Education from Kenyatta University, Masters of Philosophy in Educational Psychology from Moi University and is currently undertaking a Phd in Educational Psychology at Maasai Mara University. He is currently a Deputy Director of Education at the Ministry of Education. He previously worked with the Teachers Service Commission and the Nairobi City Council.

University Management Board

Prof. R. Eng. P.N. Kioni - Vice Chancellor



Prof. P. Ndirangu Kioni is serving as the first Vice-Chancellor of Dedan Kimathi University of Technology since its award of charter on 14th December, 2012. He holds a B.Sc. degree in Mechanical Engineering from University of Nairobi and a PhD degree from Cambridge University, UK. He is a professional engineer with industrial experience gained from working in different engineering positions at Unilever Kenya Limited (East African Industries), Nairobi, before joining academia, and from being involved in a wide range of engineering consultancy projects while working in academia. He has steadily grown through the ranks in academia to his position as a Professor of Mechanical Engineering. His research interests are combustion and computational fluid dynamics. He has published widely and supervised many research students, and benefitted from research fellowships taken in Ruhr-University, Bochum, Germany, Tottori University, Japan. He has also served in many University administrative positions: Chairman of Mechanical Engineering, Dean, Faculty of Engineering at Jomo Kenyatta University of Agriculture and Technology, Principal of Kimathi University College of Technology. He has also served on various boards. He was a member of board of directors of Africa Laser Centre, based in South Africa, board of trustees and board of governors for Kimathi Institute of Technology; Chairman of board of governors for Nyandarua Institute of Science and Technology; founding chairman, Central Kenya branch and member of council of Institution of Engineers of Kenya; Patron, Council of Deans and Principals of Engineering in Kenya.

Prof. Esther N. Magiri - Deputy Vice Chancellor (Administration & Finance)



Prof. Esther N. Magiri is the Deputy Vice Chancellor (Administration and Finance). She attended Tel Aviv University,

Israel for her postdoctoral studies, having graduated with a Ph.D degree in applied Molecular Biology in Plant Pathology from ZheJiang University, PR , China. Before this, she had graduated with MSC in Biochemistry and BSc. (Biochemistry major and Zoology minor) from University of Nairobi. She is an associate member of Kenya Institute of Management (KIM).

Prof. J.W. Khamasi, EBS - Registrar (Academic Affairs and Research)



Jennifer W. Khamasi (Ph. D) is an Associate Professor of Family and Consumer Sciences Education and has specialised in curriculum and instruction.

Before joining Dedan Kimathi University of Technology as the Registrar Academic Affairs, Prof. Khamasi served at Moi University in various capacities. She helped set up the Institute for Gender Equity, Research and Development, IGERD (2005-2011) and was the first director. Previously she served as the Associate Dean, School of Education-Chepkoilel Campus (2002-2005) and Head of Family and Consumer Sciences Department (2003-2008)

Dr. Paul Mbote - Ag. Registrar (Administration and Finance)



Dr. Paul Koigi Mbote is currently serving as Acting Registrar Administration and Finance. He holds a PhD in Business Administration from DeKUT, Master's Degree in Computer Based Information System (MSc CBIS) (University of Sunderland) and Bachelor of Science (Mathematics and Computer) degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). His PhD work focused on management under the thesis title: " Drivers of Performance

Excellence in Higher Education Institutions in Kenya . Previously he served as Deputy Registrar Corporate Planning and Strategy, DeKUT (2014-2018). He has also served Deputy Registrar Academic Affairs and Acting Registrar Academic Affairs (2011-2014). He also served as Acting Registrar on secondment from JKUAT for a period of three year with effect from March 2008 to December 2010.

Before joining KUCT the predecessor of DeKUT he worked as an administrator and senior administrator in JKUAT the department of Continuing Education Programme (CEP) currently referred to School of Open, Distance and eLearning (SODeL) for a period of six years since December, 2001.

Mr. Abraham Mwangi - Ag. Finance Officer



He is currently serving as the Acting Finance Officer at Dedan Kimathi University of Technology. Mr. Mwangi holds a Masters Degree in Business Administration (Finance) and a Bachelors degree in Business Administration. He is also a registered member of ICPAK. He has headed various sections in the Finance Department and has as a result gained a wealth of experience in the planning, organising and controlling of the financial functions. He was instrumental in the formation of the staff Sacco (KIMTECH). He is still in the Sacco's leadership; he has also served in the DeKUT staff retirement scheme as an elected trustee.

Ms. Nelius Mwangi - Senior Legal Officer



Ms. Nelius Mwangi, holds a Bachelors of Laws degree from University of Nairobi, a Post Graduate Diploma from Kenya School of Law and a Masters in Laws degree from the University of Nairobi. She is also a member of the Law Society of Kenya. She is currently serving as the University's Senior Legal Officer and also undertakes Corporate Secretarial duties. Ms. Mwangi previously practised as a litigation advocate at Muthoga Gaturu and Company advocates before joining DeKUT. She also serves in the DeKUT pension scheme as the Trust Secretary.

CHAIRMAN'S STATEMENT



It is my great pleasure to present the Annual Report and Financial Statements for the 2018/19 financial year. On behalf of DeKUT's Council, we are proud of the achievements made by the University through its staff and students in the 2018/19 financial year.

During the year under review, the University completed the implementation of its 2014/19 Strategic Plan. In addition, the University developed the 2019/2023 Strategic Plan which is aimed at addressing the long term development plans of the

University.

Further, Council approved the establishment of a National Science and Technology Park at DeKUT. The Science and Technology Park will spur technological and economic growth in the University and the region.

During this period, the University signed the foundational CBAs with KUSU, UASU and KUDHEIHA. In addition, all the internal CBAs have been signed with all the unions. Council also approved various policies to ensure compliance by the University with the national laws and to enable her deliver on her mandates.

The Constitution requires the University to have significant representation of different ethnic groups in its staff and student population. In order to comply with this constitutional requirement, Council approved an affirmative action policy.

The University also implemented the University's Performance Contract with the Ministry of Education. This has assured a cooperative relationship between the University Council, Management, Senate, staff and students.

Other key achievements made by Council during the 2018/2019 FY were:-

- Ensuring the proper and prudent management of resources which has resulted to financial stability and sustainability of the University. In this regard, Council developed innovative strategies of generating income and has embraced cost cutting measures.
- Alignment of the University's objectives with those of the Ministry of Education by complying with the performance contracts requirements and thereby contributing to the national socio-economic development.

- Ensuring that the University is in compliance with its statutory and ethical requirements
- Ensuring accurate and consistent reporting of the University affairs to Government and its agencies.
- Spearheading the restructuring of the University's organisational structure by abolishing some offices in order to assure efficiency and to align the University to her objectives.
- The growth in the enrollment of students in the University from 6,396 in the 2015/2016 academic year to 7,094 in the 2018/19 academic year. In addition, competitive and marketable Science, Technology, Engineering and Mathematics (STEM) programmes have been rolled out by the University.
- Spearheading and supporting various infrastructure developments in the University. In addition, Council has overseen the equipping of the facilities.

In conclusion, the University continues to excel in more ways than one which is a clear sign of its growth towards being a premier University excelling in quality education, research and technology transfer for national development.



Dr. Jane Nyakang'o
DeKUT Council Chairman

VICE-CHANCELLOR'S STATEMENT



It is my great pleasure to present the Annual Report and Financial Statements for the 2018/19 financial year. On behalf of the entire DeKUT fraternity, we are proud of the achievements made by the University through its staff and students in the 2018/19 financial year with the direction and support provided by the University Council.

The University approved the 2019-2023 Strategic Plan which is aimed at addressing the long term development plans of the University. It also responds to the political, legal and economic changes at the national and global level. The direction taken through the plan's implementation ascertains that the University is continually contributing to the realisation of Vision 2030 and the long-term national development goals. The objectives of the Strategic Plan are as follows:

- (a) To produce quality graduates in line with the University's mandate.
- (b) To generate research and innovation outputs with impact on the national development goals.
- (c) Transfer and commercialise technology from the University for the benefit of the students, University and industry.
- (d) To mobilise financial resources to support the University mandate.

The University has also been intensely engaged in operationalisation of the Dedan Kimathi National Science and Technology Park. The anticipated benefits of the STP at DeKUT are as follows:

- 1) Employment opportunities for graduates
- 2) Attachment opportunities for DeKUT students
- 3) Technology transfer opportunities for staff, students and the community
- 4) Intellectual property application opportunities for staff, students and the community
- 5) Support of the University's research and development of a regional research and innovation eco-system.

The University's Council approved the establishment of the Park on 177.8 acres of DeKUT land. The University has already signed contracts with two anchor clients. The Park is already connected with electricity and water and construction of internal roads has commenced. The Park is going to make use of education, innovation and research outputs from partner universities and research institutions. The STP will also provide a platform for development of many innovations being generated by the youth. Indeed, it will extend the work of the innovation centres in the country such as our own Dedan Kimathi innovation hub, the DeHUB.

The University signed the foundational Collective Bargaining Agreements (CBA) with Kenya Universities Staff Union (KUSU), Universities Academic Staff Union (UASU) and Kenya Union of Domestic, Hotels, Educational Institutions, Hospitals and Allied Workers (KUDHEIHA) and all the internal CBAs have been signed with all the unions. The key issues handled in the internal CBA's included house to office allowance and gratuity. Currently, Management is in negotiations with all the unions to ensure that all pending internal CBAs are successfully signed and registered.

The University Council passed various policies to ensure that the University is in compliance with the national laws and to enable her deliver on her mandates. Council approved the Graduate Assistantship Policy which will give opportunities to topnotch graduates who wish to pursue careers in research and academia. The graduate assistantship program allows graduates who want to pursue further studies at DeKUT to come and enroll in the masters degree programmes while getting a stipend as they work for the University. Other policies that have been approved during the period under review are the :-

1. Internship Policy
2. Employment Relationships Policy
3. Affirmative Action Policy
4. Anti-Corruption Policy
5. Whistle Blowing Policy
6. Training Bond Defaulters Policy
7. Succession Planning Policy
8. Incenting Research and Writing policy,

The Constitution of Kenya 2010 requires the University as a national institution to as much as possible have significant representation of different ethnic groups that make up the face of Kenya in the staff population. In order to comply with this constitutional requirement, Council approved an affirmative action policy. The policy aims at providing strategies to ensure an inclusive University that takes care of diverse Kenyan communities including gender, ethnicity, youth, persons with disability, minority and marginalised groups.

The University has aligned its objectives with those of the Ministry of Education by complying with the performance contract requirements and its thereby contributing to the national socio-economic development. Further, it has ensured that there is performance contract cascading to every member of staff whose review is conducted quarterly. This ensures that staff members are able to work towards the achievement of the University's strategic intentions which are;

1. To produce quality graduates in line with the University's mandate through

- innovative curriculum delivery mechanisms which ensure that students attain marketable skills to adequately contribute to national development
2. To develop world class research capacity for both faculty members and students in order to enhance research networks and innovation outputs, collaborations and partnerships for the realisation of the national development goals.
 3. Transfer and commercialise technology from the University and other institutions by building innovation, entrepreneurship, and business development capacities for the realisation of Vision 2030 flagship projects and the "Big Four" initiatives.

The students have been very disciplined in the last academic years leading to a peaceful environment which is an absolute necessity for any organisation to thrive. This has been achieved because Management has embraced stakeholder involvement in its decision making process. In addition, there is student presentation in the University decision making bodies through a Student's Council that has been elected in accordance with the Act. The Directorate of Students Welfare has also been active in addressing the students welfare issues like sports, recreation, entertainment students welfare, clubs, accommodation and catering needs, medical and spiritual needs.

There exists a cooperative relationship between the University Council, Management, Senate, staff and students. This cooperation has sustained a collegiate working relationship on important University matters leading to the phenomenal growth that has been achieved by this University in terms of quality programmes and facilities. In this regard, policies approved by Council have been implemented by Management and Senate. Further, there is a free flow of information from Council to Management and vice versa.

The University has endeavoured to ensure that the funds allocated to her are prudently and transparently utilised which has resulted to financial stability and sustainability of the University. In this regard, Council has developed innovative strategies of generating income and reducing costs. The University has also embraced cost cutting measures. Further, the University always adheres to the planned budget and this has made the University receive a clean bill of health from the Auditor General on the utilisation of public funds, every financial year.

The University is evolving its uniqueness, through education, research, and technology transfer, to meet the technological needs of Kenya for Vision 2030 and beyond. To successfully achieve this; we are seeking to contribute towards the Government's Big Four Agenda which include manufacturing, universal healthcare, affordable housing and food security. In terms of providing universal healthcare, the University is working closely with

the Ministry of Health towards the construction of a Cancer Hospital in the University which will not only serve the nation but will also serve as a fully equipped medical education and research centre.

Council spearheaded the restructuring of the University's organisational structure by abolishing some offices in order to assure efficiency and to align the University to her objectives. To accommodate these changes, the University amended its Statutes. The rationale and strategies behind the restructuring of the University was to:-

- a) Focus on its core mandate and shed off any commitments to non-core and non-essential activities
- b) Observe religiously the principle of 'living within her means' by ensuring that annual expenditure does not exceed the annual revenue both in terms of capitation and appropriation-in-aid
- c) Utilise in the best way possible her most important assets or resources.
- d) Diversify revenue streams and mainstream resource mobilisation in the academic units.

Additionally, the enrolment of students in the University grew from 6,396 in the 2015/2016 academic year to 7,094 in the 2018/19 academic year. There were 2,231 female and 4,863 male students. Further, competitive and marketable Science, Technology, Engineering and Mathematics (STEM) programmes have been rolled out by the University. The University has a total of 33 programmes. During the year, the University graduated 1,442 students; 9 with PhD and 48 with Masters degrees.

The University has also spearheaded and supported various infrastructure development projects and has overseen the equipping of the facilities during the year under review. These included:-

1. Construction of the Proposed Resource Centre Phase III
2. Construction of the Proposed Main Lecture Theatre
3. Construction of the Academic Block Phase 2
4. Proposed Fields Ablution Block
5. Construction of Engineering Annex

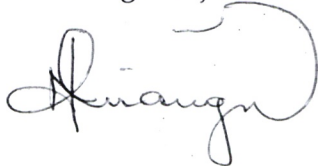
Challenges being faced and the way forward

The above achievements were not without challenges. These included:-

- a) **Inadequate infrastructure:-** Quality teaching must be supported by adequate infrastructure, the University with the support of the Government endeavours to put up more lecture halls, laboratories, offices and other related infrastructure. Council appreciates the Government for the support granted in the ongoing development of the Resource Center, the Academic Block, and the Hall. Their completion will give students ample learning facilities and a conducive working environment to staff.

- b) **Financial Constraints:-** Council appreciates the adoption of a fair financing system by the Government through the Funding Board. This has been achieved through the introduction of the Differentiated Unit Cost (DUC) model, where the allocation of funds is based on the students per program. Currently, the Government is funding students' programs at 52%, but the University is expecting the funding to be enhanced owing to the fruitful discussions held in February this year with the Treasury, the University's Funding Board and the Ministry of Education. The University through the Vice-Chancellors' Committee has also appealed to Parliament for allocation of more funds.

In conclusion, the year under review was successful for the University in terms of its operational and financial performance. We remain focused on our Vision; our Mission and our strategic objectives.

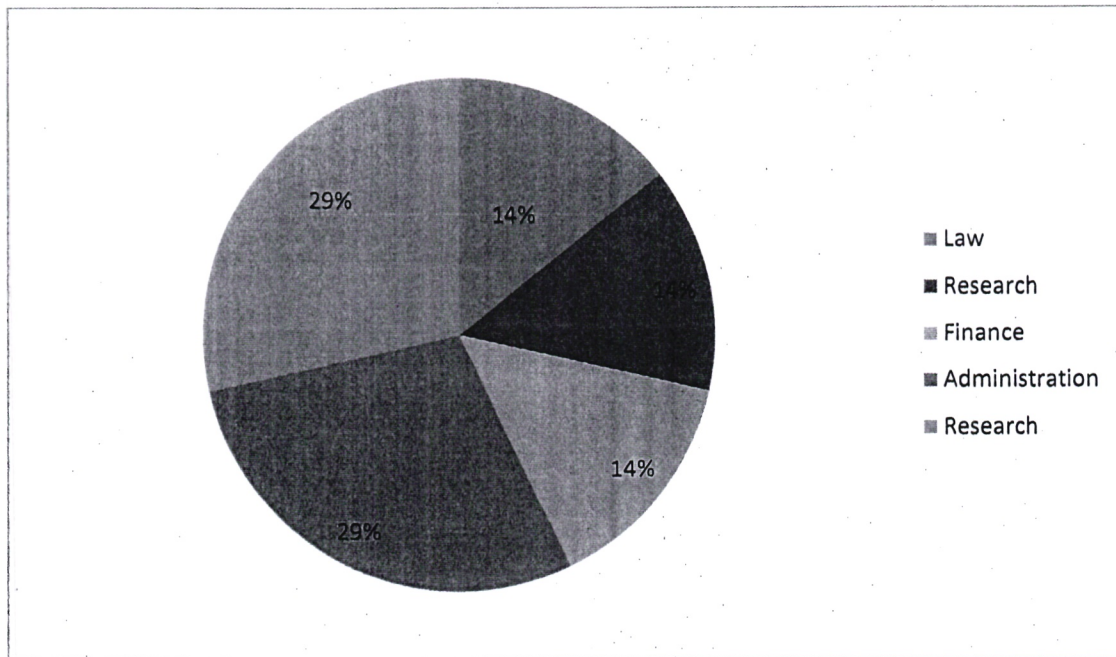


Prof. P. Ndirangu Kioni, Ph.D, R.Eng.
Vice-Chancellor, DeKUT

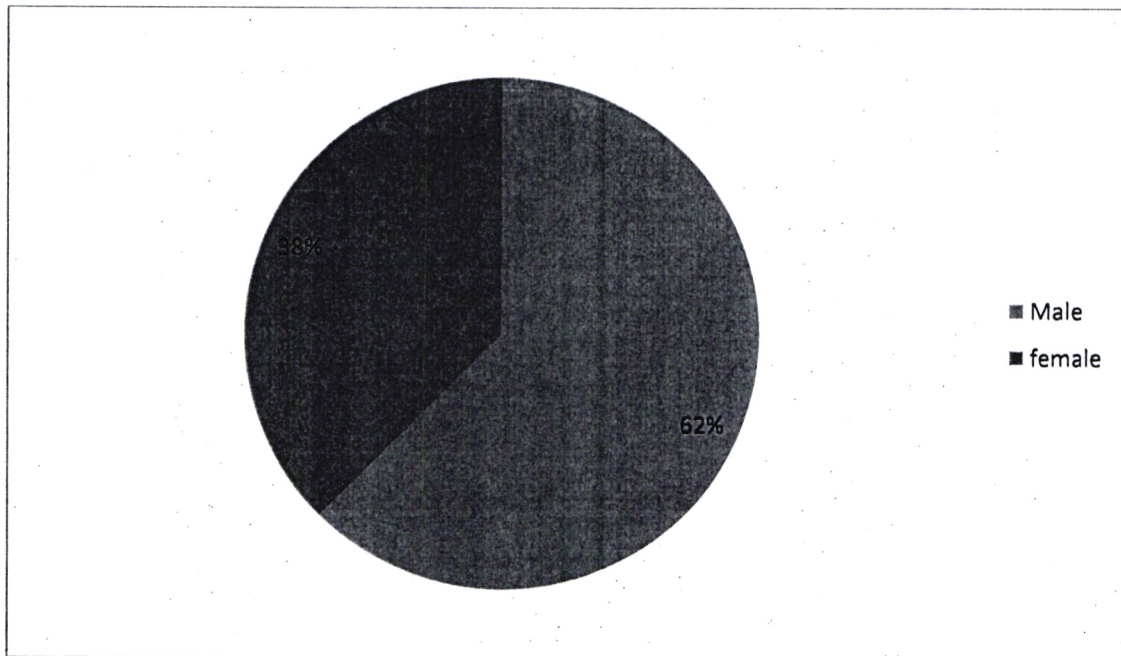
CORPORATE GORVERNANCE STATEMENT

DeKUT's Council is established under Section 35 of the Universities Act and comprises of the Chairman, 5 independent members, Principal Secretaries to the National Treasury and the State Department responsible for University Education. The Vice-Chancellor is an *ex-officio* member and secretary to the Council. The Board brings together members from different professional backgrounds with diverse skills, competences and complies broadly with the constitutional and gender balance requirements as shown in Pie Chart 1 and 2

Pie Chart 1: Board Competences



Pie Chart 1: Board gender representation



Role of the Chairman

The Chairman utilises his/her expertise, experience, skill and leadership to facilitate the governance process. The Chairman is responsible for ensuring that meetings are conducted competently and ethically and is expected to provide effective leadership in formulating the strategic direction for the University.

The Chairman chairs Council meetings and may also attend all other Council Committees meetings by invitation.

Board Committees

There are five standing committees of the Board which assist her to discharge its functions and responsibilities effectively. The operations of each committee are defined in the Statutes. The Council Committees are as follows:-

Finance Committee

The Finance Committee is responsible for:-

1. the oversight of the University's entire finances and recommends to Council for approval, the University's annual budget and certain items of major expenditure;
2. the administration of special funds benefactions;
3. the investment policy;
4. the University budget;
5. the quarterly financial reports and final accounts;

6. staff loan schemes;
7. analysing the financial consequences of the decisions of the Terms of Service Committee;
8. considering reports on fee revisions;
9. ensuring the preparations of proper reports and records of accounts of income and expenditure, assets and liabilities of the University;
10. receiving and considering the University audit reports
11. fundraising for the University.

Its members are; Mr. Raphael Anampiu (Chairman), Prof. P. Ndirangu Kioni (Vice-Chancellor), Mr. Kennedy Adongo, Mr. James Kiburi and Mr. Kennedy Nyachiro.

Risk and Audit Committee

The Risk and Audit Committee is mandated to:-

1. independently monitor, review and report to Council on the processes of governance and, where appropriate, to facilitate and support through its independence, the attainment of effective processes.
2. monitor, review, and report to the Council as to whether the University's processes in the following areas are efficient and effective:- internal control and risk management; internal audit; and financial reporting.
3. review the management letter provided by the Auditor General on any weaknesses in internal accounting, organization and operating controls, and consider the recommendations made by the Auditor General and analyse the action taken by the Management Board in response to the suggestions.
4. review the Audit, Risk and Compliance Department's reports on any weaknesses in internal accounting, organization and operating controls, and consider the recommendations made by the Chief internal Auditor and analyse the action taken by the Management Board in response to the suggestions.
5. review and or initiate any other act necessary to ensure: - compliance with policies, plans, procedures, laws and regulations; safeguarding of University assets; Economic and efficient use of resources; and accomplishment of established objectives and goals for operations or programs.
6. ensure that attention is drawn to any failure to take prompt remedial action relating to previously identified shortcomings.
7. review the proposed scope of the internal and the external audit function.
8. review performance of the internal audit function.
9. appraise the effectiveness of the audit by discussing the approach to the examination and areas where special attention is considered necessary.
10. approve annual audit plans for the year.
11. identify, assess, and evaluate the University's risk areas and ensure that all the risks identified are mitigated and more so in the major risks which are:-

- (a) Financial risks.
- (b) Technical risks.
- (c) Managerial risks.
- (d) Behavioral risks.
- (e) Legal risks.

12. to perform any other duty delegated to the Risk and Audit Committee by the Council. Its members are; Dr. Janet Kabeberi- Macharia (Chairman), Prof. Ruthie C. Rono , Eng. John Kisenga, Mr. James Kiburi and Mr. Kennedy Nyachiro.

Strategic Planning and Development Committee

The Strategic, Planning and Development Committee is responsible for:-

1. the management of the University's planning, building, farm development, and other development projects;
2. receiving and considering progress proposals of development plans from the University Management Board on issues of development planning, academic affairs, income generating activities and cause them to receive approval by Council;
3. the general supervision of campus development including such issues as the use of planning and location of building;
4. receiving, considering and processing proposals of development plans from the University Management Board;
5. causing the University Development Plans to be prepared and approved by the Council; and
6. receiving and reviewing performance contract reports.

Its members are; Eng. John Kisenga (Chairman), Prof. P. Ndirangu Kioni (Vice-Chancellor), Mr. Raphael Anampiu, Mr. James Kiburi and Mr. Kennedy Nyachiro.

Human Resource and Staff Welfare Committee

The Human Resource and Staff Welfare Committee is responsible for appointments, staff welfare and disciplinary matters as indicated below:-

1. Staff Appointment

- (a) To consider staff and recommend to Council for appointment and promotions into all established academic and administrative posts provided that the Vice-Chancellor can make temporary appointments to such posts for renewable contractual periods not exceeding one year. When this is done, due care should be taken regarding relevance and adequacy of qualification of the persons being so appointed.

2. Staff Welfare matters

- (a) To initiate and review amendments to the disciplinary procedure.

(b) To review and approve those materials published either in the handbooks or other such compilation affecting the welfare of Administrative/Academic Staff for purposes of providing current and accurate information to staff.

3. Staff Housing matters

(b) To set up and review the University's housing policies and schemes as and when necessary and make recommendations thereon to Council

(c) To review staff entitlement to housing as and when necessary and make recommendations thereon to Council.

4. Staff disciplinary matters - To consider charges and evidence of staff in disciplinary cases and recommend to Council appropriate action to be taken.

Its members are; Prof. Ruthie C. Rono (Chairman), Prof. P. Ndirangu Kioni (Vice-Chancellor), Dr. Janet Kabeberi- Macharia, Mr. Kennedy Adongo, Mr. James Kiburi and Mr. Kennedy Nyachiro.

Sealing Committee

The Sealing Committee is mandated to authorize, on behalf of Council, the application of the University Seal on documents.

Its members are; Dr. Jane Nyakang'o (Chairman), Prof. P. Ndirangu Kioni (Vice-Chancellor), Dr. Janet Kabeberi- Macharia, Mr. Kennedy Adongo.

a) Board meetings held and the attendance to those meetings by members

Council holds meetings at least four times annually. The meetings are held on a quarterly basis, in accordance with the calendar of meetings approved by Council. Council has established five standing Committees which also meet quarterly. Council and its Committees held meetings as follows:

- | | |
|-------------------------------------|--------------|
| • Full Council | - 4 meetings |
| • Special Full Council | - 3 Meetings |
| • Human Resource & Staff Welfare | -3 meetings |
| • Finance | - 4 meetings |
| • Sealing | - 2 meetings |
| • Audit, Risk & Compliance | - 4 meetings |
| • Strategic, Planning & Development | - 2 meetings |

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

Council Member	Classification	Designation	HR & Staff Welfare Committee	Finance Committee	Audit, Risk & Compliance Committee	Strategic, Planning & Development Committee	Full & Special Council	Sealing Committee
Dr. Jane Nyakang'o	Independent	Council Chair					7	2
Amb. Prof. Ruthie C. Rono	Independent	Chair person, Human Resource & Staff Welfare	3		2		6	
Dr. Janet Wahito Kabeberi-Macharia	Independent	Chairperson, Audit, Risk & Compliance	3		4		3	2
Eng. John Kisenga	Independent	Chairman Strategic, Planning & Development			4	2	7	1
Mr. Raphael Anampiu	Independent	Chairman, Finance		3		2	5	2
Mr. Kennedy Adongo	Independent	Council Member	3	4			7	
Mr. James Kiburi	Rep. PS. Ministry of Education	Council Member	3	2	3	2	7	
Mr. Kennedy Nyachiro	Rep. PS. National Treasury		1	2	2	1	4	
Mr. Joseph Kiarrii Rep.	Rep. PS.			2	2	1	3	

PS. National Treasury	Nation al Treasur y							
Prof. P. N Kioni	Vice- Chance llor		3	4	4	2	7	

b) Succession Plan

Council has put in place a succession plan top Management and staff across the University and reviews the same regularly.

c) Existence of a Board Charter

Council has an approved Board Charter which serves as a reference guide on Council's operations. It seeks to expound and explain to each Council Member the collective and individual powers, duties, obligations, responsibilities and liabilities of Council. It also highlights the requirements of good corporate governance which are necessary to bring the level of standards of corporate governance in DeKUT to international best practice.

The Charter also helps Council in directing the University to maximise on the long term value of services that are provided to all stakeholders. It assists the Council members to understand their individual and collective roles with the purpose of helping the University fulfil its mandate.

The Charter has been adopted by the University, acting in accordance with *Mwongozo, Code of Governance for State Corporations* ('the Code'), and is complementary to the statutory requirements of Council as contained in applicable Kenyan Laws and regulations.

d) Process of Appointment and removal of Council Members

Council members are appointed by the Cabinet Secretary and they hold office for a period of three years. They are eligible for re-appointment.

The office of a member of the Council shall become vacant if not being an ex-officio member, where the member resigns his/her office by writing to the Cabinet Secretary.

e) Roles and functions of the Board

Council has authority to exercise all the powers conferred upon it by the Universities Act 2012, the DeKUT Charter and the DeKUT Statutes.

Council also exercises leadership, enterprise, integrity, and sagacious judgment in directing DeKUT so as to achieve continuing prosperity and should always act in the best interest of DeKUT. Council is also responsible for ensuring that DeKUT is financially viable and properly managed so as to protect and enhance its (DeKUT) interests at all times. In achieving this purpose, Council carries out the following key tasks:

- (a) Subject to the provisions of the Act to make new or additional regulations, and alter, amend or revoke existing Statutes;
- (b) making and approving Statutes for gazettment in accordance with the Act, for any purpose in respect of which Statutes are required;
- (c) Subject to the Act and the Statutes, to determine the method of recruitment, appointment and promotion of all staff of the University;
- (d) making the appointments authorized by the Act and the Statutes and to determine the terms and conditions of service for all staff of the University;
- (e) conferring after a report from the Senate, the title of Emeritus Professor, Visiting Professors, Honorary Professor, Honorary Lecturer or Honorary Fellow;
- (f) approving the budget;
- (g) promoting and to make financial provisions and facilities for execution of the functions of the University;
- (h) Subject to the laid down Government procedures, to approve the investment of any money belonging to the University including any unutilized income, in such stocks, funds, fully paid shares or securities as Council may from time to time deem fit, in accordance with the general Law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rents and subject to the Act with the powers of varying such investment from time to time by sale or re-investment or otherwise;
- (i) Subject to the laid down Government procedures, to approve sale, purchase, exchange, take on, or lease of movable and immovable property on behalf of the University;
- (j) Subject to the laid down Government procedures, to approve the borrowing of money on behalf of the university, and for that purpose and subject to the Act, 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 movable and immovable property or otherwise as the Council may deem fit;
- (k) On the recommendation of Senate to provide in accordance with the Statutes, for the creation of new Divisions, Faculties, Schools, Institutes, Departments, Centres or other bodies of learning, research and production in the University, whether formed by the sub-division of any one or more than one of any such new body or otherwise, and for the abolition from time to time of any such body, and to approve the establishment, abolition or subdivision of any such body however so described;

- (l) instituting on the recommendation of Senate fellowships, scholarships, studentships, exhibitions, bursaries, prizes and other aids to study and research;
- (m) To approve the terms and conditions upon which Internal and External examiners shall be appointed by Senate;
- (n) The Council may empower any such committees to act jointly with any Committees appointed by Senate, provided that 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;
- (o) Approve regulations governing the conduct and discipline of the students of the University;
- (p) Shall receive, on behalf of the University, donations, endowments, gifts, grants or other moneys and make legitimate disbursements wherefrom;
- (q) To approve the Constitution of the Students Organization and so far as is reasonably practicable, to ensure that the Students' Organization operates in a fair and democratic manner and is accountable for its finances;
- (r) Shall provide for the welfare of the staff and students of the University;
- (s) May, after consultations with the University Management Council approve regulations governing the recruitment, conduct and discipline of the staff of the University;
- (t) Recommend for appointment of the Vice-Chancellor, Deputy Vice-Chancellors and Principals of constituent colleges through a competitive process
- (u) Monitor and evaluate the implementation of strategies, policies, and the management criteria and plans of the University;
- (v) Constantly review the viability and financial sustainability of the University, and shall do so once every year;
- (w) Ensure that the University complies with all the relevant Laws, Regulations, governance practices, accounting and auditing standards;
- (x) Subject to the Act and the Statutes, the Council may refer any matters affecting the academic policy of the University to Senate for advice.
- (y) Undertake other functions as set out under the Universities Act 2012, DeKUT Charter and the DeKUT Statutes.

f) Induction and Training

Training and development programs are developed to equip Council with the necessary skills for effective discharge of their mandate. Newly appointed Members underwent a detailed induction process that enhanced their understanding of the University's Mandate and their obligations under all Statutes underpinning the University's operations and the Mwongozo Code of Governance for State Corporations. Each Council member was provided with sufficient information on appointment to enable him perform his or her duties. These included copies of:

- a) The Constitution of Kenya 2010;
- b) The Universities Act 2012
- c) The DeKUT Charter;
- d) The DeKUT Council Charter
- e) The DeKUT Statutes;
- f) The DeKUT Code of Conduct and Ethics
- g) The State Corporations Act;
- h) The Public Procurement and Disposal Act 2015;
- i) The Public Officer Ethics Act 2003;
- j) The Ethics and Anti-Corruption Act;
- k) The DeKUT Strategic Plan 2014-2019;
- l) The Performance Contracts between the Council and the Government of Kenya and Vice-Chancellor;
- m) The Council calendar and work plan for the year.

g) Board and Member performance

Board evaluation is key in assessing the performance, efficiency and effectiveness of an organisation. Council undertakes regular annual performance evaluation to enable it to review its strategies to ensure continuous growth and sustainability. This evaluation exercise is conducted by the State Corporation Advisory Committee (SCAC). In previous reviews, the Council performed remarkably well.

h) Conflict of Interest

Council members and staff are obligated to fully disclose and declare any potential or real conflict of interest, which comes to their attention, whether direct or indirect. At any meeting of the University, Council members and staff are expected to declare any interest they may have in any agenda item under discussion. In case of conflict of interest the affected member or staff is excluded from any discussion or decision on the matter in question.

i) Board Remuneration

Council Members are entitled to a sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable. This is done within the limits set by the Government for State Corporations. In addition, the Chairman is paid a monthly honorarium.

j) Ethics, Conduct and Governance Audit

Council ensures that a governance audit of the University is undertaken on an annual basis. The purpose of the governance audit is to ensure that the University conforms to the highest standards of good governance. The governance audit covers the following parameters among others:-

- (a) Leadership and strategic management;
- (b) Transparency and Disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Council independence and governance;
- (f) Council systems and procedures;
- (g) Consistent shareholder and stakeholders' value enhancement; and
- (h) Corporate social responsibility and investment

i) Internal Audit and Assurance

The University has an Internal Audit department whose main objective is to provide assurance of the risk management, internal control and governance processes. The assurance is meant to deepen good governance practices and support the achievement of the best internal controls through continual improvement and engagement. The University's system of internal controls has been defined by approved policies and procedures which contain operational and financial controls that ensure that the assets are safeguarded, transactions authorized and accurately recorded. Further, they ensure that material errors and irregularities are either prevented or detected within a reasonable time.

ii) Corruption Prevention Strategies

The University continued to implement the Anti- Corruption Policy and Corruption prevention strategies through the guidance of the Corruption Prevention Committee. The main objectives of the anti-corruption policy is to marshal the efforts and resources of various stakeholders to progressively and systematically reduce to the extent possible, the causes and the destructive effects of corruption in the institution.

The specific objectives are;-

1. To involve all departments and stakeholders in fighting and preventing corruption where they are, wherever it is or is expected to surface.
2. To create awareness of the causes and terrible effects of corruption and the role of the stakeholders in the prevention and eradication.
3. To promote good governance in all the functional departments of the institution in order to fight and prevent corruption.
4. To encourage all functional departments to develop their strategies for preventing and fighting corruption.

5. To encourage all departments and stakeholders to contribute towards the evaluation, improvement and reinforcement of the policy.
6. To create an environment where corrupt activity is seen and expressed as a social aberration.
7. To enhance collaboration among all stakeholders in ensuring that all corruption cases are reported, effectively and expeditiously investigated and prosecuted.

Further, the University carried out a Corruption Risk Assessment in all its functional areas, developed and implemented appropriate mitigation plans. As a result, zero cases of corruption were reported during the year under review.

iii) Whistle Blowing Policy

The University is committed to protecting the identity and well-being of all employees and stakeholders when they provide information regarding corruption related activities or participate in investigations towards this, it has established reporting channels through which anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals. The channels are the corruption reporting hotline, email and corruption reporting boxes.

iv) Code of Conduct

Council has developed and put in place a code of ethics outlining the values, ethics and beliefs that guide the policy and behaviour of DeKUT and define the ethical standards applicable to it and to all who deal with it.

v) Risk Management

Risk Management is one of the strategic functions and is applied in the day -to day operations of the University. This ensures that all risks are managed optimally. In the year under review, the University continued to implement the various mitigation strategies to ensure that the risk levels were minimised.

MANAGEMENT DISCUSSIONS AND ANALYSIS

(a) Operational performance of the University as at 30th June 2019

i) Staff Welfare

The University considers its employees and students as its most valued assets. Thus it has continued to enhance capacity through acquisition of talent to effectively deliver on its mandate. During the year, the total number of staff stood at 485.

In our commitment to promote employee well-being at the workplace, we have continued to provide services and benefits that not only motivate employees but also enhance productivity. Towards this, the University has maintained a healthy workforce through provision of a medical scheme.

The University has assisted employees realise their full potential. Towards this end, the University sponsored several staff to further their studies and to attend various skills development courses aimed at enhancing their skills, knowledge and abilities.

Further, the University has Signed internal Collective Bargaining Agreements with its staff Unions, i.e., UASU, KUSU and KUDHEIHA. Various policies that support staff welfare have also been approved. Various in-house training for staff members were conducted, e.g., pedagogy, disability awareness, integrity assurance officers training, Taekwondo

ii) Students Welfare

The student population in the University has grown to 7094. This is attributable to the consideration of student welfare issues and proper representation of students in different University forums. The students successfully conducted the Student leaders' elections which ensure students representation in the University. A Student Council with a membership of 7 students is in place. Further students have 2 representatives in Senate and in Student disciplinary Committee, respectively.

In addition, various Public Lectures and "Gown Lectures" were conducted for students' capacity building. The Students are also provided with transportation to and from the University.

The Directorate of Students Welfare has also been active in addressing the students' welfare issues like sports, recreation, entertainment students' welfare, clubs, accommodation and catering needs, medical and spiritual needs.

iii) Quality teaching programs

DeKUT is one of the best equipped Universities in the region for the programmes she offers. The University has also been a beneficiary of the African Development Bank equipment program; a Ministry of Education project; under which it has received equipment for Civil, Electrical and Mechanical Engineering which facilitate the Engineering programs. In this regard, the University has 11 laboratories which are adequately equipped.

Further, to enrich and broaden the student experience and to fill gaps which are not easy to bridge, DeKUT has a number of MOUs with the industry and other public education institutions. Under the auspices of these MOUs, students and staff are able to access the equipment necessary to fulfill academic programme requirements.

The University has a total land area of approximately 347.37 Ha (858 acres) on which physical facilities have been developed for teaching and learning. These include lecture halls of various capacities, seminar rooms, lecture theaters, science laboratories, computer laboratories, engineering workshops among others. These are accessible by people with disability.

Further, the University has 33 accredited programmes. 24 programmes have been submitted to CUE for evaluation and are at different points of accreditation. Additionally 9 new programmes were launched during the 2018/19 financial year. During the year, the University revised its curricula on all its programmes to ensure that curricula are linked with the respective industry's demand. The University also recruited 4 staff members who are PhD holders.

DeKUT has a 5 years accreditation and has a CUE accredited Campus at Pension Towers, Nairobi. It facilitates Criminology and Geothermal programmes which are unique to DeKUT.

iv) Disability issue

The University has created a conducive environment for people living with disability by, representation in the students' leadership, construction of a ramp at the Resource Center III and the Lecture theatre and procurement of a TukTuk for ferrying by the PWDS.

v) Gender and diversity

DeKUT adhered to the provisions of the Constitution of Kenya 2010 and the National Cohesion and Integration Act on Ethnic Diversity and the rights of the minorities and marginalised groups. The University has embraced strategies like coming up with an Affirmative Action Policy and taking steps to institutionalise diversity in the University

Further, the University has an established Gender, Disability and Equity affairs Directorate which handles upcoming issues on ethnic diversity and inclusivity. This office has accomplished the following:-

- a. Established a fully operational Daycare
- b. Trained 30 gender violence and recovery champions
- c. Conducted a Peer counselor's gender mainstreaming awareness.
- d. Established a clear Gender Violence reporting and recovery mechanism
- e. Review of the curriculum on HIV aids to handle reproductive health and sexuality
- f. Conducted quarterly Seminars to students on reproductive health
- g. Mentorship to High schools on inclusion of Female in STEM.
- h. Senate Representation:
- i. Empowered mom graduates

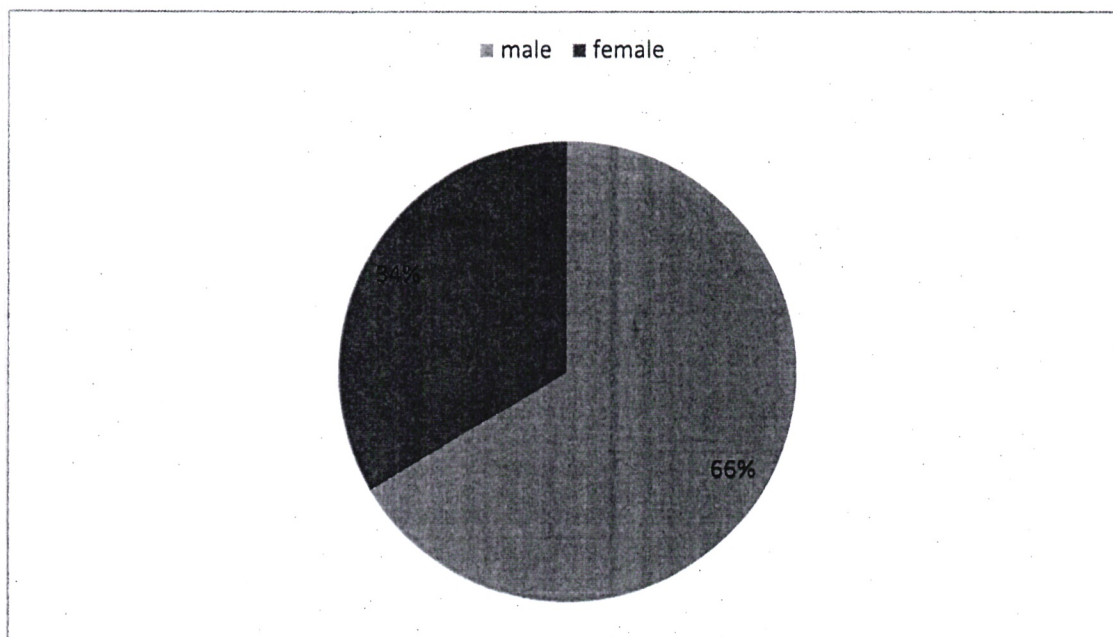
The University has progressively improved on diversity compliance and had a representation of 39 counties in its staff population as per the table below:-

	County	No. of Staff
1	Baringo	3
2	Bomet	2
3	Bungoma	4
4	Busia	4
5	Embu	9
6	Homa Bay	1
7	Kajiado	4
8	Kakamega	13
9	Kericho	6
10	Kiambu	46
11	Kirinyaga	13
12	Kisii	16
13	Kisumu	5

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

14	Kitui	2
15	Laikipia	7
16	Lamu	2
17	Machakos	8
18	Makueni	3
19	Marsabit	2
20	Meru	27
21	Migori	2
22	Mombasa	3
23	Murang'a	39
24	Nairobi	26
25	Nakuru	13
26	Nandi	5
28	Narok	1
29	Nyamira	3
30	Nyandarua	14
31	Nyeri	174
32	Samburu	4
33	Siaya	2
34	Taita Taveta	2
35	Tharaka Nithi	2
36	Trans Nzoia	2
37	Uasin Gishu	6
38	Vihiga	3

The staff establishment further met the Gender rule requirement as per the figure below



vi) DeKUT Enterprises Company (DeKUTES)

DeKUTES was operationalised as a corporate business entity that aspires to be more effective, efficient and sustainable. It is a company where the University professionals bring together their expertise with an objective of providing appropriate business, research and innovative solutions.

vii) Dedan Kimathi Science and Technology Park

The University has established the Dedan Kimathi Science and Technology Park on 177.8 acres of land and has already entered into agreements with two anchor clients.

viii) Automation

In view of leveraging on ICT to improve service delivery, efficiency of internal operations and engagement with stakeholders and the general public, the University continued to implement automation process.

ix) Quality Management System

The University was certified to ISO 9001:2015. The Quality Management System (QMS) has been maintained and continually improved through regular internal audits as well as surveillance audits done by certifying body, SGS.

(b) Financial performance of the University as at 30th June 2019

Through a collaborative process of management working together with staff, with the full support of the University Council, we have continuously worked to ensure that the University meets its financial obligations for sustainability and for expansion as a not-for-profit institution.

In 2019, the growth of the University's activities was marked by a 5% growth in incomes.. More details about our performance are included in the financial statements from page 17. We are optimistic that the coming year will be different as we continue to establish our regional footprint and execute our bold and exciting transformational agenda for teaching, research and consulting.

As a University, we continue to explore other sources of revenues to avoid being over-reliant on student fees. One of the key areas we are venturing into is consultancies and short courses by collaborating and engaging with County Governments. In this regard, the University Council approved the establishment of the University income generation vehicle- DeKUTES. The company will be instrumental in creating opportunities for the University to increase its linkages with industry. By guiding the engagement of academic staff in entrepreneurial ventures, it will help them develop new skills and experiences and increase the reputation of the University. We believe that this will also provide new avenues for additional tangible and non-tangible resources.

Resource Mobilisation

We are pleased to report a year of financial sustainability. The University continues to rely on the exchequer for funding its activities. This is supplemented by internally generated revenues mainly from self sponsored students and other investment incomes. During the year, the University received an allocation of Kshs 651,166,509 while Appropriation in Aid (AIA) grew to Kshs 814,125,683.

The University continues to explore sustainability and ensuring implementation of planned activities in the wake of growing competition demands at the exchequer level . Prioritization and expected impact analysis will continue to inform our allocation of financial resources while our internal systems will be enhanced for efficiency, effectiveness and accountability.

For more information about our financial performance please refer to the Financial Statements Section.

(c) Key projects/investments decision implemented/ongoing

The following projects were prioritized for infrastructure development during the FY 2018/19.

- i) Construction of Resource Center Phase III
- ii) Construction of the Main Lecture Theatre
- iii) Construction of Academic Block Phase 2
- iv) Construction of Fields Ablution Block

(d) Compliance with statutory requirements

The University Audit department conducts quarterly statutory compliance audits and tables the reports to the Audit, Risk and Compliance Committee and subsequently to the Full Council. Further, the University is also audited by the office of the Auditor General and is compliant with its statutory requirements.

e) Major risks facing the University

DeKUT's University Council is responsible for determining the system of internal control operated by the University and for monitoring its adequacy and effectiveness. Risk management is also a significant ongoing part of the University's system of internal control.

The University has implemented a global risk-based approach to the design, application and review of its risk management systems and internal controls. The risk assessment practices are incorporated into planning, budgeting and financial reporting processes through risk registers which have been developed for all of the University operations. The risk register identifies, evaluates and manages all the material risks facing the University. A department that deals with Audit risk and compliance is fully operationalised.

The University's objectives for Audit risk and compliance are

1. Promoting constructive change and accountability through continuous appraisal of internal controls, processes and procedures
2. Managing the principal risks to the efficient and effective achievement of the University's aims and objectives;
3. Determining that systems have been established to ensure compliance with policies, procedures, plans, laws, regulations and controls

The University Council accepts that it is neither possible nor desirable to build a control environment that is free from risk. The University's system of internal control therefore only provide reasonable but not absolute assurance over the governance, operational, compliance, management, reputational and financial risks to the University. The University has established policies and supporting structures designed to prevent and detect corruption, fraud, bribery and other irregularities.

DeKUT's Council recognises that risk management cannot eliminate all risk, particularly where risks are outside the University's control. The following processes have been established to review the adequacy and effectiveness of the system of internal Control for the University:

- Each operational unit in the University assess risks inherent in its operations and records them in the list Register
- The University's risk working committee aggregates risks to a University wide register and is in charge of implementing the Enterprise Risk Management initiative
- The University council meets at least four times in the year to discuss reports on audit risk and compliance
- The council reviews the effectiveness of the University's system of internal control risk management and compliance to ensure systems have generally operated as intended up to the date of approval of the audited financial Statements.
- The University monitors areas of high risk and has set in place a programme of activities to minimize the impact of these risks.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT /SUSTAINABILITY REPORTING

The University takes its corporate responsibilities (“CSR”) seriously and is committed to advancing its policies and systems to ensure it addresses and monitors all aspects of CSR that are relevant to it. These include good ethical behaviour, concern for employee health and safety, care for the environment and community involvement. We recognize that our social, environmental and ethical conduct has an impact on the University’s reputation.

In this regard, the University has undertaken the following CSR communities;-

- (a) Appointed its employees who sit in the Board on the Development of a neighbouring school (Muringato Primary School).
- (b) Connected the neighbouring hostel providers to its Sewerage system
- (c) Students conducted charity work at the King’ong’o Maximum prison and neighbouring Children Homes.
- (d) Students conducted mentorship programs in the neighbouring secondary schools and churches.
- (e) Conducting tree planting exercise
- (f) Conducting a cleaning exercise in Nyeri Town

REPORT OF THE COUNCIL MEMBERS

The Council members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the University's affairs.

Principal activities

The principal activities of the entity are as follows:-

- a) Advancement of knowledge through teaching, scholarly research and scientific investigation;
- b) Promotion of learning in the student body and society generally;
- c) Promotion of cultural and social life of society;
- d) Support and contribution to the realisation of national economic and social development;
- e) Promotion of the highest standards in, and quality of, teaching and research;
- f) Dissemination of the outcomes of the research conducted by the university to the general community;
- g) Facilitation of life-long learning through provision of adult and continuing education;
- h) Fostering of a capacity for independent critical thinking among its students;
- i) Promotion of gender balance and equality of opportunity among students and employees.
- j) Promotion of equalization for persons with disabilities, minorities and other marginalized groups.

Results

The results of the University for the year ended June 30, 2019 are set out on page 49

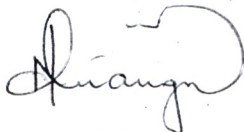
Directors

The Council members who served during the year are as shown on page 6 - 12 . During the year, no Council member retired/ resigned and no Council member was appointed with effect from 1st July, 2018.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Council



Prof. P. N. Kioni
Vice-Chancellor

Date: 3.1.2019

STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

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

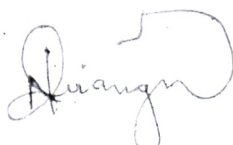
The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act, 2012. The Council members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2017, and of the University's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The University's financial statements were approved by the University council on 13th August 2019 and signed on its behalf by:



Prof. P. N Kioni
Vice-Chancellor

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 DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Dedan Kimathi University of Technology set out on pages 1 to 58, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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, the financial statements present fairly, in all material respects, the financial position of Dedan Kimathi University of Technology as at 30 June, 2019, 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 Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Dedan Kimathi University of Technology 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 opinion.

Emphasis of Matter

Material Uncertainty in Relation to Sustainability of Services

As disclosed in Note 5 to the financial statements, the University recorded a deficit of Kshs.57,802,556 in 2018/2019 (2017/2018: a deficit of Kshs.150,995,869). As a result, the accumulated deficit increased from Kshs.285,795,148 as at 30 June, 2018 to

Kshs.343,597,704 as at 30 June, 2019. Further, the current liabilities balance of Kshs.538,427,169 exceeded current assets balance of Kshs.286,291,160 resulting in a negative working capital of Kshs.252,136,009 as at 30 June, 2019. This precarious financial position is an indication of the existence of a material uncertainty which may cast significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due.

Management, has explained that the financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and, that the Management will fully implement the proposed mitigating measures including restructuring and reduction of costs for part-time teaching staff.

My opinion in respect of this matter is not modified.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Long Outstanding Payables

The statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance of Kshs.324,017,295, an increase by Kshs.62,477,632 from a balance of Kshs.261,539,663 as at 30 June, 2018. A review of the list of payables, revealed that payables amounting to Kshs.232,566,366, or 72% have been outstanding for more than one (1) year, with some debts dating far back to the year 2013. A summary of the age of the trade payables from exchange transactions is as follows:

Period the Debts were Incurred	Amount (Kshs.)	Proportion (%)
2013 to 2015	3,574,008	1
2016	5,920,940	2
2017	203,894,609	63
January - June, 2018	19,176,809	6
July, 2018 to June, 2019	91,450,929	28
Total	324,017,295	100

Further, obligations for employee benefits increased by Kshs.35,539,892 from Kshs.26,740,533 in year 2017/2018 to Kshs.62,280,425 as at 30 June, 2019 representing an increase of 133%. In addition, included in the obligations for employee benefits of Kshs.62,280,425 are pension contribution arrears of Kshs.26,740,533, accumulated between year 2013 and 2015. The University defaulted in paying pension contributions for its employees, an indication that the retirees may encounter difficulties accessing their pension on retirement.

2. Personnel Costs - Loss Due to Breach of Bond Agreement

As reported previously, an assistant lecturer was sponsored by the University in 2013 to pursue a PhD in Actuarial Science at the University of Canterbury in New Zealand for a period of four years. The course and financial support were approved by the University's Staff Training and Development Committee at a cost of Kshs.2,148,545 on condition that the lecturer was bonded to the service of the University for a period of three (3) years on completion of the course in line with the Government Policy on sponsored trainings. The bond terms stipulated that the assistant lecturer would pay back the total amount incurred should he abscond.

The lecturer continued to earn his full salary and annual leave allowance amounting to Kshs.7,514,778 during the entire four (4) years of his study leave. In addition, the lecturer also continued to earn his annual leave allowance for the entire period of his study leave contrary to the provisions of the Staff Training and Development Policy of the University.

Examination of personal file and other records further revealed that the lecturer returned from study leave on 18 December, 2017 but never resumed his duties despite being bonded for service at the University after completion of studies. As a result of the lecturer absconding duty, the University is at risk of losing Kshs.9,663,323 comprising Kshs.7,514,778 in salaries paid during the study leave and the cost of the sponsorship amounting to Kshs.2,148,545.

Although records presented for audit indicated that the University Management commenced recovery of the sponsorship cost through the court, the case had not been determined as at the time of audit in October, 2019.

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 processes and systems of internal control, risk management and overall 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 overall governance.

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

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University 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 overall 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 overall 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

10 March, 2021

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Revenue from non-exchange transactions			
Transfers from Government	9	734,840,704	705,674,928
Revenue from exchange transactions			
Rendering of services (tuition and other fees)	10	462,840,536	420,382,681
sales of goods	11	58,211,763	43,063,060
Rental revenue from facilities and equipments	12	1,225,410	387,200
Finance income	13	1,932,271	4,033,251
Other income	14	15,143,812	40,893,162
Total revenue		1,274,194,496	1,214,434,282
Expenses			
Use of Goods and Services	15	76,633,305	64,485,844
Employee Costs	16	947,484,423	957,033,022
Remuneration of Council	17	7,440,813	9,158,264
Depreciation and Amortization	18	57,829,823	63,579,519
Repairs and Maintenance	19	7,283,399	8,839,696
Contracted Services	20	1,286,579	1,288,197
Grants and Subsidies	21	15,984,448	25,512,459
Academic costs	22	36,438,083	40,657,461
General Expenses	23	135,963,788	125,543,814
Nairobi campus expenses	24	-	25,536,001
Finance costs	25	6,063,157	5,750,335
Farm expenses	31	39,589,234	38,045,539
Total expenses		1,331,997,052	1,365,430,151
Net Surplus for the year		(57,802,556)	(150,995,869)

The notes set out on pages 6 to 62 form an integral part of these Financial Statements

Dedan Kimathi University Of Technology
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash & Cash Equivalents	32	28,086,168	30,629,202
Receivables from exchange Transactions	33	170,947,606	133,630,662
Receivables from non exchange Transactions	34	83,674,195	-
Inventories	35	3,583,191	1,364,942
		286,291,160	165,624,806
Non-current assets			
Property Plant and Equipments	37	2,778,304,895	2,622,420,165
Investments	40	-	-
Biological assets	41	14,426,850	13,844,850
		2,792,731,745	2,636,265,015
Total assets		3,079,022,905	2,801,889,821
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	42	324,017,295	261,539,663
Trade and other payables from non-exchange transactions	43	112,985,555	117,645,776
Employee benefit obligations	44	62,280,425	26,740,533
Payments received in advance	45	39,143,894	32,944,647
Total liabilities		538,427,169	438,870,619
Net asset		2,540,595,735	2,363,019,201
Accumulated surplus	46	(343,597,705)	(285,795,148)
Revaluation reserve	47	595,143,638	594,561,638
Capital fund	48	2,289,049,802	2,054,252,711
Total net assets and liabilities		2,540,595,735	2,363,019,201

The Financial Statements set out on pages i to 62 were signed on behalf of the Board of Directors by:

Vice Chancellor

Name: Prof. P. N. Kioni

Signature.....

Date..... 03/12/2019

Ag. Finance officer

Name: CPA Abraham Mwangi

ICPAK Member Number: 9164

Signature.....

Date..... 03/12/19

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2019**

	Capital fund	Revaluation reserve	Accumulated Surplus	Total
Balance as at 30/6/2017	1,999,195,075	594,931,639	(134,799,279)	2,459,327,435
Surplus/deficit for the period			(150,995,869)	(150,995,869)
Revaluation additions		(370,000)		(370,000)
Increase in capital fund	55,057,636	-	-	55,057,636
Balance as at 30/06/2018	<u>2,054,252,711</u>	<u>594,561,639</u>	<u>(285,795,148)</u>	<u>2,363,019,202</u>
Balance as at 30/6/2018	2,054,252,711	594,561,639	(285,795,148)	2,363,019,202
Surplus/deficit for the period			(57,802,556)	(57,802,556)
Revaluation additions		582,000		582,000
Increase in capital fund	234,797,091	-	-	234,797,091
Balance as at 30/06/2019	<u>2,289,049,802</u>	<u>595,143,639</u>	<u>(343,597,704)</u>	<u>2,540,595,737</u>

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cash-flows from operating activities			
Receipts			
Transfers from Government		651,166,509	705,674,928
Rendering of services (tuition and other fees)		432,001,318	464,502,781
sales of goods		63,422,123	45,563,180
Rental revenue from facilities and equipments		1,225,410	289,400
Finance income		1,932,271	2,493,051
Other income		12,960,833	38,420,150
Total Receipts		1,162,708,464	1,256,943,490
Payments			
Use of Goods and Services		59,238,365	49,365,434
Employee Costs		901,143,981	914,831,012
Remuneration of Council		7,440,813	8,658,144
Repairs and Maintenance		5,010,041	8,629,236
Contracted Services		749,058	785,954
Grants and Subsidies		15,520,049	19,900,434
Academic costs		33,266,639	32,245,161
General Expenses		123,722,818	105,897,547
Nairobi campus expenses		0	21,325,851
Finance costs		6,063,157	5,750,335
Farm expenses		34,179,114	31,890,329
Total Payments		1,186,334,035	1,199,279,437
Net cash flows from operating activities	58	(23,625,571)	57,664,053
Cash-flows from investing activities			
Investing in fixed assets		(213,714,553)	(169,460,630)
Loan repayments		0	(9,982,628)
Net cash-flows used in investing activities		(213,714,553)	(179,443,258)
Cash-flows from financing activities			
Capital fund		234,797,091	55,057,636
Net cash-flows used in financing activities		234,797,091	55,057,636
Net increase/(decrease) in cash and cash equivalents		(2,543,033)	(66,721,569)
Cash and cash equivalents as at 1 JULY	28	30,629,201	97,350,770
Cash and cash equivalents as at 30 JUNE	28	28,086,168	30,629,201

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Adjustments	Final Budget	Actuals	Variance
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from Government	664,455,620	70,385,084	734,840,704	734,840,704	0
Rendering of services (tuition and other fees)	531,668,029		531,668,029	462,840,536	(68,827,493)
sales of goods	56,740,000		56,740,000	58,211,763	1,471,763
Rental revenue from facilities and equipments	2,050,000	(850,000)	1,200,000	1,225,410	25,410
Finance income	2,000,000		2,000,000	1,932,271	(67,729)
Other income	15,000,000		15,000,000	15,143,812	143,812
Total income	1,271,913,649	69,535,084	1,341,448,733	1,274,194,496	
Expenses					
Use of Goods and Services	64,734,790	9,801,578	74,536,368	76,633,305	(20,96,937)
Employee Costs	946,543,672	(10,882,264)	935,661,408	947,484,423	(11,823,015)
Remuneration of Council	8,896,970	(1,192,891)	7,704,079	7,440,813	263,266
Repairs and Maintenance	11,826,346	(3,750,000)	8,076,346	7,283,399	792,947
Contracted Services	3,050,000	(1,750,000)	1,300,000	1,286,579	13,421
Grants and Subsidies	18,525,634	(1,296,523)	17,229,111	15,984,448	1,244,663
Academic costs	48,467,750	(9,003,000)	39,464,750	36,438,083	3,026,667
General Expenses	146,958,840	0	146,958,840	135,963,788	10,995,052
Finance costs	6,187,394	0	6,187,394	6,063,157	124,237
Depreciation	0	0	0	57,829,823	57,829,234
Farm expenses	24,282,200	0	24,282,200	39,589,234	(15,307,034)
Total expenditure	1,279,473,596	(18,073,100)	1,261,400,496	1,331,997,052	
Surplus for the period				57,802,556	

Budget notes

1. Rendering of services -13% variance was due to less number of students than the expected.
2. Farm expenses -63% variance was due to change of weather that affected the production of coffee.
3. The change of budget from the original to the new budget was due to change of capitation.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dedan Kimathi University of Technology was established by and derives its authority and accountability from University Act 2012 (No 42 of 2012). The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University principal activity is to provide education, research and effective application of knowledge and skills to life , work and welfare of the citizens of Kenya

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the University's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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 cashflows.</p> <p>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</p> <p>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.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 8th November 2018. 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 83,674,195 on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

c) Taxes

The University by virtue of being a Public University and classified under the Public Benefit Organizations (PBOs) have been exempted from income tax. PBOs are exempted from income tax on income received from the activities of the organization, if the income is wholly used to support the public benefit purposes for which the organization was established and in this case to advance education by Public Universities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes their placement cost of components of an existing investment property at the time that cost is incurred if their recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The following rates are applicable

Buildings	2%
Tractor	37.5%
Motor Vehicles	25%
Computer & Accessories	30%
Plant and machinery	12.5%
Furniture and fittings	12.5%
Equipments	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. 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.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. 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. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

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

i) Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. These reserves is accumulated surplus and deficit over years

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The University operates a contributory pension scheme for eligible employees. The assets of the scheme are held separately in a trustee administered fund that is funded by both employees and the University. The University also contributes to the National Social Security Fund (NSSF) Contributions to this fund are determined by the local statutes.

The contributions made to the above schemes by the University are charged to the income statement during the year in which they relate

n) 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.

o) 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 borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

The Entity 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. Members of University council are regarded as related parties.

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Comparative figures

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

t) 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, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University 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. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

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 xxx.

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.

Going Concern

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

The University acknowledges that in the year 2018/2019, the University incurred a deficit of **Kshs.57,802,556**. The following are the reasons for that and the measures put in place to turn around the performance from deficit to surplus.

The University specializes in Science, Technology, Engineering and Mathematics (STEM) programmes which are very expensive to run. The University has therefore put a lot of capital and human resources to support this programmes which is far more costly than the resources allocated for other university programmes.

The Government has started funding the Universities on the basis of Differentiated Unit Cost Model (DUC) hence the University anticipates receiving enhanced capitation in the next financial year. The University management has also instituted cost cutting measures like reduction of part-time teaching costs in order to align its expenditure with the budget.

With all the above measures in place the University endeavors to reduce the deficit in an effort to improve the cash flow to meet its financial obligations. In the recent past the university has appealed for review of the recurrent expenditure funding allocation and fully adoption of the Differentiated Unit Cost model (DUC).

6 PROPERTY TAXES REVENUE

Description	2018-2019 KShs	2017-2018 KShs
Actual		
Taxable land and buildings		
Residential	0	0
Commercial	0	0
State	0	0
Penalties	0	0
Sub- total property and taxes	0	0
Income forgone	0	0
Total property taxes revenue	0	0

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019 KShs	2017-2018 KShs
The Green Belt Movement	0	0
Other public donations	0	0
Total transfers and sponsorships	0	0
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	0	0
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions to be met - remain liabilities	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINES, PENALTIES AND LEVIES

Description	2018-2019	
	KSh	KSh
Fuel levy	0	0
Fines	0	0
Total	0	0

9 TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	
	KSh	KSh
Unconditional grants		
Ministry grants recurrent	651,166,509	620,581,836
Supplementary grants	83674,195	85,093,092
Total government grants and subsidies	734,840,704	705,674,928

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to		Amount recognized in capital fund		Total grant income during the year	
	Statement of Comprehensive Income	Statement of Comprehensive Income	KSh	KSh	KSh	KSh
Ministry of Education Science and Technology	734,840,704	0	0	734,840,704	734,840,704	
Ministry of Education Science and Technology	0	0	234,797,091	234,797,091	234,797,091	
Total	734,840,704	0	234,797,091	969,637,795	969,637,795	

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Tuition and other fees (Main Campus)	422,429,165	371,087,123
Tuition and other fees (Nairobi Campus)	40,411,371	49,295,558
Total revenue from the rendering of services	462,840,536	420,382,681

11 SALE OF GOODS

Description	2018-2019	2017-2018
	KShs	KShs
Sale of goods		
Kitchen sales	25,916,317	25,545,909
DeKUTES Income	5,971,362	0
Farm sales	26,324,084	17,517,151
Total revenue from the sale of goods	58,211,763	43,063,060

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Staff Quarters Rent	295,200	387,200
Science and Technologically Park	930,210	0
Total rentals	1,225,410	387,200

13 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Interest from call deposit	1,932,271	4,033,251
Total finance income-external investments	1,932,271	4,033,251

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER INCOME

	2018-2019	2017-2018
Miscellaneous income	7,884,351	4,007,649
Research grants	6,473,193	9,981,711
KUSA Games	0	14,798,530
Mathira TTI	786,268	12,105,272
Total other income	15,143,812	40,893,162

15 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
Electricity	12,129,673	12,983,991
Water	7,945,911	7,578,179
Security	5,353,000	5,595,500
Contracted Professional services	3,023,375	120,000
Subscriptions to professional bodies	338,180	373,510
Internet services	12,298,461	8,835,571
Gas and fuel	924,685	923,280
Fumigation services	87,525	121,125
Utensils and crockery	223,048	400,304
Purchase of Drugs	2,838,937	1,838,567
Medical expenses	27,440,067	22,714,249
Optical and Dental	1,920,277	1,891,436
Marketing Expenses	2,110,166	1,110,132
Total good and services	76,633,305	64,485,844

16 EMPLOYEE COSTS

	2018-2019	2017-2018
Basic Salaries	429,861,349	392,409,854
Salary Arrears	-	35,455,455
Casual workers	51,558,393	42,397,897
Part time teaching	37,891,000	60,993,950
Gratuity and pension	67,499,072	61,474,965
House to Office allowance	49,975,086	60,789,466
Other personal allowances	77,878,421	74,073,972
Passage and Baggage	274,283	222,340
Group life (pension) insurance	4,121,534	3,390,740
House allowances	214,948,043	211,129,209
Graduate sponsorship programme	10,898,512	12,167,579
Leave allowance	2,578,730	2,527,595
Employee costs	947,484,423	957,033,022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 REMUNERATION OF COUNCIL MEMBERS

Description	2018-2019	2017-2018
	KShs	KShs
Chancellor Allowance	0	583,323
Chairman's Allowance	1044000	1,044,000
Council Sitting Allowance	3496500	4,824,500
Council Insurance	810013	657,614
Council travelling & Accommodation	2,090,300	2,048,827
Total director emoluments	7,440,813	9,158,264

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	57,829,823	63,579,519
Total depreciation and amortization	57,829,823	63,579,519

19 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Buildings	1,802,701	2,649,233
Water and sewerage	339,935	347,480
Equipment and machinery	2,216,325	2,156,197
Vehicles	2,306,341	3,075,628
Computers and accessories	7,500	137,800
Roads and grounds	610,597	314,608
Asset tagging	0	158,750
Total repairs and maintenance	7,283,399	8,839,696

20 CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Hygiene services	293,203	289,030
Legal expenses	401,721	502,243
ISO Certification Expenses	591,655	496,924
Total contracted services	1,286,579	1,288,197

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 GRANTS AND SUBSIDIES

Description	2018	2017
Internal research grants	1,704,356	1,325,119
International Conference	1,188,255	1,021,033
Innovation and technology	97,880	187,699
DeHub	163,755	213,175
Science park	4,037,380	249,570
National Cancer Hospital	972,800	-
Wind energy (Nairutia)	480,251	428,880
Geo-power Africa project	0	2,224,647
NRF Project	3,738,231	998,762
Maisha Project	0	774,600
Data Science Africa Project	368,791	1,779,120
Volcanic Geothermal Resources	1,861,319	
DePUK Project	80,310	
Bioacoustics Project	24,942	172,223
WARUA Project	0	161,850
Brigit project	0	216,810
VLIR-Belgium project	479,910	3,653,699
Mathira TTI	786,268	12,105,272
Total grants and subsidies	15,984,448	25,512,459

22 ACADEMIC COSTS

Description	2018	2017
Examination materials	4,301,540	4,123,478
Attachment expenses	4,871,990	3,131,892
Academic Travelling and accommodation	1,464,211	2,188,363
Payment of use of lab	88,500	75,200
Library	683,530	770,861
Field courses	895,443	1,381,881
Coffee Centre	757,545	64,182
Yogurt expenses	1,080,061	158,329
Graduation expenses	4,599,004	7,524,801
Teaching materials	2,319,560	1,747,958
CUE Institutions Accreditations	3,820,000	2,500,000
KUCCPS admission expenses	2,487,725	1,285,885
Purchase of software		998,992
Hire of teaching facilities	860,066	5,278,464
Purchase of Gowns	632,650	-
Launch of MBA & PHD Programmes		54,576
Curriculum Development	303,237	376,535
Siemens	4,580,119	5,381,375
TIVET	1,467,398	1,549,425

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Final year project	1,225,504	1,960,264
Internship	-	105,000
Total academic costs	36,438,083	40,657,461

23 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Advertising and Publicity	5,364,857	7,083,346
Conferences and seminars	4,350,829	2,119,348
Vehicle fuel and oil	6,604,924	6,394,680
Insurance premiums	4,525,850	4,810,144
Vehicle licenses & insurance	727,500	1,679,390
Postal expenses	105,365	84,300
Publishing & Printing	603,410	849,459
Stationery and stores	6,501,879	6,657,924
Adimin Travelling and accommodation	5,654,011	5,911,551
Committee Facilitation	990,821	535,400
Staff Welfare	1,551,500	2,075,880
Guest house Expenses	166,760	256,203
Alumni Association	1,406,926	770,290
Recruitment expenses	26,000	13,000
Telephone expenses	2,065,746	2,021,570
Purchase of uniforms	244,670	582,736
Public celebrations/Demise	380,390	324,000
University Public Functions	286,770	87,950
Exchange Programme	606,030	769,422
Catering	25,922,080	23,230,935
Cleaning materials	667,938	1,027,255
Set up of ICT infrastructure	892,810	1,306,812
External travelling	3,008,609	2,966,640
Training expenses	7,691,029	10,591,920
Book shop expenses	371,167	293,135
Performance Contract	167,630	326,660
Show and Exhibitions Expenses	1,012,695	1,493,732
Linkages		23,280
Staff Entertainment	70,390	266,587
Work permit	1,463,400	425,450
Music festivals	3,178,450	
Levies (NEMA/NITA/Energy board)	387,350	2,249,203
DKUT Affiliation Associations	-	977,000
HIV & AIDS	27,980	
Newspapers	512,387	426,760
Conservancy Expenses	9,820	492,074
KUSA Games Expenses	-	13,601,999

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Provision for doubtful debt (students fee)	8,482,397	6,630,474
Audit Fee	870,000	870,000
Sports and Games	2,462,920	3,329,925
Students insurance	534,976	
Student benevolent fund	289,435	314,995
Mt. Kenya expedition climb to educate	1,050,870	913,550
Students conference/workshops	80,312	
Work-study	775,845	592,130
Outreach programs	34,360	16,340
Student Awards	349,500	383,680
Student bursary	829,106	934,000
Counselling expenses	267,920	94,985
Entertainment	877,096	466,966
Rent	24,981,180	-
Kimathi students union allow	1,761,978	1,513,999
Sports equipments	169,720	55,900
Corporate social responsibilities	123,000	257,200
External examination	4,475,201	6,443,635
Total general expenses	135,963,788	125,543,814

24 NAIROBI CAMPUS

Description	2018/2019	2017/2018
Nairobi campus expenses	-	25,536,001
Total Nairobi campus costs	-	25,536,001

25 FINANCE COSTS

Description	2018/2019	2017/2018
Bank charges/ interest	6,063,157	5,525,349
Bank loan interest	-	224,986
Total finance costs	6,063,157	5,750,335

26 GAIN ON SALE OF ASSETS

Description	2018/2019	2017/2018
Property, plant and equipment	0	0
Intangible assets	0	0
Other assets not capitalised	0	0
Total gain on sale of assets	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

27 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2018-2019 KShs	2017-2018 KShs
Investments at fair value	0	0
Total gain	0	0

28 IMPAIRMENT LOSS

Description	2018-2019 KShs	2017-2018 KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total impairment loss	0	0

29 TAXATION

Description	2018-2019 KShs	2017-2018 KShs
Current income tax charge	0	0
Deferred tax:[Note 53]	0	0
Relating to original and reversal of temporary differences	0	0
Income tax expense reported in the statement of financial performance	0	0

30 FARM REVENUE

Description	2018-2019 KShs	2017-2018 KShs
Coffee	17,059,551	9,094,931
Milk	3,473,825	3,467,424
Horticulture	2,572,169	1,472,665
Livestock Sales	1,249,620	1,086,248
Miscellaneous	28,450	10,900
Charcoal Sales	363,204	804,463
Coffee seedlings	1,577,265	1,580,520
	26,324,084	17,517,151

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

31 FARM EXPENSES

Description		
Seeds-Hort	412,910	396,895
Horticulture - Labour	1,748,406	1,311,541
Chemicals-Hort	269,389	173,045
Fertilizers-Hort	147,490	105,650
Farm inputs	438,284	82,140
Coffee Labour (6,679,655-1,118,591)	5,561,064	6,756,120
Coffee picking expenses	1,158,300	198,650
Fertilisers-coffee (1,743,879-522,428)	1,221,451	289,460
Herbicides-Coffee (869,439-425,120)	444,319	1,244,120
Fungicides-coffee (349,400- 120,110)	229,290	210,115
Insecticides-coffee	20,140	484,549
Coffee nylex & sisal twine	132,508	60,485
Gratuity and Pension	1,116,097	990,072
Administration salaries	15,408,933	12,543,011
salary arrears	-	1,690,784
Feeds/Fodder	2,240,820	2,505,210
Labour - Livestock	1,044,530	1,031,389
Veterinary bills & A.I	259,735	464,384
Grooming and local treatment	107,009	48,205
Acaricides (147,330-32,000)	115,330	66,300
Piggery feeds	735,380	545,330
Polythene & Twine-Dairy	48,000	43,150
Fish rearing expenses	58,600	-
Buildings maintenance	72,960	245,820
Machinery maintenance	703,578	843,319
Electricity-irrigation	2,922,204	2,426,072
Electricity-wet mill	36,321	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

		64,877
Electricity- office/stores/dairy	90,014	118,045
Travel & Subsist	237,658	171,538
Stationery & printing	30,115	62,439
Security	22,680	18,000
Licences and legal fees	31,000	63,554
Seminars & Workshops	-	58,900
Insurance	76,895	774,184
Staff entertainment	215,046	164,122
Fuel and oils	1,145,881	927,775
Telephone	3,050	500
Protective clothing	94,034	2,440
Postal & Courier charges		10,960
Cleaning Materials	23,497	10,538
Packaging materials	15,695	12,430
Printing & Publishing	9,500	71,000
Interest on investment	0	-
Indirect labour	941,121	823,298
Total Farm Expenses	39,589,234	38,045,539

32 CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs	2017-2018 KShs
Current account	10,369,660	40,641,235
On- call deposits	64,641,068	22,836,092
Current account on overdraft	(46,924,560)	(32,848,125)
Total cash and cash equivalents	28,086,168	30,629,202

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

(a).DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Particulars	Account Number	2019	2018
Standard chartered bank			
DEKUT Fee collection A/C	0102045131200	96,586	177,300
DEKUT Fee collection A/C	0102045131201	2,833,508	-
DEKUT Farm Operating A/C	0102045131202	1,122,574	7,605
DEKUT Fee collection A/C	0102045131203	-	-
Call Deposit	0102045131200	-	4,691,334
Consolidated bank			
DEKUT Payment main A/C	10061200000061	-	-
DEKUT Fee collection A/C	10061200000062	513,658	505,672
DeKUT Project A/C	10061203000003	716,800	107,084
DEKUT TIVET A/C	10061203000002	-	405,809
DEKUT DeKUTES A/C	10061202000162	1,716,399	-
Call Deposit		64,641,068	22,836,092
Family Bank			
DEKUT Payment A/C	055000028807	497,144	1,347,810
DEKUT Mathira TTI A/C	055000031309	1,130,630	-
DEKUT Farm Operating A/C	055000032397	67	709
Call Deposit		-	2,468,650
Kenya commercial bank			
DEKUT Fee collection A/C	1121318274	448,755	927,875
DEKUT Coffee research Fund A/C	1158874847	1,293,539	-
Equity bank			
DEKUT Fee collection A/C	1150297300480	-	1,387
Cash balances		-	-
Sub- total		75,010,727	63,477,326
(b)BANK OVERDRAFT			
DeKUT Payment main A/C	10061200000061	44,635,206	32,474,587
KCB Fee collection A/C	1121318274	-	72,703
Standard chartered	0102045131203	817,702	167,120
Equity Fee collection A/C	1150297300480	1,471,651	-
DEKUT Coffee research Fund A/C	1158874847	-	1,980
Family bank	309	-	-

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

			131,735
Sub- total		46,924,560	32,848,125
Grand total		28,086,168	30,629,202

33 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019 KShs	2017-2018 KShs
Student debtors: Main campus	107,682,203	79,475,913
Student debtors: Nairobi Campus	61,965,733	53,133,558
Provision for doubt-full debt	(8,482,397)	(6,630,474)
	161,165,539	125,978,998
Prepayments	273,278	-
Sundry debtors	3,460,117	1,286,208
Farm debtors (coffee sales)	2,813,631	2,123,195
Staff debtors	967,898	1,948,118
Deposits	2,267,143	2,294,143
Investment on KUCT farm	-	-
V.A.T. arrears	2,985,164	2,985,164
Impairment of VAT receivables	(2,985,164)	(2,985,164)
Total Exchange transactions	170,947,606	133,630,662

34 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2018-2019 KShs	2017-2018 KShs
Supplementary grants	83,674,195	0
Total current receivables	83,674,195	0

35 INVENTORIES

Description	2018-2019 KShs	2017-2018 KShs
Farm stocks	3,583,191	1,364,942
Total inventories at the lower of cost and net realizable value	3,583,191	1,364,942

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

36 INVESTMENTS

Investments		
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	0	0
CBK	0	0
Sub- total	0	0
b) Investment with Financial Institutions/ Banks		
Bank x	0	0
Bank y	0	0
Sub- total	0	0
c) Equity investments (specify)		
Equity/ shares in entity xxx	0	0
Sub- total	0	0
Grand total	0	0

d) Shareholding in other entities

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

Name of entity where investments held	No. of shares			Nominal value of shares	Fair value of shares	Fair value of equity instrument
	Shareholding	Shareholding	Shareholding			
	%	%	%	Shs	Shs	Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
Entity D	0	0	0	0	0	0
	0	0	0	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 PROPERTY, PLANT AND EQUIPMENT

	Land Shs	Buildings Shs	Motor vehicles Shs	Computers Shs	Plant and machinery) Shs	Tractor Shs	Furniture and equipment Shs	Capital Works in progress Shs	Total Shs
Depreciation rates	NIL	2%	25%	30%	12.5%	37.5%	12.5%	NIL	
Cost									
At 1 July 2017	435,000,000	823,353,412	77,113,693	70,808,935	24,992,766	12,887,572	542,163,203	987,184,621	2,973,504,203
Additions	-	-	-	1,254,800	-	-	8,668,479	159,537,351	169,460,630
Disposals	0	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0	0
At 30th June 2018	435,000,000	823,353,412	77,113,693	72,063,735	24,992,766	12,887,572	550,831,682	1,146,721,972	3,142,964,833
Depreciation and impairment									
At 1 July 2017	-	78,486,016	63,676,772	63,107,094	16,586,094	10,852,153	224,257,020	-	456,965,148
Depreciation	-	14,897,348	3,359,230	2,686,992	1,050,834	763,282	40,821,833	-	63,579,519
Impairment	-	0	0	0	0	0	0	0	0
At 30 June 2018	-	93,383,363	67,036,002	65,794,086	17,636,928	11,615,435	265,078,853	-	520,544,667
Net book values									
At 30th June 2018	435,000,000	729,970,049	10,077,691	6,269,649	7,355,838	1,272,137	285,752,829	1,146,721,972	2,622,420,165
At 30th June 2017	435,000,000	744,867,396	13,436,921	7,701,841	8,406,673	2,035,419	317,906,183	987,184,621	2,516,539,054
At 1 July 2018	435,000,000	823,353,412	77,113,693	72,063,735	24,992,766	12,887,572	550,831,682	1,146,721,972	3,142,964,833
Additions	-	-	895,000	846,000	-	-	9,895,362	202,078,191	213,714,553
Disposals	0	0	0	0	0	0	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Transfers/adjustments	0	0	0	0	0	0	0	0	0
At 30th June 2019	435,000,000	823,353,412	78,008,693	72,909,735	24,992,766	12,887,572	560,727,044	1,348,800,163	3,356,679,386
Depreciation and impairment									
At 1 July 2018	-	93,383,363	67,036,002	65,794,086	17,636,928	11,615,435	265,078,853	-	520,544,667
Depreciation	-	14,599,401	2,743,173	2,134,695	919,480	477,051	36,956,024	-	57,829,823
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0
At 30th June 2019	-	107,982,764	69,779,174	67,928,781	18,556,407	12,092,486	302,034,877	-	578,374,490
Net book values									
At 30th June 2019	435,000,000	715,370,648	8,229,518	4,980,954	6,436,359	795,085	258,692,167	1,348,800,163	2,778,304,895
At 30th June 2018	435,000,000	729,970,049	10,077,691	6,269,649	7,355,838	1,272,137	285,752,829	1,146,721,972	2,622,420,165
<i>[Include brief description of WIP as a footer]</i>									

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 WORK-IN PROGRESS CONTINUED

Description				
WORK-IN-PROGRESS	Description	BAL B/E	ADDITIONS	TOTAL
Hostels	Buildings	14,619,741		14,619,741
Academic Block P1	Buildings	385,679,549		385,679,549
Academic Block P2	Buildings	109,237,383	30,139,286	139,376,669
Dining Hall	Buildings	231,249,404		231,249,404
Resource III	Buildings	181,061,358	130,495,541	311,556,899
Lecture Hall	Buildings	43,910,109	40,533,800	84,443,909
link Road	Land improvements	85,445,658		85,445,658
Engineering ANNEX	Buildings	79,098,408	155,861	79,254,269
Conservancy Phase 11	Buildings	5,478,581		5,478,581
Ambulation Block	Buildings	7,108,510	753,703	7,862,213
University Gate	Buildings	3,833,272	-	3,833,272
Bal c/d		1,146,721,973	202,078,191	1,348,800,164

39 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Additions—internal development	0	0
At end of the year	0	0
Amortization and impairment	0	0
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 INVESTMENT PROPERTY

Description	2018	2017
i)One (1) ordinary shares of Ksh 20.00 in Kenya Farmers Association	20	20
ii)130175 redeemable ordinary shares of ksh 10.00 each with Kenya Planters Co-operative Union Ltd.	1,301,750	1,301,750
Impairment of investment	(1,301,770)	(1,301,770)
	<u>0</u>	<u>0</u>

41 BIOLOGICAL ASSETS

Description	2018 KShs	2017 KShs
Livestock	5,427,000.00	4,815,000
Coffee trees		
Number of Coffee trees (179,997@50)	<u>8,999,850.00</u>	<u>9,029,850</u>
Total	<u>14,426,850.00</u>	<u>13,844,850</u>
This was at net realisable value		

42 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018	2017
Trade and other payables	316,248,565	258,420,460
Farm creditors (Internal)	-	-
Interest on investment(internal)	-	-
Provisions (audit fees)	870,000	870,000
Research grants	<u>6,898,730</u>	<u>2,249,203</u>
Total Exchange transactions	324,017,295	261,539,663

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Prepayment (AFDB,CUE, HELB)	66,952,820	90,909,381
Capital Development Retention Funds	46,032,735	26,736,395
Total Non-Exchange transactions	112,985,555	117,645,776

44 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2018-2019	2017-2018
	KShs	KShs	KShs	KShs	KShs
Pension arrears	0	0	0	26,740,533	26,740,533
June 2019 Salary deductions	0	0	0	35,539,892	-
				62,280,425	26,740,533

45 PAYMENTS RECEIVED IN ADVANCE

Description	2018-2019	2017-2018
	KShs	KShs
Student creditors: Main campus	35,287,558	30,530,678
Student creditors: Nairobi Campus	3,856,336	2,413,969
	39,143,894	32,944,647

46 ACCUMULATED SURPLUS

Description	2018-2019	2017-2018
	KShs	KShs
Bal as at 1/7/2018	(285,795,148)	(134,799,279)
University Surplus/deficit for the period	(57,802,557)	(150,995,869)
Bal as at 30/6/2019	(343,597,705)	(285,795,148)

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

47 REVALUATION ACCOUNTS

Description	2018-2019	2017-2018
Bal as at 1/7/2018	594,561,638	594,931,638
Addition in the year	582,000	(370,000)
Bal as at 30/6/2019	<u>595,143,638</u>	<u>594,561,638</u>

48 CAPITAL FUND

Description	2018-2019	2017-2018
Bal as at 1/7/2018	2,054,252,711	1,999,195,075
Development fund	<u>234,797,091</u>	<u>55,057,636</u>
Bal as at 30/6/2019	<u>2,289,049,802</u>	<u>2,054,252,711</u>

49 MISCELLANEOUS INCOME

Description	2018-2019	2017-2018
Bookshop Sales	437,670	426,340
Conservancy Sales	88,283	127,908
Coffee Sales	272,966	371,710
Detergent Sales	93,905	57,070
Ground Charges	34,000	29,800
Library	101,340	81,907
Medical Fee	89,907	97,530
Utility fee	126,501	671,289
Transport Hire	324,902	129,861
Yoghurt Sales	260,792	30,725
ITOHM sale	64,350	258,870
Music Festival	2,527,141	-
Siemens	819,660	-
Sewer Charges	-	200
Conference income	2,632,061	1,705,949
Sale of tree-seedlings	<u>10,875</u>	<u>18,490</u>

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Total	7,884,351	4,007,649
--------------	------------------	------------------

50 RESEARCH GRANTS

Description	2018-2019 KShs	2017-2018 KShs
CIDA (College of rockies)	-	774,600
Brigit project	-	216,810
Geo-power Africa	-	2,224,647
VLIR Belgium project	479,910	3,653,699
Bioacoustics Project	24,942	172,223
WARUA Project	-	161,850
Data Science Africa Project	368,791	1,779,120
NRF Project	3,738,231	998,762
Oxford Volcanic Geothermal project	1,861,319	-
	6,473,193	9,981,711

51 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2018-2019 KShs	2017-2018 KShs
Consumer deposits	0	0
Other deposits	0	0
Total deposits	0	0

52 CURRENT PROVISIONS

Description	Leave provision KShs	Bonus provision KShs	Other provision KShs	Total KShs
Balance b/d(1.07.2018)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Total provisions as at 30.6.2019	0	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

53 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	
	KShs	KShs	KShs	KShs
Within current year				
Long term portion of lease payments				
Total provisions	0	0	0	0

54 DEFERRED INCOME

Description	2018-2019	2017-2018
	KShs	KShs
National government	0	0
International funders	0	0
Public contributions and donations	0	0
Total deferred income	0	0

The deferred income movement is as follows:

Description	Balance brought forward	Additions	Transfers to Capital fund	Transfers to income statement	Other transfers	Balance carried forward	Public contributions and donations	Total
	0	0	0	0	0	0	0	0
Balance brought forward	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Transfers to Capital fund	0	0	0	0	0	0	0	0
Transfers to income statement	0	0	0	0	0	0	0	0
Other transfers	0	0	0	0	0	0	0	0
Balance carried forward	0	0	0	0	0	0	0	0

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

55 NON-CURRENT PROVISIONS

Description	2018-2019		2017-2018	
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Change due to discount and time value for money	0	0	0	0
Less: Current portion	0	0	0	0
Total deferred income	0	0	0	0

56 BORROWINGS

Description	2018-2019 KShs	2017-2018 KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestic borrowings during the period	0	0
Balance at end of the period	0	0

The analyses of both external and domestic borrowings are as follows:

	2018-2019 KShs	2017-2018 KShs
External Borrowings		
Dollar denominated loan.	0	0
Sterling Pound denominated loan.	0	0
Euro denominated loan.	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Total balance at end of the year	0	0

Description	2018-2019 KShs	2017-2018 KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

57 SERVICE CONCESSION ARRANGEMENTS

Description	2018-2019 KShs	2017-2018 KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0
Net carrying amount	0	0
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

58 CASH GENERATED FROM OPERATIONS

Deficit for the year before tax	(57,802,556)	(151,498,112)
Adjusted for:		
Depreciation	57,829,823	63,579,519
	27,267	(87,918,593)
Working Capital adjustments		
Increase in inventory	2,218,249	1,686,271
Increase in receivables	120,991,139	226,002,804
Increase in payables	93,357,303	(76,986,273)
Increase in payments received in advance	6,199,247	(5,120,156)
Net cash flow from operating activities	(23,625,571)	57,664,053

59 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity'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 entity 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 entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

(i) Credit risk (Continued)

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

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2018				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2018				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while

optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(ii) Market risk (Continued)

a) Foreign currency risk (Continued)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KSh	Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets			
Investments	0	0	0
Cash	0	0	0

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

Debtors	0	0	0
Total financial assets	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Total financial liabilities	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Total financial assets	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Total financial liabilities	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

The following table demonstrates the effect on the entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2019			
Euro	0	0	0
USD	0	0	0
2018			
Euro	0	0	0
USD	0	0	0

b) Interest rate risk

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

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

The interest rate risk exposure arises mainly from interest rate movements on the entity'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.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
At 30 June 2019				
Financial Assets				
Quoted equity investments	0			
Non- financial Assets				
Investment property				
Land and buildings				
At 30 June 2018				

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Financial Assets				
Quoted equity investments	0			
Non- financial Assets				
Investment property				
Land and buildings				

There were no transfers between levels 1, 2 and 3 during the year.

a) *Financial instruments not measured at fair value (Continued)*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) **Capital Risk Management**

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0	0

60 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the University, holding 100% of the University equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Education Science and Technology
- iii) Council Members

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

	2018-2019	2017-2018
	Kshs.	Kshs.
Transactions with related parties		
a) Sales to related parties		
Sales of goods	0	
Sales of services	0	
Total	0	
b) Grants from the Government		
Grants from National Govt	734,840,704	705,674,928
Grants from County Government	0	
Donations in kind	0	
Total	734,840,704	705,674,928
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0	
Payments for goods and services for xxx	0	
Total	0	
d) Key management compensation		
Council' emoluments	7,440,813	9,158,264
Compensation to the CEO		
Compensation to key management		
Total	7,440,813	9,158,264

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY**Annual Reports and Financial Statements****For the year ended June 30, 2019****NOTES TO THE FINANCIAL STATEMENTS (Continued)****61 SEGMENT INFORMATION****62 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities	2018-2019	2017-2018
	Kshs	Kshs
Court case xxx against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

63 CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised for	0	0
Authorised and contracted for	0	0
Total	0	0

64 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Or: the entity remitted Nil (FY 2018 Kshs Nil). The entity did not make any surplus during the year (FY 2018 Nil) and hence no remittance to the Consolidated Fund.

65 TAXATION

	2018-2019	2017-2018
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (note 27)	0	0
Under/(over) provision in prior year/s (note 27)	0	0
Income tax paid during the year	0	0
At end of the year	0	0

66 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

	2018-2019 Kshs	2017-2018 Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	0	0
Provisions for liabilities and charges	0	0
	0	0
Net deferred tax liability/(asset)		
	=====	=====
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	0	
Credit to revaluation reserve	0	0
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
Balance at end of the year	0	0

67 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

68 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education Science and Technology. Its ultimate parent is the Government of Kenya.

69 Currency

The financial statements are presented in Kenya Shillings (Kshs).

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

[APPENDIX 1: 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)
	<p>Material uncertainty in relation to sustainability of services: In reference to a disclosure in Note 1 (x) to the financial statements which indicates that during the financial year 2017/2018, the University recorded a deficit of Kshs 150,995,869 (2016/2017: a deficit of Kshs 107,437,046). As a result, the accumulated deficit increased from Kshs. 134,799,279 as at 30th June 2017 and Kshs 285,795,148 as a 30th June 2018. Further, the current liabilities balance of Kshs 676,234,923 exceeded current assets balance of Kshs 402,989,109 resulting in a negative working capital of Kshs 273,245,814. This precarious financial</p>	<p>The consolidated deficit of KES.150,995,869 was occasioned by the growing amount of provision for depreciation on equipments amounting to KES.63, 579,519. The University specializes in Science, Technology, Engineering and Mathematics (STEM) programmes which requires these specialized equipments whose costs was KES.450 million and a provision for depreciation of 12.5% is provided for in every year. Provision for depreciation is not an actual outflow of cash but a concept which must be catered for in financial accounting.</p> <p>It also included University farm loss of KES.39,120,768 whose turn around</p>	Prof. P. N. Kioni Vice-Chancellor	Resolved	Done

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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 (In a date when you expect the issue to be resolved)
	<p>position is an indication of the existence of a material uncertainty which may cast a significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due.</p> <p>However, as disclosed and explained by the Management, the financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and that the Management will implement fully the proposed mitigating measures including restructuring and freezing of employment in none core business.</p>	<p>programmes are well explained in the farm recovery program attached. (See annex 1) The university is on course with this program.</p> <p>The third element contributing to the loss are the new CBAs signed with the various workers union and which only the consolidated arrears are provided for by allocations submitted by Government. The arrears have other incremental costs that include annual increments on basic salaries, house allowance, increase on pension and gratuity among other costs.</p> <p>The Council and Management have instituted various measures that will have a positive impact into the cash flow and sustainability of the university. These measures includes</p> <p>i) The University has appealed to Government for review of the recurrent expenditure funding allocation and fully adoption of the Differentiated Unit Cost</p>			

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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)
		<p>model (DUC). The Council and management is counting on a positive response from the parent Ministry and the National Treasury</p> <p>The University is being funded at the level of approximately 52% of the cost of the program going by the DUC figures.</p> <p>ii) The university Council has already instituted a restructuring strategy within the administration divisions aimed at reducing recurrent expenditure costs. These savings are expected to bring down the deficit.</p> <p>iii) The university has frozen employment in none core business areas. Indeed even with increased student population, the staff population as at 3^{0th} June 2017 was 478 and as at 30th June 2018 the staff population has been retained at 480.</p> <p>iv) The university reorganized teaching to reduce cost of teaching. This is a continuing effort and once fully implemented it will reduce the cost of</p>			

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Reference No. on the Annual Audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (By a date when you expect the issue to be resolved)
		<p>teaching by 25%.</p> <p>Although there is a deficit, there are continued efforts as enumerated in the measures above and the University endeavors to reduce the deficit in an effort to improve the cash flow to meet its financial obligations.</p>			
	<p>Un authorized over-expenditure on property, plant and equipment; during the year under review, a budget of Kshs. 97,428,438 was approved under four expenditure items comprising of Kshs 7,600,000, Kshs. 65,449,066, Kshs 13,333,333 and Kshs 11,046,039 for purchase of furniture and fittings, construction of Resource Centre III, construction of Main Lecture Theatre and construction of Academic Block Phase II respectively. However, the University incurred actual expenditure of Kshs 8,668,479, Kshs. 75,850,162, Kshs 17,523,564 and Kshs. 20,384,152 on the respective four</p>	<p>In the Financial Year 2017/2018, the Government allocated the University KES. 270,023,095 for capital development. On the basis of this budget the University management engaged contractors for the said work and the contracts were executed. The communication with regard to reduction of the budgetary allocation was made to the University in February 2018. By that time contracts had been signed and certificates amounting to 181,748,962 submitted to Ministry of Education for reimbursement. Given the situation and contractual obligation the matter was discussed by the University council. A further appeal was made to the Ministry of Education for release of the money.</p>	<p>Prof. P. N. Kioni Vice-Chancellor</p>	<p>Resolved</p>	<p>Done</p>

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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)
	items, totaling to Kshs 122,426,357, resulting in an unauthorized over-expenditure of Kshs 24,997,919. No explanation has been provided for failure to obtain relevant authorization or approval through supplementary budget before incurring the excess expenditure.				
	Personnel Costs – loss due to breach of bond agreement; available documents indicated that an Assistant Lecturer was sponsored by the University in 2013 to pursue a Ph.D in Actuarial Science at the University of Canterbury in New Zealand for a period of 4 years. The course and financial support were approved by the University’s Staff Training and Development Committee at a cost of Kshs 2,148,545 on condition that the Lecturer be bonded to the service of the University for a period of three years on completion of the course in line with the Government Policy on sponsored trainings. The bond terms	The University has a policy of bonding staff who are trained through scholarship under DeKUT staff training. The policy of the University is to liquidate the bond once the rules are violated. The HR department through the Legal Department has instituted the recovery of money for sponsorship given to the staff mentioned. The demand notice was sent by the Legal Department and since the staff has not responded, we intend to write to the Embassy of one foreign country where the staff is reported to be working. The University is also exploring the process of listing the staff under the credit reference bureau (CRB) to facilitate recovery of the funds.	Prof. P. N. Kioni Vice-Chancellor	Resolved	Done

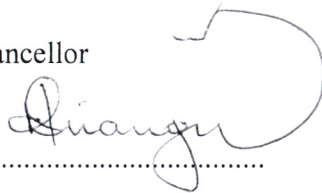
DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

Reference No. of the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Time frame (Put a date when you expect the issue to be resolved)
	<p>stipulated that he shall pay back the total amount incurred on him.</p> <p>The Lecturer continued to earn his full salary and annual leave allowance amounting to Kshs. 7,514,777.70 during the entire four years of his study leave. In addition, the Lecturer also continued to earn his annual leave allowance for the entire period of his study contrary to the provisions of the Staff Training and Development Policy</p> <p>Examination of personal file and other records further revealed that the lecturer returned from study leave on 18th December 2017 but has never resumed his duties despite being bonded for service at the University after completion of studies. As a result, of the lecturer absconding duty, the University is at a risk of losing Kshs 9,663,322.70 comprising of Kshs. 7,514,777.70 in salaries paid</p>				

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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)
	<p>during the study leave and the cost of the Sponsorship amounting to Kshs. 2,148,545.</p> <p>The Management has not provided explanation on the measures taken to recover the amount spent on the lecturer or paid to him during the training.</p>				

Vice chancellor



Date.....

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects

Projects implemented by the University Funded by Government

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting requirements	Consolidated in these financial statements (Yes/No)
1 Resource III		GOK	3 Years	100%	NO	YES
2 Lecture Theatre		GOK	3 Years	100%	NO	YES
3 Academic Block P2		GOK	3 Years	100%	NO	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Resource III	475,096,810	311,556,899	96.5%	126,290,000	124,019,620	GOK
2	Lecture Hall	234,428,237	84,443,909	85.5%	41,673,022	40,533,800	GOK
3	Academic Block P2	285,899,378	139,376,669	85%	88,758,032	30,139,286	GOK

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

Annual Reports and Financial Statements

For the year ended June 30, 2019

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY		
Break down of Transfers from the State Ministry of Education Science and Technology				
FY 2018/2019				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		2/8/18/18	55,371,302	2018/2019
		3/8/18	55,371,302	2018/2019
		1/10/18	55,371,301	2018/2019
		7/11/18	55,371,302	2018/2019
		3/12/18	52,049,024	2018/2019
		27/12/18	52,049,023	2018/2019
		1/2/19	54,263,876	2018/2019
		7/3/19	54,263,876	2018/2019
		28/3/19	50,941,597	2018/2019
		2/5/19	55,371,302	2018/2019
		6/6/19	55,371,302	2018/2019
		28/6/19	55,371,302	2018/2019
		Total	651,166,509	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		24/10/18	99,971,236	2018/2019
		27/11/18	28,389,291	2018/2019
		3/3/19	83,981,511	2018/2019
		29/5/19	22,455,053	2018/2019
		Total	234797091	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

		Total	0	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
Dedan Kimathi University of Technology

Sign 

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
Annual Reports and Financial Statements
For the year ended June 30, 2019

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution		Recurrent							
Ministry of Planning and Devolution		Development							
USAID		Donor Fund							
Ministry of Planning and Devolution		Direct Payment							
Total									

